



Q3 2024 Earnings Remarks | November 6, 2024

Vanessa Gillon, Head of Investor Relations

Thank you, and welcome to CuriosityStream's discussion of its third quarter 2024 financial results. Leading the discussion today are Clint Stinchcomb, CuriosityStream's Chief Executive Officer, and Brady Hayden, CuriosityStream's Chief Financial Officer. Following management's prepared remarks, we will be happy to take your questions. But first, I'll review the safe harbor statement.

Safe Harbor Statement

During this call, we may make statements related to our business that are forward-looking statements under the federal securities laws. These statements are not guarantees of future performance, but rather are subject to a variety of risks, uncertainties, and assumptions. Our actual results could differ materially from expectations reflected in any forward-looking statements. Please be aware that any forward-looking statements reflect management's current views only and the Company undertakes no obligation to revise or update these statements nor to make additional forward-looking statements in the future. For a discussion of the material risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC website and on our Investor Relations website as well as the risks and other important factors discussed in today's press release. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, when filed. In addition, reference will be made to non-GAAP financial measures. A reconciliation of these non-GAAP measures to comparable GAAP measures can be found on our website at investors.curiositystream.com. Unless otherwise stated, all comparisons will be against our results for the comparable 2023 period.

Now I'll turn the call over to Clint.

Clint Stinchcomb, Chief Executive Officer

Thank you, Vanessa.

I appreciate everyone joining us today for this Q3 quarterly report. I'm delighted to share that we generated our highest ever quarterly adjusted free cash flow. This marks our eighth consecutive quarter of increased free cash flow and our third consecutive quarter of positive free cash. Specifically, our \$2.6 million dollars in adjusted free cash flow represents a year over year improvement of nearly 6 million dollars. We also increased our top-line revenue and EBITDA sequentially. And even as we paid a significant dividend, our liquidity from Q2 to Q3 increased. We believe we are well-positioned to continue to deliver sequential top-line revenue growth, to generate meaningful adjusted free cash flow and to continue to pay our dividend from surplus cash.

We grew our direct subscription revenue 13% year over year, and while our sequential growth was flat, our margin here was up. As I mentioned last quarter, our annualized direct revenues now exceed our annualized operating expenses on a cash basis. We executed many new partnership agreements in Q3 that offer long term reliable and durable recurring revenue. We launched PayTV channels with MVPD partners in Europe and Latin America. Amazon made Curiosity University one of a small group of curated services available in the Prime Video Channels store. In regard to our advertising and sponsorship initiatives, we achieved some major milestones as we launched four FAST channels with Samsung TV+ domestically and Internationally. We rolled out new AVOD packages with the largest global third-party partners, Pluto in the US, Tubi in the UK and Canada, and Roku in Latin America, among others. We executed nine content licensing agreements with partners in the US, Europe, the Middle East and Latin America.

On the content front, we continued to expand our "Summer Doc-Busters" programming and marketing campaign to increase viewer engagement across some of our biggest and best-performing original series, including The Real Wild West, Asteroid Rush, Planet Insect, GIANTS, and Connections with James Burke. We also released three new specials from

our acclaimed original series Ancient Engineering, highlighting some of humanities greatest achievements throughout Egypt, China and the Middle East. And we premiered multiple groundbreaking science, history and nature specials, including Spider Vision: Decoding Color, The Science of Movement, Cute Little Killers, Mystery of the Celtic Tomb and Little Penguin Love Island.

We are achieving new heights and critical milestones while continuing to keep our shoulders to the wheel and thoughtfully rationalize our cost base. In light of the increasing availability of AI infused productivity tools, significantly reduced vendor costs and strong organizational incentives around cost containment, we believe that we have additional room to reduce our overall expenses both fixed and variable.

In closing, I'm really proud that the well-directed work of our talent-dense team enabled us to generate \$2.6 million dollars in adjusted free cash flow and end the quarter with approximately 40 million dollars in liquidity and no debt. Looking forward, we anticipate executing meaningful licensing agreements over the next several quarters with 20-30 new partners through both new grants of rights and traditional grants of rights for the premium content and assets we own and have under license. These monetizable data sets today include over 300,000 hours of video and audio and hundreds of thousands of unique images, audiobooks, scripts, text and code.

We believe our strong balance sheet and significant and growing positive cash flow make us stand out in the current environment. Moreover, we continue to believe that our global appeal, our direct subscriber base and direct platforms, our multiyear third-party agreements, our public company currency and our rationalized cost structure are uniquely favorable attributes that provide us with sustainable long-term strength and exceptional flexibility.

I'd now like to pass the baton to my friend and colleague, Brady Hayden.

Brady Hayden, Chief Financial Officer

Thank you, Clint, and good afternoon, everyone.

As Clint said, we achieved another milestone in the third quarter, as Adjusted Free Cash Flow came in at 2.6 million dollars, near the high end of our guidance range. This also represented the highest quarterly adjusted free cash flow in the company's history, and two years of sequential quarterly improvement in this metric.

Revenue for the third quarter was 12.6 million dollars, compared to 12.4 million dollars in the second quarter, and 15.6 million dollars a year ago. Adjusted EBITDA improved by 3.5 million dollars from last year, and our Adjusted Free Cash Flow improved by 5.6 million dollars, as we continued our intense focus on the bottom line.

Our largest revenue category in the quarter was our Direct business, which generated 9.8 million dollars, up 13% from a year ago, as we continued to benefit from the price increases we began rolling out last year.

Our additional revenue categories - Content Licensing, Bundled Distribution and Other, generated 2.8 million dollars in the quarter, compared to 7 million dollars a year ago. This change was driven mostly by the timing of content licensing transactions, and a number of non-cash barter deals that we closed a year ago, while content licensing remains an inherently lumpy part of the business.

Third quarter gross margin of 54% increased from 46% a year ago, driven by continued reductions in content amortization and cash-based cost of revenues. Our gross margin excluding content amortization, which focuses on the cash cost of delivering our services, was 90% in the third quarter, compared to 80% a year ago. Looking ahead, we expect gross margin to continue to improve.

Turning to third-quarter operating expenses: G&A was 6.4 million dollars, down from 7 million dollars or 8% from Q3 of last year, as we realized the ongoing benefits of our planned spending reductions. And excluding stock-based compensation, G&A declined 39% from a year ago. Finally, advertising and marketing expense was 3.6 million dollars, a decline of 30% from 5.1 million dollars a year ago, as we have continued to reduce partner marketing obligations.

Adjusted EBITDA loss was 0.4 million dollars in the third quarter, compared to a loss of 3.9 million dollars a year ago. While we don't provide guidance

with regard to this metric, we expect that as gross margin continues to improve, breakeven Adjusted EBITDA is within our reach. And as we mentioned earlier, Adjusted Free Cash Flow was 2.6 million dollars in the quarter, compared with negative 3 million dollars a year ago.

Turning to return of capital: During the third quarter, we repurchased 173 thousand shares of our common stock, bringing the total to 195 thousand shares bought back under the repurchase program that we announced in June.

We paid our July dividend of 1.3 million dollars, and we ended September with total cash and securities of 39.8 million dollars and no outstanding debt. We believe our balance sheet remains in great shape, and that this provides us with significant operating flexibility.

Moving to fourth-quarter guidance, we expect revenue in the range of 12 to 14 million dollars and Adjusted Free Cash Flow in the range of 2 to 3 million dollars.

With that, we can hand it back to J.L. and open the call to questions.