

Background

- CuriosityStream is an online video streaming service specialising in factual documentaries and entertainment
- Founded in 2015 and entered the public markets in Oct 2020 via a SPAC
- Has multiple revenue streams from direct subscriptions, bundled subscriptions, program sales, ad revenue, and corporate partnerships

Leadership

- Founded by industry veteran, John Hendricks, the founder and former CEO of Discovery Communications, the parent company of the Discovery Channel, Animal Planet and TLC, and serves on as chairman and owns ~45% of the company
- Clint Stinchcomb serves as the president and CEO, having joined the company in 2017 as the Chief Distribution Officer. Stinchcomb has worked at Discovery Communications as well as founding and running several content franchises
- The leadership team has extensive experience in the entertainment and media industries

Total Addressable Market

- The global video streaming market in 2021 is estimated to reach \$71B and is expected to grow 20% annually through 2027. User penetration for video streaming is expected to grow from the current 12.9% to 18.2% by 2025
- CuriosityStream are unlikely to be the primary streaming TV service for a household, but may be a popular secondary service for many households, especially those with children, given its low cost and educational content

Costs of Production

- The cost of producing factual content is much lower than for other types of content such as dramas and reality TV, approximately 10% of the cost on average
- Documentary style content is likely to play well in multiple markets, it's easier to translate to other languages, and typically has a longer lifespan than other types of content
- CuriosityStream own most of their content and have over 3,000 titles across 6 major categories: science, history, technology, nature, society, and lifestyle; and plan to increase this to 12,000 titles over the next 5 years

Customers

- At the end of Q3 2020, they had over 13M paying subscribers in 175 countries, including both direct subscriptions and bundled subscriptions, representing a 108% YOY increase
- The churn rate was only 2.6% and the mid-term target is 80M subscribers by 2023
- Has multi-year agreements with institutions such as universities to provide and operate co-branded streaming services, with 40 clients so far. May help to build a brand associated with education
- They are also targeting the corporate social responsibility programming market, which is worth \$20B just from the Fortune 500 companies alone

Competitors

- The video streaming market is getting very crowded from niche services to media giants
- Other factual content streaming services include Magellan, Kanopy and Gaia
- Netflix has 500 non-fiction titles in its library, while Disney has National Geographic which may be enough factual content for many viewers
- Strongest competition may come from Hendricks' previous company, Discovery Communications and their Discovery+ streaming offering
- CuriosityStream is a potential acquisition target for a large network such as Disney or Discovery Communications

Financials

- Revenue growth in 2019 was 93.6% and the projected revenue growth is 119% for the full year in 2020 and 83% for 2021. The business is not yet profitable but is expected to become free cash flow positive by 2024
- Gross margins at around 60% having increased from 59% in Q3 2019 to 61% in Q3 2020
- Very high spend on advertising and marketing in relation to revenue, totalling \$29M for the first 3 quarters of 2020
- Cash balance of \$180M following the SPAC merger, with low debt
- Market cap of \$700M, giving a P/S ratio of ~18 on projected 2020 revenue of \$39.5M