

Calm

Calm is a software company that produces content around mindfulness and relaxation.

#b2c

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Details

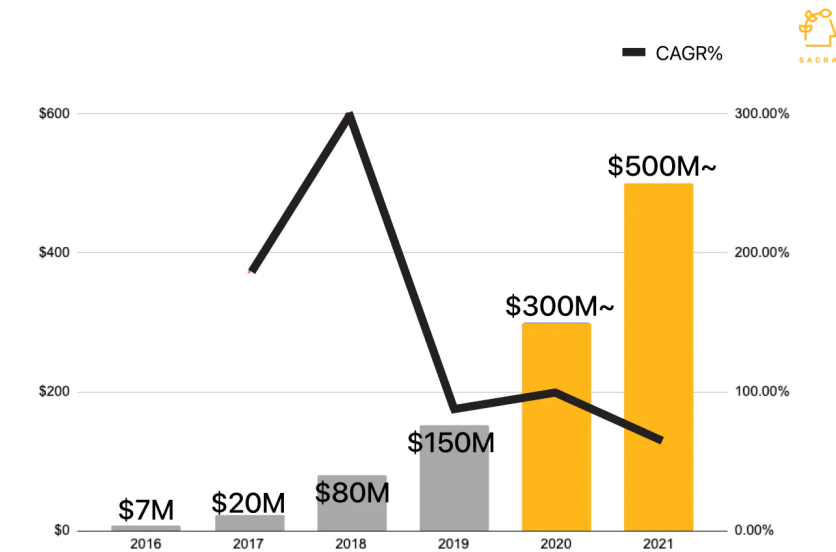
HEADQUARTERS
San Francisco, CA

CEO
Michael Acton Smith and David Ko



REVENUE	VALUATION	GROWTH RATE (Y/Y)
\$500,000,000	\$2,000,000,000	66%
2022	2022	2022
FUNDING		
\$218,000,000		
2022		

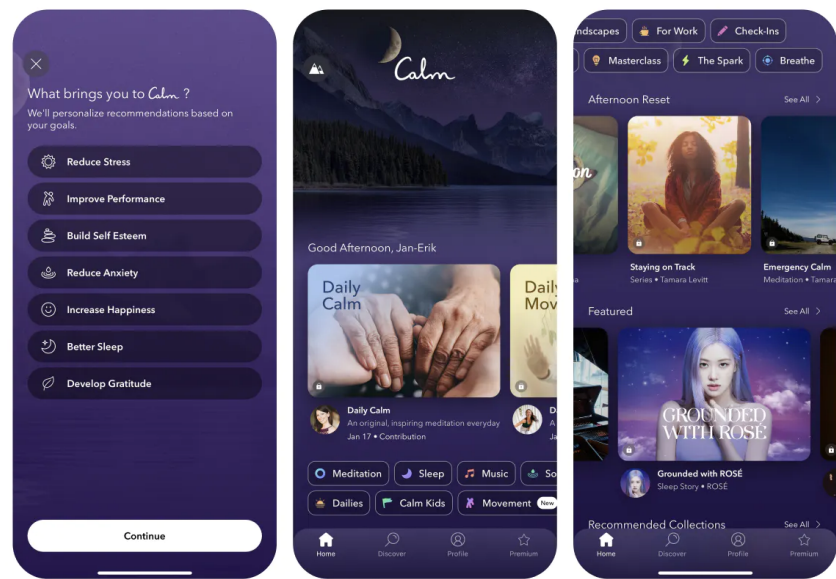
Revenue



Calm monetizes by selling yearly subscriptions to its content at \$70 per year. Over the last several years, Calm has gradually reduced the amount of content that is available on their app for free—from about 90% to roughly 5%. In turn, they’ve increased the number of users who pay for their Calm subscription from about 2% to 7%.

During COVID, Calm grew revenue from \$150M to more than \$500M.

