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**Cineverse Corp.** NasdaqCM:CNVS

*Earnings Call*

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# Call Participants

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*Chairman & CEO*

**Erick Opeka**

*President & Chief Strategy Officer*

**Gary S. Loffredo**

*Chief Legal Officer, Secretary & Senior Advisor*

**Mark Antonio Huidor**

*President of Technology & Chief Product Officer*

**Mark Wayne Lindsey**

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# Presentation

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## Operator

Good day, everyone, and thank you for joining us, and welcome to the Cineverse Corporation Fiscal 2026 Third Quarter Earnings Call. My name is Luca, and I will be your operator today. [Operator Instructions] I would now like to turn the call over to Gary Loffredo, Chief Legal Officer, Secretary and Senior Adviser for Cineverse. Please go ahead.

## Gary S. Loffredo

*Chief Legal Officer, Secretary & Senior Advisor*

Good afternoon, everyone. Thank you for joining us for the Cineverse Fiscal Year 2026 Third Quarter Financial Results Conference Call. The press release announcing Cineverse's results for the fiscal third quarter ended December 31, 2025, is available at the Investors section of the company's website at [www.cineverse.com](http://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 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 discussed on this call is as of today, February 17, 2026, 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 disclosure 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 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; Yolanda Macias, Chief Motion Pictures 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 fiscal year 2026 third quarter business highlights. Then Mark will follow with a review of our financial results, and Erick will provide further details on our 2 most recent acquisitions.

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 on the call today. I'll first give a brief overview of our results and the anticipated impact of the 2 transformative acquisitions, Giant Worldwide and IndiCue that we made after the end of our fiscal third quarter. Then Mark will go into our financial results and outlook in more detail, plus further outline both acquisitions to underscore why we believe they will be very accretive and we were done with very attractive valuations and have deal economics that will dramatically improve our financial growth and profitability outlook.

After that, Erick will get into more detail about how these 2 acquisitions transform Cineverse into a powerhouse, comprehensive AI-powered technology services provider to the entertainment industry with assets and reach that we believe none of our competitors can match.

Then we'll take your questions. Okay. So we have been negotiating the Giant and IndiCue acquisitions for months. And while we realized the dramatic impact both would have on our market position, go-

forward strategy and financial outlook, our first order of business, while we aggressively moved to close both deals, was to improve operating results in our base businesses to further set the stage for financial success in the future.

And so in this last fiscal quarter, we concentrated on improving our cost structure and operating margins in our base businesses. And we generated some strong results, improving our direct operating margin to 69%, up from 48% in the prior year quarter and generating adjusted EBITDA of \$2.4 million, a \$6 million improvement from the prior sequential quarter.

This was a result of our intense and ongoing efforts to manage the cost side of the business, including leveraging Cineverse Services India, even as we ramped up operations on the technology side of the business in anticipation of these 2 acquisitions. And we are extremely pleased that we were able to successfully acquire both Giant and IndiCue.

This one- two punch immediately transforms our company financially by adding significant revenues and adjusted EBITDA. Both acquisitions bring large, durable and scalable streams of recurring revenues to the company and significantly solidify our position as a leading end-to-end AI-powered provider of technology services and infrastructure solutions for the entertainment industry.

They both have an A+ level roster of industry clients and will be easily integrated into our industry-leading Matchpoint technology ecosystems. Both acquisitions also bring very strong, experienced and highly motivated management teams that clearly see the synergies and share our larger vision for the future of Matchpoint and Cineverse.

Like the Cineverse team, they are joining, our new team members have incentive plans based on generating explosive future growth in revenues, margins and profits. And in the case of IndiCue those incentives also include a very significant earnout potential over 3 years. So we believe we are completely aligned with our new team members to generate strong financial results and create significant value going forward.

And already, the integration of Giant has been going very smoothly and the overwhelmingly positive industry response to joining Matchpoint has exceeded our expectations. If there are any doubts about the long-term potential of Matchpoint, those doubts have been roundly dismissed. The immediate response we received within days of our announcement proves the merging Matchpoint with an established media delivery company with highly coveted approved vendor badges is the ideal profile for the type of service provider entertainment companies seek.

In the days following our announcement, Giant received more work orders than they have in the history of the company. And at this early juncture, we confirm our prior expectations for Giant's short- and long-term revenue and profit contribution, and we feel very, very positive about how things are looking so far.

