

S&P Global

Market Intelligence

Cineverse Corp. NasdaqCM:CNVS

Earnings Call

Friday, June 27, 2025 2:00 PM GMT

CALL PARTICIPANTS	2
-------------------	---

PRESENTATION	3
--------------	---

QUESTION AND ANSWER	10
---------------------	----

Call Participants

EXECUTIVES

Christopher J. McGurk

Chairman & CEO

Erick Opeka

President & Chief Strategy Officer

Gary S. Loffredo

*Chief Legal Officer, Secretary &
Senior Advisor*

Mark Antonio Huidor

President of Technology and Chief Product Officer

Mark Wayne Lindsey

Chief Financial Officer

ANALYSTS

Brian David Kinstlinger

*Alliance Global Partners, Research
Division*

Daniel Louis Kurnos

*The Benchmark Company, LLC,
Research Division*

Presentation

Operator

Good day, everyone. Welcome to Cineverse's Fourth Quarter and Fiscal Year 2025 Financial Results Conference Call. My name is Emily, and I will be your operator today. [Operator Instructions] Please note that this call is being recorded.

I would now like to turn the call over to your host, Gary Loffredo, Chief Legal Officer, Secretary and Senior Adviser for Cineverse. Please go ahead.

Gary S. Loffredo

Chief Legal Officer, Secretary & Senior Adviser

Good morning, everyone. Thank you for joining us for Cineverse's Fourth Quarter and Fiscal Year 2025 Financial Results Conference Call. The press release announcing Cineverse's results for the fiscal fourth quarter and year ended March 31, 2025 is available at the Investors section of the company's website at www.cineverse.com. A replay of this broadcast will also be made available at Cineverse's website after the conclusion of this call.

Before we begin, I would like to point out that certain statements made on today's call may contain forward-looking statements. These statements are based on management's current expectations and are subject to risks, uncertainties and assumptions. The company's periodic reports that are filed with the SEC describe potential risks and uncertainties that could cause the company's business and financial results to differ materially from these forward-looking statements. All the information presented on this call is as of today, June 27, 2025, and Cineverse does not assume any obligation to update any of these forward-looking statements, except as required by law.

In addition, certain financial information presented in this call represent non-GAAP financial measures and we encourage you to read our disclosures and the reconciliation tables to applicable GAAP measures in our earnings release carefully as you consider these metrics. I'm Gary Loffredo, Chief Legal Officer, Secretary and Senior Adviser at Cineverse.

With me today are Chris McGurk, Chairman and CEO; Erick Opeka, President and Chief Strategy Officer; Tony Huidor, President of Technology and Chief Product Officer; Mark Lindsey, Chief Financial Officer; and Mark Torres, Chief People Officer, all of whom will be available for questions following the prepared remarks.

On today's call, Chris will briefly discuss our fourth quarter and fiscal year 2025 financial highlights, the latest operational developments, outlook and long-term growth strategy. Mark will follow with a review of our financial results for the fourth quarter and fiscal year. Erick will provide some details on our streaming business results and operating initiatives. And Tony will provide updates on our technology initiatives before opening the floor for questions. As the market opens at 9:30 A.M. this morning, we would like to conclude our comments and Q&A by that time.

I will now turn the call over to Chris McGurk to begin.

Christopher J. McGurk

Chairman & CEO

Thanks, Gary, and thanks, everyone, for joining us today. As you recall, in February, we reported our third quarter results. That quarter was the best in the company's history with over \$41 million in total revenues, an increase of \$27.5 million from the prior year quarter. And we also recorded net income of \$7.2 million, a \$9.9 million increase from the prior year. And we've continued that very strong financial and business momentum in our fourth fiscal quarter, generating impressive growth in all our financial performance measures and beating consensus analyst guidance on all key metrics.

In the quarter, we generated total revenue of \$15.6 million, a \$5.7 million, or 58%, increase over the prior year. Net income was \$858,000, a \$15.5 million increase over the prior year. Adjusted EBITDA was \$4 million, a \$2.4 million, or 158%, increase over the prior year quarter. Total direct operating margin was 58% -- 55%, well above our stated margin target of 45% to 50%.