Product



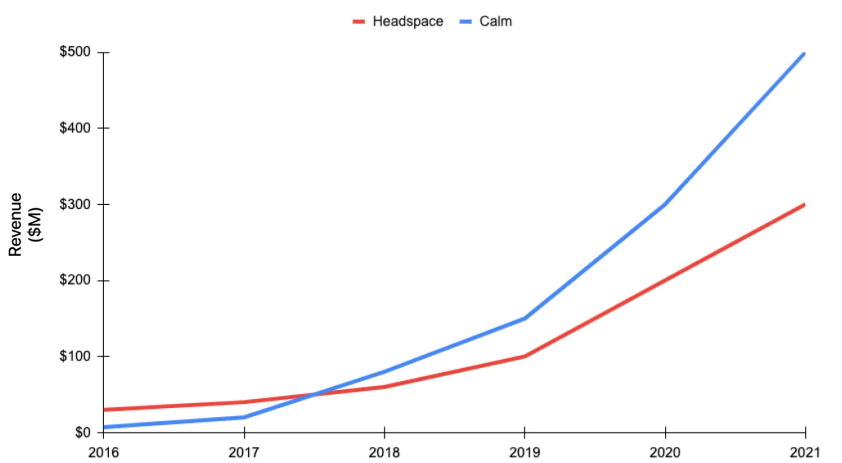
Calm is building the Spotify of sleep, with currently 4M+ paying subscribers around the world. Before discovering meditation and launching Calm, founder Alex Tew was best known for launching the early internet phenomenon the Million Dollar Website in 2005.

Calm’s founding coincided with two big trends: a broader revival of interest in and mainstreamification of meditation, as well as the release of the iPhone 5 and the rise of the iOS App Store.

Calm’s initial core value proposition was a simple, app-based way to learn to meditate, but the company’s growth took off as they expanded to creating audio for broader human needs like stress relief and sleep. Today, about half of all Calm users use the app for help with sleep.

Over the years, Calm has transformed from a mostly-free app of meditation audios to a virtually paid-only content business with audios from influencers, athletes and celebrities, from K-pop stars to LeBron James and Matthew McConaughey, as well as an B2B offering catering to team wellness.

Competition



Calm was originally a fast follower behind Headspace, which carved out the niche of teaching people how to meditate via linear, guided audios. As of 2015, Calm had hit 2M downloads but was still the #2 meditation app behind Headspace.

Headspace remained focused on the linear meditation course paradigm, while Calm pivoted around sleep, relaxation, and other “meditative use cases”. Since then, Calm has overtaken Headspace largely driven by this shift to sleep as a core use case.

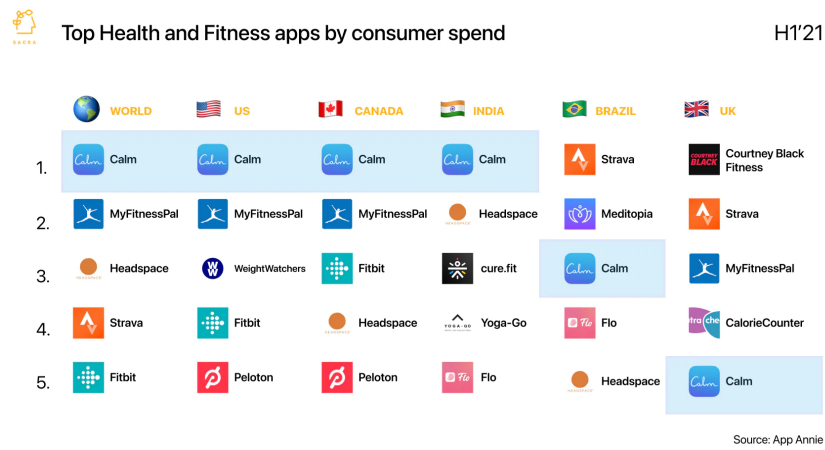
Other notable potential competitors include:

Peloton: has its own library of meditative content, yoga, stretching, etc.