And in addition, IndiCue has consistently outperformed their own internal monthly revenue and profit forecast over the last several months while we were in negotiations. So both of those factors combined with the financial improvement we generated in our base business this quarter give us great confidence in the financial guidance we just issued for fiscal year 2027, which starts this April 1.

We project \$115 million to \$120 million in annual revenues and \$10 million to \$20 million in adjusted EBITDA from our consolidated operations this next fiscal year. In the end, these acquisitions were the result of a long-term thesis built on closely tracking our industry's delayed transition to true AI integration and automation.

The content volume needed to compete in the streaming wars accelerated yet the video delivery infrastructure remain manual and slow to market. While costs for video and high volume became untenable. This created the opportunity for a unified intelligent platform with a unique monetization component that redefines the current ecosystem. I believe we finally achieved this.

And with that, I will now turn things over to Mark and then Erick to get into all this in more detail. Thank you.

**Mark Wayne Lindsey***Chief Financial Officer*

Thank you, Chris. First, a few highlights from our fiscal third quarter. Revenues were \$16.3 million, up from \$12.4 million last quarter and down from \$40.7 million in the same fiscal quarter last year. If you recall, the prior year fiscal year -- prior year fiscal quarter included the theatrical results of Terrifier 3, which were in excess of \$20 million.

Our net loss for the quarter was \$875,000, a \$4.7 million improvement over the prior quarter. Adjusted EBITDA for the quarter was \$2.4 million, a \$6 million improvement over the prior quarter. We ended the quarter with \$2.5 million of cash and \$4.2 million of availability on our East West Bank revolver.

Now let's talk about the exciting subsequent events this quarter. As Chris noted, we closed on 2 acquisitions after quarter end. Giant was an all-cash asset acquisition for \$2 million with only a \$350,000 initial payment on closing and \$1.65 million in deferred payments over the next 4 quarters. This for a business that we conservatively expect to generate revenues of \$15 million to \$17 million and adjusted EBITDA of \$3.5 million to \$4 million for our 2027 fiscal year.

The ability to acquire assets that will perform at this level were just 0.5x adjusted EBITDA with no leverage or dilution is the first step of our company's financial transformation.

The IndiCue acquisition was step 2. This acquisition was a business combination for 100% of the equity of IndiCue for base consideration of \$22 million. \$12.8 million of which was paid at closing and included deferred consideration of \$9.2 million due within 1 year of closing in cash or equity at the company's discretion. Total consideration could increase to \$40 million if IndiCue meet certain future revenue and gross profit milestones over the next 3 years.

In addition, the acquisition included \$3 million of cash and \$750,000 of net working capital at closing. The additional earn-out consideration is payable in cash or equity at the company's discretion. IndiCue is expected to contribute more than \$38 million of revenue and \$7 million of adjusted EBITDA for our 2027 fiscal year.

We financed the IndiCue acquisition with \$13 million of convertible notes with existing long-term Cineverse shareholders at company-friendly terms, reflecting the investors' strong conviction in our investment strategy and long-term valuation creation of this acquisition for our current shareholders. Importantly, the capital came from aligned long-term investors with no warrants attached and the additional equity raise was priced at or near market with fundamental investors.

The entire Cineverse C-team also invested alongside the transaction, reinforcing our alignment with shareholders. The combined acquisitions are expected to contribute in excess of \$50 million of revenue and \$10 million of adjusted EBITDA for our 2027 fiscal year. As a combined entity post Giant and IndiCue acquisitions, we are providing guidance for fiscal year '27 of \$115 million to \$120 million of revenue and \$10 million to \$20 million of adjusted EBITDA. The combined impact of the Giant and IndiCue acquisitions represent a financial transformation for the company and are expected to create significant shareholder value in the future.

Separately, from the acquisitions, on February 12 and closed this morning, the company sold 1.725 million shares of common stock at a purchase price of \$2 per share for net proceeds of \$3.2 million. We intend to use the net proceeds for working capital and for general corporate purposes, including the financing of content acquisition and development.

With that, I'll turn the floor over to Erick to discuss our operating highlights and the acquisitions in greater detail. Erick?

**Erick Opeka***President & Chief Strategy Officer*

Thanks, Mark. So I want to start with a quick recap of what we've delivered operationally this quarter and then spend the bulk of my time on why the Giant, IndiCue acquisitions are so strategically important to where we're positioning Cineverse for the next chapter.