Our full year fiscal 2025 results were equally impressive. Total full year revenues increased by 59% to \$78.2 million. Total full year net income was \$3.8 million, and total full year adjusted EBITDA was \$13.9 million, a \$9.5 million, or 216% increase over last year. These strong results were driven by growth across all the company's key lines of business particularly streaming, digital and podcast revenue. But most importantly, by the unprecedented success of Terrifier 3, the most successful unrated film release of all time. Our goal now is to build a high-growth, high-profit, low-risk year-round wide theatrical releasing business by following the same acquisition releasing and marketing blueprint that works so well on the Terrifier movies and astonished the entertainment industry. I will speak more about that in just a minute, and Erick will go into much more detail about all the operating successes and new initiatives we've been pursuing across our other lines of business. But first, let me speak about an important reorganization we just implemented.

First, to rapidly capture the growth and financial upside of our most important underlying assets, our proprietary streaming content management and AI technology, we have set up our technology business as a separate business group and put Tony Huidor in charge as President and Chief Product Officer. This move was designed to focus all of Tony's considerable talent and experience in technology and business development on immediately turbocharging this business, with a focus on Matchpoint licensing and the development of new AI-based products such as cineSearch, our industry-leading AI search tool that we developed with Google.

Tony is not only tasked with keeping the company at the forefront of industry AI innovation, but also ensuring that Cineverse becomes the first truly AI-forward entertainment company in every operating process across every function of the company. In a few minutes, Tony will speak about all these key technology initiatives and the strong progress we're making in the marketplace with our Matchpoint and AI products.

Second, we also reorganized our entertainment content business to create a dedicated Theatrical Motion Pictures division. Yolanda Macias is now the company's Chief Motion Pictures Officer. In this role, Yolanda will focus 100% of her considerable experience and expertise to leverage the success of Terrifier 2 and 3 by building and releasing a wide release slate of theatrical movies that are well poised to successfully follow the Terrifier blueprint. We believe this business, given our unique new media assets and releasing formula, can be a major potential source of ongoing value creation for the company.

We've already made great progress in this area based on the high potential slate of franchise IP properties we have secured for our release lineup over the remainder of this fiscal year, which I will describe in more detail now. Our next franchise release is The Toxic Avenger, a contemporary rendering of the classic Troma horror comedy. The film was produced by major studio Legendary Films, which counts the tremendously successful Dune movies and Godzilla versus Kong among its recent megahits. The film was directed by Macon Blair and stars Peter Dinklage, Kevin Bacon and Elijah Wood. We have domestic rights for the film in perpetuity, and we'll be releasing it on August 29.

Like Terrifier 3, our all-in cash investment in this film for acquisition and release marketing will be less than \$5 million. However, it's important to note that this film will generate approximately the same level of financial return to Cineverse as Terrifier 3 if it performs at only half of Terrifier's box office level, given the parameters of the economic deal we made on the film.

Additionally, our lifetime box office breakeven in the film is well below \$10 million, underscoring again the favorable risk/reward profile of this property. And the film is very well made, directed and acted, and currently has a 92% positive score on review aggregator, Rotten Tomatoes. Like Terrifier 2 and 3, it will be an unrated release.

After that, on December 12, we will be releasing Silent Night, Deadly Night, the reinterpretation of the classic controversial Christmas horror film that was banned from theaters years ago. We are releasing the

film domestically and have partnered with international entertainment powerhouse, STUDIOCANAL, which is releasing at overseas. The film has finished principal photography and is currently in post production. Total acquisition and releasing investment with this film will also be below \$5 million.

Next up will be Return to Silent Hill. The latest film installment of the enormously successful and popular video game horror franchise, which will be released on January 23, 2026. This film will also carry a total investment of less than \$5 million. So we will have at least three wide release films in this current fiscal year, all with investments of less than \$5 million, all based on very well-known franchise IP, all with very specific and reachable fan bases, and all perfectly poised to leverage the unique set of assets we have built at Cineverse. Our streaming channel, our podcast network, our social media platforms, our AI-based research tools, our targeted ad sales technology and to use them all to follow the blueprint that was so successful in powering the performance of the Terrifier movies.

Expect more wide release film announcements in the next few months as we build our slate for fiscal year 2026. In addition, we continue to generate significant new advertising businesses by other studios using our ecosystem to market their theatrical releases as well. Yolanda will give a detailed update on all this on our next earnings call in August.

And with that, I'll turn things over to Mark for a financial update. Mark?