Spotify: has existing penetration into consumer listening behavior and hosts relaxation-themed audios

Netflix: Calm’s expansion into video with an HBO Max series puts them in more direct competition with Netflix

App



As Calm has transitioned from largely free content to mostly paid content and improved their conversion rate, they have become the #1 health and fitness app by consumer spend around the world.

Risks

- 1. While COVID has been a boon for Calm’s business, the end of the pandemic and a ‘return to normalcy’ could cause some corresponding churn as customers look to offload their ‘COVID subscriptions’.
- 2. Companies like Peloton, Spotify and Netflix with already-high penetration into the daily listening, watching, and physical habits of consumers could hurt Calm’s ability to get adoption for its TAM expanding products.
- 3. Calm could be forced to continue spending on big-ticket content from stars like LeBron James and fail to invest sufficiently in an engine of original, internal content to maintain subscriber interest.

TAM Expansion

Existing customers

There are three categories, broadly, into which we see Calm having the potential to expand:

Fitness and health: Calm’s new “Daily Move” feature incorporates physical activities like yoga, tai chi, pilates, stretching, dance, and walking into the app. Their acquisition of Ripple Health Group (02/2022) marks their expansion into clinical healthcare. Overall, these additions point to Calm’s opportunity in the broader physical fitness and mental health spaces.

Team

Michael Acton Smith
Co-CEO

David Ko
Co-CEO

Will Larson
CTO

Tony Hsieh
VP of Product

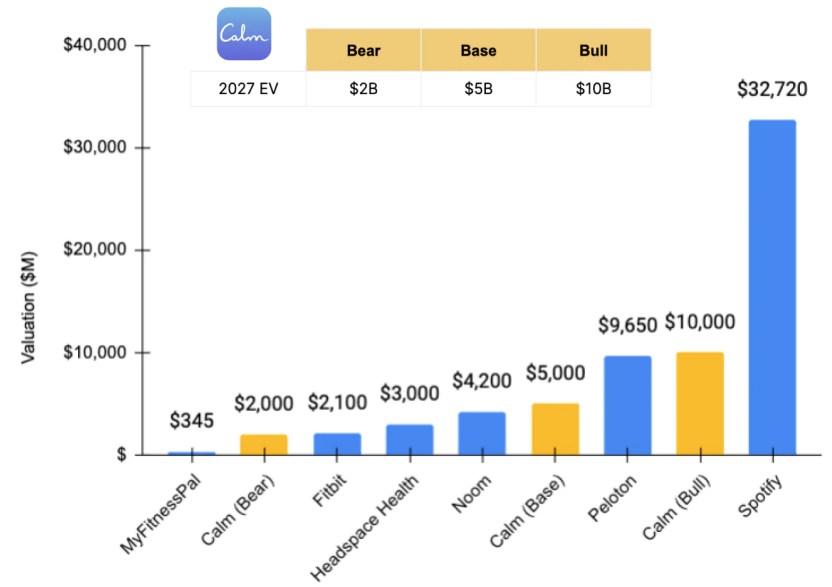
Alexander Will
President

Mads Johnsen
CPO

B2B/Enterprise: Similar to companies like ClassPass and U2Me, Calm has developed a B2B offering that’s sold into teams as a way to keep employees healthy. Today, Calm has a partnership with Kaiser Permanente—continued top-down sales into similar size copmanies could become a formidable revenue driver for the company in the future.

International expansion: The majority of Calm’s users are in the United States, though the app is seeing strong traction in large markets like Canada, Brazil, and India. Across the world, Calm has the opportunity to establish itself as #1 in the emerging category of audio-based meditations.

Comps



Fundraising

Round	Date	Amount	Valuation	Investors
Seed	02/2013	\$465K		-
Seed	06/2014	\$578K		Jason Calacanis
Series A	06/2018	\$27M	\$250M	Insight Partners
Series B	02/2019	\$88M	\$1B	TPG Growth
Series B	07/2019	\$27M	\$1B	Lightspeed Venture Partners
Series C	12/2020	\$75M	\$2B	Lightspeed Venture Partners

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