So on the operational side, we continue to see strong momentum across our streaming ecosystem. We reached 35.5 million unique viewers on a monthly basis over the quarter with our SVOD subscriber base growing 15% year-over-year to 1.55 million. On a monthly basis, we're streaming about 1.14 billion minutes each month.

Our content library now exceeds 66,000 total assets, including nearly 58,000 films, seasons and episodes, plus over 8,500 podcasts. Our social footprint has now grown to more than 25.4 million followers. These aren't vanity metrics. This is reach, engagement and content gravity that matters when you're building distribution advantages.

And specifically, on the Cineverse channel, our namesake channel, we added approximately 45,000 subscribers in calendar 2025, giving us room momentum heading into our new fiscal year. I also want to highlight our operating leverage. Our direct operating margin hit 69% this quarter, up from 48% a year ago. That's a significant inflection. On the cost side, between personnel optimization, vendor eliminations and cost renegotiations, we've already realized approximately \$1.9 million of the targeted \$7.5 million in projected cuts across our studio operations and corporate overhead.

We expect to see most of the remainder come through over the next 2 quarters. You're starting to see the company find its operational rhythm. That foundation is a critical context for what I'm about to describe with these acquisitions.

So let me talk about Giant and IndiCue because they're not really about getting bigger for the sake of it. They're about filling a specific gap we identified in the market and then building the architecture that solves for it.

For years, we've been building Matchpoint as an advanced infrastructure layer for digital video distribution. We invested heavily in machine learning, automation and what I'd call the operational plumbing that the streaming industry desperately needs. But the deeper we got into conversations with studios, distributors and platforms, the clearer it became. The industry is hopelessly fragmented. Content distribution is separate for monetization. Monetization is separate from data, and that fragmentation creates friction inefficiency and critically, it leaves money on the table.

So first, Giant Worldwide has been serving top Hollywood studios and streaming platforms for over 2 decades. Digital preparation, encoding, quality control, standards and practice compliance and delivery across every format. They're trusted by 4 major studios and top independent distributors, and they hold approved vendor status with those studios and the key platforms. So this isn't something you just get. It's earned over years of reliability, security and quality, and it's a substantial moat.

But Giant was operating on traditional infrastructure with manual workflows and labor-dependent processes. And critically, they were actually turning away business because they couldn't scale hiring people fast enough to meet studio demand. So as we started integrating Matchpoint's, AI video and audio quality control, automated ingest, frame-by-frame analysis and transparent mastering workflows, we are already starting to see immediate efficiency gains.

We're seeing -- we're already achieving 60% to 70% efficiency improvements in coding delivery in the short time we've already been deploying them. Matchpoint is capable of ingesting and -- to remind you, Matchpoint is capable of ingesting and mastering over 15,000 titles per month and can scale far beyond that. So that's the power of automation and genuine scale. And I want to be clear. We haven't even fully optimized Giant for software-like margins yet. That's a future state.

So right now, Matchpoint is solving the scale problem and the whole margin optimization opportunity is still largely ahead of us. So the market opportunity here is substantial. On a global basis, post and media services is a \$25 billion fragmented market growing at 11% CAGR and expected to hit globally \$74 billion by 2034. The industry is shifting from these labor-led workflows to AI-powered platform-led workflows. And that transition is happening, whether companies are ready or not.

So we're positioning Matchpoint to lead it, and the market response has confirmed our thesis. The announcement was the right message at the right exact moment for this industry. In our first month of operating Giant under the Matchpoint umbrella, we saw a nearly 470% increase in business over the prior year period. And that trend has accelerated into February as studios and platforms are telling us they really need this. They need the scale, they need the automation and they need it from a partner they can trust.

So now IndiCue is the other critical piece. IndiCue built a proprietary connected TV monetization platform, ad serving, supply side, demand side, SSAI or server-side ad insertion, on a very scalable infrastructure. So we have real control over that stack. They have over 40 live clients today with 75 more onboarding, including major names like IMAX, Freecast, Cannella and more. They're projecting \$38 million of revenue at about \$9.6 million EBITDA for calendar '26 with a 25% margin.

And those are the economics of a platform that works. But here's what really matters. IndiCue is the monetization layer we were missing. So Matchpoint gets content to market at scale but how you sell ad inventory, optimize yield, price and package ads, that was happening in a completely separate silo. So IndiCue closes that loop, distribution, data, monetization now work as a single system, with a real-time feedback engine.

We see performance, can act on it immediately and improve results for our own content and for some of the largest media companies in the world. So what we've built is something the industry has never had an independent full-stack white label solution that unifies content delivery and ad monetization that's actually integrated, not loosely connected.