Gary S. Loffredo

Chief Legal Officer, Secretary & Senior Advisor

Operator, I don't think we can hear Mark.

Operator

Mark, we are unable to hear you. If I could please ask you to check that you are not on mute.

Mark Wayne Lindsey

Chief Financial Officer

Can you hear me?

Gary S. Loffredo

Chief Legal Officer, Secretary & Senior Advisor

Yes.

Mark Wayne Lindsey

Chief Financial Officer

Thank you, Chris. As Chris noted, last quarter was a record quarter for us, and we have been able to follow that up with a very strong quarter which is seasonally our toughest quarter in our fiscal year. We are able to beat analyst consensus estimates for revenue, net income, diluted EPS and adjusted EBITDA for both the fourth quarter and the full year.

For the quarter, we reported revenues of \$15.6 million compared to \$9.9 million for the same quarter last year, or a 58% increase. Net income and adjusted EBITDA were \$0.9 million and \$4 million, respectively, for the quarter, reflecting significant improvements over the prior year quarter. Again, very strong results for a seasonally low quarter, especially considering the depressed direct and programmatic advertising environment in the first quarter, which is a direct result of companies pulling back on their discretionary advertising spend due to the ever-changing tariff environment.

Our direct operating margin for the quarter was 55%, which is above our previously issued guidance of 45% to 50%. Our improved operating margin is a direct result of our cost optimization initiatives implemented over the last 12 to 18 months, as well as our ability to grow revenues while controlling variable costs. We expect our direct operating margin in future quarters to remain in the 45% to 50% range.

SG&A expenses for the quarter were \$5.4 million, a decrease of \$1.4 million compared to the prior year quarter, and 35% of revenues, a material improvement from 69% in the prior year. As I stated last quarter, we expect to continue to see our SG&A expenses decline as a percentage of revenues as we continue to focus on top line revenue growth while maintaining an efficient cost structure, bolstered by our ability to offshore operations to our Cineverse India location.

We had \$13.9 million in cash and cash equivalents on our balance sheet as of March 31, 2025 with \$0 outstanding on our \$12.5 million working capital facility. In addition, as of March 31, 2025, we have a working capital surplus of \$3.6 million, continuing to reflect our improving financial position over the last 12 to 18 months. For the year, our net cash provided by operations was \$18.5 million, a \$29.1 million improvement over the prior year.

Finally, with a strong fourth quarter and record revenue for the full year, and a \$40 million valuation for our content library portfolio, which is almost entirely off balance sheet, we continue to believe that our stock price is undervalued with significant upside, based on yesterday's closing stock price of \$4.18 per share.

With that, I'll turn the floor over to Erick to discuss our operating and strategic growth initiatives.

Erick Opeka

President & Chief Strategy Officer

Thanks, Mark. I'd like to spend a few minutes reviewing our platform businesses and growth initiatives across distribution, streaming, advertising and podcasting. So let's start with our distribution and content licensing businesses.

This past quarter continued to be a solid one for Terrifier 3 on the ancillary side. Transactional and home entertainment revenues continued to exceed expectations. And during the quarter, we closed several windows of licensing deals with both Amazon and Peacock for the film. Compellingly, we were able to preserve a window on our own services while maintaining market value licenses on third parties. This concurrent windowing approach not only maximizes revenue, but enables us to continue to grow our streaming services as well. Since the Home Premier of T3, Screambox subscribers have grown 31%, while preserving valuable third-party license revenues in the mid-7 figure range over the next 18 months.

We also expanded our footprint with major fast channel launches on Google TV Freeplay, international rollout of our flagship brands, including Dog Whisperer, and broader domestic distribution as well. As noted in the earnings release, we closed several traditional content licensing deals across genres and saw a meaningful uptick in our catalog revenues as well.

Our team also announced new podcast licensing agreements and content expansions with the Cineverse Podcast Network continuing to grow rapidly, thanks to a more diverse content slate and increased advertiser demand. We now have 62 current shows and 4 new original series in development slated for release in the current fiscal year. Podcast revenues were up 57% over the prior year due to the rapid expansion of our slate and the impact of our ad sales strategy. We think we can maintain this robust rate of growth as we scale up the current series and ad efforts.

