

Background

- World's leading spatial data company specialising in digitising physical spaces
- Used to create digital models of the real world and to share those models anywhere
- Founded in 2011 and became public via a SPAC in July 2021 at a valuation of \$2.9B

Tailwinds

- Virtual tours on sale and rental properties garner more interest, and homes with virtual tours sell more quickly and for a higher price
- Digital twins of commercial and industrial spaces can help with property management, process control, and efficiency optimisation
- Accurate 3D models and hi-res images provide an accurate record of a space and allows work to be done remotely, e.g. insurance appraisal, crime scene investigation
- Digitising the real world and the rise of VR/AR/XR may increase virtual travel

Leadership

- RJ Pittman has been CEO since Dec 2018, was previously Chief Product Officer at eBay and had senior roles at Google and Apple
- Co-founder Matt Bell left in 2017 but co-founder Dave Gausebeck remains as Chief Scientist. Gausebeck was previously a chief technical architect at PayPal
- Board member Peter Hebert owns 21%, Jason Krikorian 8%. Total insider ownership is around 30%
- Around 450 employees
- Glassdoor: 4/5 overall, 68% would recommend to a friend, 80% approve of CEO

Total Addressable Market (TAM)

- Company estimates that there are 4B buildings globally, containing 20B spaces
- Company provides a dubious TAM estimate of TAM \$240B, based on \$1 per month per space (and \$1.2T based on \$5/month). A very immature market that's very hard to value
- Currently have 5.6M spaces under management, less than 0.1% of estimated total
- 6.5M homes were sold in the US in 2020, expected to rise to 7.1M in 2021, while Airbnb have over 7M listings. There are an estimated 1B homes globally
- Only 3% of home listings have a 3D virtual tour today
- Around 13% of the Fortune 1000 companies use Matterport
- Possible that many uses of spatial data will emerge and increase the TAM, but this is difficult to project with any level of certainty

Customers

- Over 400,000 subscribers in over 150 countries, but only 20% are paid subscribers
- Revenue comes from four sources: subscriptions (52% of total revenue), licensing (7%), services (10%) and hardware (31%)
- High-margin subscription SaaS business growing quickly
- Subscription revenue increased from 41% of total revenue in Q2 2020 to 52% in Q2 2021 and is projected to be 86% by 2025. Subscription gross margin rose to 78% from 71% in Q2 last year
- Low-margin hardware business declining but their cameras are the best 3D mapping devices available, appeal to professionals capturing a high number of spaces or needing high accuracy
- Matterport Cloud uses proprietary Cortex AI platform to build 3D model from scans and automate many tasks such as room and object identification

Competitors

- Multiple property market competitors, including Zillow, VPIx 360, Pano2VR, Digital Era 360
- Matterport has 90% share of home real estate market - first-mover advantage
- Matterport has captured over 15M sq ft, 100x that of closest competitor - data advantage
- Another advantage is that Matterport can use a smartphone for image capture - driving higher growth in both free and paid subscribers upon release of their iPhone app. Android app (in beta) may power international growth in a similar way
- Smartphones are improving each year and competitors may catch up with their own apps

Optionality

- Matterport has opened its platform to developers via an API and have over 50 platform partners
- Partnership with Facebook AI Research to train robots and AI assistants
- Platform integration with PTC Vuforia for developing industrial AR tools
- Partnership with Apex to enable retail to capture, manage and evaluate building data
- Partnership with SIMLAB in the digitisation of buildings during design and construction

Financials

- In Q2 2021, total revenue was \$29.5M (+21% YoY), of which subscription revenue was \$15.3M (+53% YoY) and hardware revenue was \$9.2M (-23% YoY)
- Net dollar expansion rate of 132%, up from 129% in Q1, and 112% in Q4 2020
- Cash \$636.9M and debt of \$23.9M following SPAC deal, providing a long runway to fund growth
- Not currently profitable, had operating losses of \$11.6M in 2020
- As of 6 Sep 2021, market cap of \$4.3B on revenues of ~\$120M, an extremely rich valuation