



## **Q2 2024 Prepared Remarks**

### **Introduction**

#### ***Tia Cudahy, Chief Operating Officer and General Counsel***

Welcome to CuriosityStream's discussion of its second 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 June 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](https://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, CEO***

Thank you, Tia and good afternoon everyone. In addition to Tia, our COO and General Counsel, our CFO, Brady Hayden is on our call today.

I appreciate everyone joining us today for this milestone quarterly report. In light of well-directed hard and efficient work by a tight, talent-dense team of people, we generated our highest ever quarterly adjusted free cash flow. Specifically, we generated \$2.5 million in adjusted free cash flow in the second quarter, a year over year improvement of about 7 million dollars and an over 100% improvement from Q1 2024. This marks our seventh consecutive quarter of adjusted free cash flow improvement. We also increased our topline revenue sequentially. I am happy to say and would like to make it abundantly clear that Curiosity is generating cash. I know that sometimes accounting terms like EBITDA and adjusted EBITDA can be confusing, which is why I'm using this very concrete language about generating cash. Even as we paid a significant dividend, our cash position from Q1 to Q2 increased. We believe we are well-positioned to grow topline revenue, to generate meaningful adjusted free cash flow and to continue to pay our dividend from surplus cash.

In Q2 we increased our direct subscription revenue sequentially and year over year. At approximately 10 million dollars in direct revenue for the quarter, our annualized direct revenue, alone, now exceeds our current annualized operating expenses including our more variable categories like content and marketing. As we have considerable flexibility around our marketing and content investments we have the ability to lever up our

marketing and acquisition spend based on seasonality, key promotables and other relevant company and industry dynamics. While our overall licensing and bundled revenue was up slightly sequentially, I'd like to note that we actually expanded into new categories of licensing partners in Q2 and granted some rights we had never explicitly granted. As licensing can be lumpy these new categories will not necessarily reduce spikes but they will certainly help to increase our floor.

We are achieving new heights and critical milestones while continuing to thoughtfully rationalize our cost base. A simple way for companies to cut costs is to slash marketing. That is the easy way out and that can have a damaging long term impact on growth. We have not done that. We believe our cash marketing spend in 2024 will be roughly equivalent to what it was in 2023. We have done the harder work in reducing annualized overall operational cash costs by more than 30%. We have renegotiated vendor relationships, consolidated vendors, leveraged certain emerging productivity tools and like other profitable companies properly incentivized cost containment across the organization.

On the content front, we launched several new programming initiatives including "Earth Month," anchored by the premiere of our landmark original series *The Sun*; "Jaws & Claws Week," anchored by the premiere of our three-part original series *Tracker's Diary: Tigers of Nepal*; and our extensive new "Summer Doc-busters" campaign, anchored by the premiere of our groundbreaking original series *Fateful Planet*. Throughout the quarter, we continued to premiere many other original series and specials across the full spectrum of factual, including original series like *Taste: The*

*Flavor of Life*, an engaging look at the evolutionary role of deliciousness, and *Wings: World War Two in the Skies*, a two-part special chronicling the air-wars in Europe and the Pacific, released for the 80th Anniversary of D-Day.

In closing, I'm delighted to again reinforce that for the quarter we generated 2.5 million dollars in adjusted free cash flow and we ended the period with nearly 40 million dollars in cash and equivalents, and zero debt. We believe our strong balance sheet and projected 2024 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 broad and deep content library of tens of thousands of licensable audio and video programs and raw footage, as well as monetizable datasets like images, transcripts, code and text, our multi year 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, CFO***

Thank you, Clint, and good afternoon everyone.

First of all, let me just say that I'm grateful to be taking the reins of the finance organization at such a pivotal time in the company's history. Having successfully reinforced the financial foundation of the company, we are now squarely focused on creating shareholder value, through profitable growth and prudent capital allocation.

We have already demonstrated clear progress on this journey. In each of the past two quarters, we have increased our cash balances, even after returning cash to shareholders through our dividend and share repurchases. And thanks to our strong balance sheet and positive cash-flow profile, we see a wealth of possibilities moving forward.

As Clint said, we achieved another milestone in the second quarter, as Adjusted Free Cash Flow of 2.5 million dollars came in at the high end of our guidance range. This also represented the highest quarterly Adjusted Free Cash Flow in the company's history, and our seventh straight quarter of sequential improvement in this metric.

Revenue for the second quarter was 12.4 million dollars, compared to 14.1 million dollars a year ago, and near the midpoint of our guidance range. Adjusted EBITDA improved by 5.5 million dollars, and our Adjusted Free Cash Flow improved by 6.8 million dollars, as we continued our intense focus on the bottom line.

Second quarter gross margin of 52% increased from 30% a year ago, driven by lower content amortization, as well as significant reductions in our cash-based cost of revenues. Our gross margin excluding content amortization, which really gets at the cash cost of delivering our services, was 89% in the second quarter, compared to 75% a year ago.

Our largest revenue category in the quarter was our Direct business, which generated 9.8 million dollars, up 17% from a year ago and 3% from the first quarter, 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 2.6 million dollars in the quarter, compared to 5.7 million dollars a year ago. This change was driven mostly by the timing of content licensing deals, as this continues to be an inherently lumpy part of the business.

Turning back to second quarter expenses, G&A was 6 million dollars, down 25% from a year ago, as we continued to realize the benefits of our planned spending reductions, as well as our finance transformation and workforce optimization efforts.

Second quarter advertising and marketing expense of 3 million dollars declined 29% from 4.2 million dollars a year ago, as we increased our efficiency in deploying our customer acquisition dollars.

Adjusted EBITDA loss was 1 million dollars in the quarter, compared to a loss of 6.5 million dollars a year ago. While we don't provide guidance with regard to this metric, we believe that breakeven Adjusted EBITDA is within our reach, as we expect margins to continue to improve in the coming quarters. And as we mentioned earlier, Adjusted Free Cash Flow was 2.5 million dollars in the quarter, compared with negative 4.3 million dollars a year ago.

We of course paid our first dividend of 1.3 million dollars in April, and we ended June with total cash and equivalents of 39.6 million dollars and no outstanding debt. We believe our balance sheet remained in great shape, with 91 million dollars of assets, 26 million dollars of liabilities, and book value of 65 million dollars, or approximately \$1.21 per share.



One final note on the second quarter: On June 11th, we announced that our Board had approved a share repurchase plan for up to 4 million dollars. Through the end of June, we had repurchased 22 thousand shares of our common stock, and we will continue to strategically buy back shares going forward.

Moving to third-quarter guidance, we expect revenue in the range of 12 to 14 million dollars, and Adjusted Free Cash Flow in the range of 1.5 to 3 million dollars.

With that, Operator, let's open the call to questions.