On the comedy front, we're making major progress with our partner WITZ as recently announced, the team behind the Stand Comedy Club in New York City and other major ventures in comedy. We're seeing strong early interest from brands and agencies, and we'll be announcing our inaugural content lineup this mid-summer. We currently have a dozen new shows in the works and we'll be announcing the slate later this summer. Comedy remains the largest and most monetizable podcast category in the U.S., and it represents over 23% of all podcasts listening according to Edison. We're also exploring other emerging segments like health, wellness and family, where brand demand is accelerating, but there's a real lack of scale in the market.

Let's discuss our streaming channels business. Our platforms delivered strong engagement in Q4 with over 3.2 billion minutes streamed across our owned and operated services, up 45% over the prior year. Subscription revenues grew meaningfully, and we saw a 4% year-over-year increase in subscribers, bringing our total across the portfolio to approximately 1.42 million. This was fueled by continued

momentum from Screambox, which now ranks among the top 4 services in North America, and from our new Cineverse channel on Amazon, which has shown significant subscriber growth and has been growing at 30% per month since launch. We plan on expanding this platform beyond Amazon in the coming quarters and believe it will become one of our top streaming services over time, especially with access to the high caliber of wide and specialty theatrical programming that we're now releasing.

In addition to Cineverse, we now have 4 flagship services that have scale potential. Screambox, Dove, Fandor and Midnight Pulp. These platforms make up the bulk of our subscriber base, and we're going to focus our investments in growth on these 4 properties in the short to midterm. Our genre-specific and movie-centric model not only support subscription growth, but it acts as a flywheel that supports our theatrical and ancillary businesses as well.

On the FAST front, while we continue to grow viewership as noted, we've seen a glut of supply with huge growth in available competitive channels from studios outstripping the audience growth in the market. This factor has put some pressure on CPMs and fill rates for open market programmatic in the short to midterm, combined with the macro environment, as Mark had described. We think over the long term, the market will absorb this oversupply, but as we support and maintain this channel base during this period, we're focusing our efforts in the ad space more on direct sales, our platform C360 and on private marketplace deals. And that's been a good turn for us.

On the direct advertising front, Cineverse continues to become a must-buy destination for entertainment marketers. We now work with 4 of the top 5 movie studios and all major indies, on wide release campaigns and have added several new key brand partners in Q4, including Sony Pictures, Expedia, Hulu, Display, Warner Bros. and Rocket Money. We've expanded this list to include Progressive, ZipRecruiter, Universal Pictures, Mint Mobile and more in the current quarter.

Unlike competitors that are focused exclusively on CTV, given our brands and platforms, we offer a full 360-degree strategy that includes CTV, mobile, display, podcast and live events. This holistic offering provides superior outcomes for advertisers and allows us to command more strategic partnerships. While programmatic remains under pressure, our performance in direct and PMP channels continues to outperform budgetary benchmarks.

C360, our proprietary ad platform, remains a major focus as well. Q4 marked our strongest quarter to date for the service with year-over-year revenue growth of 290%. Importantly, C360 now directly connected to The Trade Desk will integrate with Cinecore, our proprietary film data set comprising of millions of titles and billions of metadata points. We believe it's the most expensive domain-specific data set for film in existence. Originally developed to support cineSearch, it's now central to how we will revolutionize targeting and film advertising. So there'll be more on that to come in future quarters.

Lastly, I want to talk about where we're headed in the near term. Podcasting continues to be one of our highest margin, fastest growing businesses. In addition to horror and comedy, we're going to continue to invest in the new verticals as we discussed. We've already hired a dedicated podcast sales team and are considering further expansion given the early momentum we're already seeing in the space.

We're also seeing strong growth in YouTube and social video. Across our brands, we now manage nearly 24 million social followers. According to Nielsen, YouTube is a #1 platform by watch time in all of media commanding 13% of full TV viewing. And over the last 9 months, with minimal to no CapEx investment, we've built a low 7-figure business placing our premium content into this space and believe that with our vast content library, there's significant growth and upside leveraging this #1 streaming platform in the world.

Additionally, we're exploring other high-growth, high-revenue formats like scripted micro dramas and short-form content. According to business research insights, the short-form video market is currently at \$34 billion globally, and growing at 32% annually. With our scalable content pipeline tech platforms and existing reach, we believe we're well positioned to capture a meaningful share of this emerging category in the near to midterm. And finally, on content licensing, both traditional and AI-based remains a key focus.