And the combined teams are already developing new ad tech products on the Matchpoint stack that neither company could have built alone. So I want to spend a moment on why this positioning matters beyond today's customers. There's a structural shift underway in tech right now that's directly relevant. In the AI era, value is migrating away from interface layers and towards platform and infrastructure layers. AI agents don't need dashboards.

They need real platforms with real underlying data beneath them, systems that can execute thousands of decisions per second. The companies that own the infrastructure and data are the ones that will matter, and that's exactly what we've built. So Matchpoint is the platform layer. Giant brings proven infrastructure, trust and customers, IndiCue brings monetization engine. Together, combined with our Matchpoint platform, they create a system of record for the entire media supply chain from ingestion through encoding, quality control, delivery, yield optimization.

It's not a dashboard that sits on top of someone else's stack. This is an actual operating system. And because monetization is integrated directly into that infrastructure, data is flowing in real time. That means higher CPMs, better yields and smarter targeting for advertisers, better calibrated ad loads for consumers. And when these systems are disconnected, everyone loses. So we've closed that gap.

So to close this out, with these 2 acquisitions, we've made a deliberate strategic choice. We're building what this industry does not have, a unified, automated architecture for the entire media supply chain, that's the moat, and it positions us to serve not just today's market where consolidation means customers need scale, speed and transparency, and we are meeting that today, but also the future market where intelligent systems will be making the vast majority of decisions in tandem with media companies.

So across the company, our focus remains clear. We're building for scale, for margin and for durability. We now have multiple high-growth engines that reinforce one another supported by technology data and a fast-growing audience footprint, and we feel very well positioned for the quarters ahead and for the long term.

So with that, operator, we can open the line for questions.

## Question and Answer

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### Operator

[Operator Instructions] First question comes from the line of Brian Kinstlinger, of Alliance Global Partners.

### Brian David Kinstlinger

*Alliance Global Partners, Research Division*

Great. Can you hear me?

### Christopher J. McGurk

*Chairman & CEO*

Yes.

### Brian David Kinstlinger

*Alliance Global Partners, Research Division*

Congratulations on the strategic positioning through these acquisitions. My first question is, when I q at the filings on IndiCue, their business went from virtually no revenue in 2023 to \$10 million, and to \$32 million each of the last few years. Can you talk about the evolution of this business? I think there are 3 customers that make up the majority of the revenue. And is this recurring? And how? And is the growth generally penetrating new customers? Or is it penetrating the wallets of those existing customers?

### Christopher J. McGurk

*Chairman & CEO*

Brian, I think Erick will take that question. And I think the concentration has improved quite a bit year-over-year. So go ahead, Erick.

### Erick Opeka

*President & Chief Strategy Officer*

Yes, sure. So I think there is a moment in time that IndiCue really was built for, and that's independent CTV monetization platforms with the prior acquisitions of companies like Springserve and Publica, the need for real independent platforms has emerged. It's not uncommon in early-stage businesses like IndiCue to have pretty high concentration early on as they leverage strong, long-term relationships of the founders and so on.

And that's what happened in this case. But that underlying concentration has been improving pretty dramatically, looking at the rearview mirror of the filings, the concentration has only improved, both on the supply and demand side. But I think one of the things that's very compelling and differentiated from, say, other network plays and other things is the combination of the technology and the volume of business that's flowing through leads to a much stickier and durable relationship than people that don't own the tech or that partners have not built their businesses decisioning on top of.

So that durability, some of the core customer base, one, represents a large holdco that has beneath that hundreds of different advertisers flowing through it and spending through it. And some of the other players are very large-scale players. So I think it's important for a business like this to build strong nodes of consistent recurring business that is mutually beneficial and expand from there.

And I think that's exactly what they've done also on the supply side, adding in major CTV partners and OEMs that have dramatically diversified the business over the last few months. So really, it's having the right product at the right time for a market that needs autonomy and independence from SSPs to be able to allow companies to do the things that they need to do to maximize their returns and yields in the CTV market that's maturing. And I think this is sort of the exact right product at the right time for that.

### Brian David Kinstlinger

*Alliance Global Partners, Research Division*

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Great. My one follow-up and then I'll get back in the queue. I think you guys want us to keep to 2, is maybe an update on Matchpoint. It looks like in your press release, you talked about announcing 4 new customers, ATPN, The Asylum, Spark and Waypoint, can you size these wins, what they mean in your revenue guidance for next year? And did they include the full stack that you acquired? Or will they grow as you add those new capabilities as part of Matchpoint.