Our theatrical slate will be the main driver of this with titles like The Toxic Avenger; Silent Night, Deadly Night; and Silent Hill. We'll have a robust slate that will also drive value -- licensing value of our vast catalog. And given our focus on IP-driven popular content that appeals to wide swaths of people and demos, and not just coastal audiences, we're in a strong position to secure an output deal with a major streaming company against our future releases.

On the AI front, we're in numerous dialogues to license our content for AI training and expect to see traction on that front later this year. At every level, we're focused on high-quality, high-margin growth and maintaining the existing margins that we've painstakingly built. We're excited about where Cineverse is headed in fiscal year '26 and beyond.

With that, I'll turn the floor over to Tony to discuss our technology initiatives.

Mark Antonio Huidor

President of Technology and Chief Product Officer

Thank you, Erick. I'm excited to share an update on our technology business. As you know, the company recently announced a new organizational structure in which the company's technology assets were placed under a new division named Cineverse Technology Group. The underlying reason for this was to accelerate our sales effort by investing more resources to an area of the company where we hold tremendous value.

As many of you know, over the past several years, we have announced various deals with several small channel operators and video distributors. These deals were intended to allow the company to walk before we run by putting Matchpoint through real-world tasks before fully taking it to market as a SaaS product. We use these deals as a way to put Matchpoint through our hardening process where we can onboard real-world clients to help us identify the areas that we needed to further improve. We have learned a lot from these deals and are grateful to our partners for helping us improve Matchpoint.

With this work complete, Matchpoint has reached an advanced level of maturity with robust capabilities that finally allow us to target who we feel are the ideal customers, the major Hollywood studios and major media companies. With that, we now have a seasoned sales team that has extensive expertise in the media supply chain of the business as well as deep contacts into the Hollywood community. These factors have allowed us to effectively reach the right decision-makers at major Hollywood studios as well as key media companies and broadcast networks. We plan to present Matchpoint to every major studio before summer's end.

In the last 45 days alone, we have presented Matchpoint to 3 major studios, 2 broadcast networks and a leading e-commerce giant. The reception we have received has been growing and, frankly, quite humbling. For so long, we have overestimated the pace of innovation underway across the entertainment industry. We now see how these large media conglomerates still struggle with the very basics of operating a major streaming business at scale. We have found that major studios and film distributors still rely on manual workflows, fragmented system, a patchwork of external vendors and massive internal teams to deliver content, often taking weeks to release a single title. This is a result of these large media companies preferring to hire third-party vendors to solve their operational problems rather than developing proprietary technology. This legacy way of doing business is no longer sustainable and requires a new approach.

As a result, this places Matchpoint in a very unique position about offering a complete end-to-end media supply chain specifically developed for the video streaming era. Media companies are accustomed to using various vendors and when cobbled together offer an ad hoc solution that at best meets some of their needs, but not all. Matchpoint, on the other hand, has been specifically developed to meet all the needs of a modern streaming company, including many nuanced edge cases that most technology vendors don't understand or can effectively solve. There is no comparable system in the market that can match our ability to deliver tens of thousands of titles per month with no human intervention.

Knowing this is why Matchpoint has been so well received by large media companies. In addition, the company's new organizational structure of having a separate entertainment and technology division has eased any concerns of being a competitive threat. As a result, the studio gates have opened wide.

Matchpoint is currently being evaluated as part of 2 RFPs that are underway. In addition, of the 3 major Hollywood studios that we have already presented Matchpoint to, one studio has fast tracked their evaluation process is moving forward with the pilot that should lead to a commercial trial.

During this process, we will be required to integrate into their internal supply chain so that Matchpoint can serve as their content fulfillment solution for distributing their movie catalog worldwide. We anticipate that this implementation alone can result in upwards of mid-7-figure revenue for the company on an annual basis.

Discussion with other studios and media companies have centered along similar lines. These media companies are under tremendous pressure to scale their streaming business, cut costs, reduce headcount, and leverage AI for workflow efficiencies. As many of you know, these are all the areas in which Matchpoint excels.

Moving forward, our strategy is to focus on selling Matchpoint Dispatch as a way to get into the door and establish a relationship where we can prove ourselves. These media companies are the ideal customers for our Matchpoint products such as Insights and cineSearch. Having Dispatch as our flagship product gives us a strategic advantage when pitching our suite of Matchpoint products.

Moving on to cineSearch. As you all know, we recently announced that we completed development of cineSearch. We are proud of the progress we have made and are extremely proud of this achievement. We have achieved what no other company -- media or technology company has been able to do. The accuracy and breadth of the content recommendations that one receives via cineSearch are far superior to anything else in the market.

Although Google and OpenAI can generate suitable results on their own, their understanding of cinema is broad, but shallow. Google and OpenAI lack the true understanding of the intrinsic nature of a film. This is where cineSearch excels and provides us with the depth of understanding that large AI models lack. Moving forward, cineSearch will be licensed as a full product offering. In addition, we will license Cinecore as a stand-alone data set. We are excited to bring cineSearch to market at a time when the streaming industry continues to suffer from poor user experience tied to weak search capabilities and inadequate content recommendations. We feel we have a competitive advantage and maintain a head start of several years above any of our competitors.

Lastly, I want to talk about the role that AI will play in the future of Cineverse. For some time, we have been strong proponents of AI and have leveraged AI for years as a means to make Matchpoint more efficient and to help streamline our internal operations. Given the success we have seen with leveraging AI, we have kicked off an internal initiative to fully transform the entire company and fulfill our vision of becoming a next-generation studio. We envision the future where each department is utilizing agentic AI for automation and to better scale the departments output. But our goal is to create an internal network of AI agents that communicate directly across every department, so that we can maximize efficiencies across departments and further streamline how the company operates. Lastly, we have additional products under development and excited to share more on that soon.

With that, operator, let's open it up for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Dan Kurnos with Benchmark.

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

I'll try to keep it tight per your requests to finish up here. Look, just fantastic into the year. We've got wide releases in the next 3 quarters coming out. I guess, Chris, high level, just if you guys are successful or see early signs of success, how much more are you willing to lean in?

And I know Erick kind of intimated that you're talking with some of the streamers, but how do we think about pay windows and licensing opportunities, especially for the licenses that you own?

Christopher J. McGurk

Chairman & CEO

Yes, I think as we continue to fill out our slate, as Erick said, we really have an overriding objective to set up a pay output deal, and we've started some discussions in that regard. I think what you'll see over the next few months is we'll be announcing more films that are similar to the 3 -- the 4 actually, if you include Wolf Creek that we have in our release slate right now.

And it will also be expanding from our focus on horror into family films, another area that we had great strength in the past. And also we're looking at more of a fantasy film as well. And actually some Black Cinema content and comedy, as Erick mentioned. And I think once we put those pieces into our release slate, I think that's when we'll get really serious about negotiating a pay deal.

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

And just on the profitability because it really matters like it was great in the quarter. You've -- I don't want to lose sight of the offshoring. I know that Mark in his comments said sort of 45%, 50% op margin. You crushed it this quarter with north of that. How do we think about it in quarters where you have a successful owned license film for wide release? And is there any chance that, that margin could creep up over time?

Christopher J. McGurk

Chairman & CEO

Yes, I forgot what the margin was in our last quarter. Maybe Mark can mention that. But I think with Terrifier in the market, we put up a really, really solid operating margin. So we feel good about the 55% number that we put up, and we feel really good that we'll meet or exceed our operating margin target of 45% to 50% going forward.

Mark Wayne Lindsey

Chief Financial Officer

Chris, margin last quarter was 49%.

Christopher J. McGurk

Chairman & CEO

Yes.

Operator

Our next question comes from Brian Kinstlinger with Alliance Global Partners.

Brian David Kinstlinger

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Alliance Global Partners, Research Division

Great to hear about all the great details on the slate of movies. So I want to focus on some other growth areas. I'm hoping you can frame for investors how to think about cineSearch and Matchpoint. With Tony's comments, how should we think about maybe the pipeline of opportunities? What do deal sizes look like? And maybe when should we expect this will have a significant impact on your overall results?

Christopher J. McGurk
Chairman & CEO

Thanks, Brian. I'll let Erick and Tony to respond to that.

Erick Opeka
President & Chief Strategy Officer

So I'll frame the top line. So I think, as Tony mentioned, and I'll let Tony go into more detail here. I think as it relates to the overall sales pipeline, the opportunity set of the companies we have, we're now focused more on the enterprise side in the future. In the past, we have been focused on smaller entities as more of a proof of concept. Those kinds of entities are pretty small. It takes a lot of them to generate meaningful revenue. So they're good for testing, but they're not really efficient for scaling the business.

Tony, why don't you detail sort of the opportunities that generally, in terms of the number of properties in the pipeline, what do you think the average deal size could end up being?

Mark Antonio Huidor
President of Technology and Chief Product Officer

Sure. Thanks, Erick. Yes. I would say, as Erick pointed out, we were really focused on these -- on small operators. We have one shot to come to market. We didn't want to risk it. So we aim for smaller operators so that we can learn what needed to be fixed and get everything right before we took it to the big media companies.

Of the 5 major studios, I would say on average, each of those studios is probably \$5 million and up. It really depends on whether they use the platform for domestic distribution or worldwide, the partner that we're currently working towards a pilot. Their initial expectation is we start with the back-catalog launching worldwide. And then if this goes well, it can expand into other parts of the company, including their streaming service and then as well as their international operations. So that \$5 million can easily scale much higher. But so far, what our expectation is mid-7 figures, and if there's 5 of them, and as I said, we've presented to a good share of them so far. The reception has been very, very robust.

After the big studios, we have obviously the big networks and the big media companies. So there's plenty of other potential clients on that list. So we expect that over time within the next few years, we should have a very strong foothold within the business. And I think from there, that is where, as we say, land and expand. We sell them Dispatch. We sell them cineSearch. We sell them any of the other services or analytics. And these are all areas where all the big media companies are struggling. So we find ourselves in a very unique position in that we have technology that really sets us apart from everyone else.

Brian David Kinstlinger
Alliance Global Partners, Research Division

Great. That's wonderful. And just I wanted to follow up just on podcast. I don't know what revenue wise, the segments haven't been out yet. But with your push in to direct hire, and I know one of the initiatives was to better monetize podcasting.

Maybe you can provide some more details on, again, direct sponsorship and sizes of those deals and how you maybe frame also monetization of broadcasting over the next 12 to 18 months versus where it is today?

Erick Opeka
President & Chief Strategy Officer

Sure, sure. So first of all, so just thinking about the monetization strategy here, it's really twofold. One is if you think about our efforts in the podcast business, the big advantage that we have there is podcasts are new, fresh content and new releases. So that provides, I think, a premium need for advertisers over FAST channels that are predominantly library. And we're actually seeing podcast CPMs, higher than CTV CPMs, sometimes by even \$10 or more higher on a direct basis. And that just reflects the quality and the value of the portfolio we're starting to put together.

So number one, it's -- we think the portfolio we're building towards a more premium, higher quality. So our focus is on assembling shows that have 0.5 million to 1 million monthly listeners at a minimum per podcast. I think that's very different for some of the other networks out there that are kind of vacuuming up every show, no matter how small or big it is. So that's number one, and that plays well with advertisers.

Number two, we're doing this on a direct basis with -- in addition to bundling it, as I described during our commentary, we've hired up a direct team. We hired some sellers out of the SiriusXM universe who have hit the ground running and doing quite well. So the average deal size we're getting as we're getting larger brands like Progressive and others, can go into the low 6 figures per deal. That's not every deal. You're doing mid-5 deals quite consistently for brands. But interestingly, we're starting to see bigger, more brand and less performance-oriented, which I think is a really good space for us when you think about it from that perspective because branded tend to buy just in bigger packages than performance who are testing.

So as we kind of think about the trajectory with our focus on more brand-oriented larger advertisers, given we were at 100% programmatic last year, we think the CPMs on the direct are more than double. And given the velocity, I think we could probably accelerate into the back half of the year to 2x or more what we did last year. But a lot of that is highly dependent, obviously, on macro conditions and other elements, how the ad market continues to play out. But so far, it's looking very solid. And we think just adding more salespeople, we could expand it even further.

Operator

There are no further questions remaining. So I'll pass the conference back over to the management team for closing remarks.

Christopher J. McGurk

Chairman & CEO

Yes, this is Chris. Thank you all for joining us today. And please feel free to reach out to Julie Milstead with any additional questions you might have. And we look forward to speaking to you all again on our next quarterly call. Thank you very much.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.