**Erick Opeka**

*President & Chief Strategy Officer*

Yes. So I'll defer to Tony on how sort of the business will evolve. But I think with most of our customers, we really have a -- they're coming to us through 1 door for a specific need. Some of them are coming to us for media processing. Others are coming through for quality control. Others are coming through because they need an app platform. And still others now are going to be coming through because they need monetization. So with that base of customers, most of those customers came through because they needed either an app platform solution or an encoding solution.

I think we're following a pretty classic land-and-expand type model where we get the customer in and they have a lot of other integrated services that they can add and layer on. So Tony, I don't know if you can speak to sort of total value of these types of customers without specifics on any 1 specific. I think I'd characterize them as kind of lower mid-market customers but steady, stable customers. Tony, do you want to take that?

**Mark Antonio Huidor**

*President of Technology & Chief Product Officer*

Yes. I'll take that. Thank you, Erick. So Brian, I think what you -- what we haven't really spoken a lot about is really the synergy between Giant and Matchpoint. So think of a lot of the work that we've been doing with Matchpoint over the last 2 years has been really on gaining a foothold within the market, market validation, traction.

And we had started kind of on the low end of the ecosystem by doing deals with channel operators, FAST channel providers and so on. And as you may recall from earlier meetings, some of the studio deals, there was interest, but the vetting and the process to get onboarded was a year or 2 years. It's just a very long, slow process. So by doing the Giant acquisition, overnight, we had deep studio relationships with 4 of the largest studios and slew of other large media companies.

So now what we've done is the synergy that the Giant deal brings us is we now have the ability to start selling Matchpoint, not just delivery services, but other parts of the Matchpoint stack to this -- to these big media clients. Some of these clients, one of the studios we were talking to, we were going through the vetting process.

Once we acquired Giant, we no longer had to go through that process. We were an approved vendor. And so think of it that way that Giant really short circuited the vetting process that could have taken Matchpoint a year for us to get into market. So now to Erick's point, we have the ability to land and expand with these big media clients and start selling more services than just what Giant was providing.

So some of these, I would say, our largest studio partner they were spending roughly \$1 million a month with Giant. We think we could double that. easily. And that's just for the existing services. There's substantial upside there. It's a little early to say how high the ceiling is, but we think that there's tremendous growth opportunity there.

**Operator**

Your next question comes from the line of Dan Kurnos of Benchmark.

**Daniel Louis Kurnos**

*The Benchmark Company, LLC, Research Division*

Great. First and foremost, let me just say congratulations. I mean, it took a lot of time, effort and guts to completely change the narrative here. So kudos to you guys for basically shifting the premise, which I

think is great and completely derisking the other side of the business. So with that in mind, Tony kind of just answered the first question I was going to ask, but maybe I'll ask it in sort of a broader sense, which is, we got some color from all 3 of you now basically on sort of the synergistic elements of these deals and how they work together.

So within the confines of the guidance that you guys have given, you've got cost cuts, you've got other synergies, you can make -- you can improve Giant margins. Like how much of the combined synergies are we anticipating over the next 12 months? And how much do you think things could ramp if you guys kind of get the execution right, fold this all in and then really show what the consolidated entity can do. So I'm just trying to understand what you guys have embedded in the guide for fiscal '27. And I'll ask a follow-up after.

**Christopher J. McGurk**

*Chairman & CEO*

This is Chris. Dan, I just want to thank you for those comments. But I think probably, Erick and Mark Lindsey, are probably best to respond to your specific questions about fiscal 2027 and the guidance.

**Erick Opeka**

*President & Chief Strategy Officer*

Yes. So I'll tee it up. I think I'll give the general sort of basket of these things. I'll let Mark Lindsey talk some specifics about forecast synergies as part of the forward guidance. I'll talk in generality. So if we really kind of think about what is -- how are we stacking up the various elements here to get to those EBITDA and revenue numbers.

First and foremost, just to rehash the cost, the cost reductions in the studio business is really to get that business refocused and aligned on recurring revenue growth out of the streaming business at high margins. Obviously, getting the studio model to a place where it's more predictable, and I think smoother revenue ramps, and one of the ways to do that is obviously push the margins as high up as we possibly can, and that will help absorb the natural volatility you see in a movie releasing business.

Hopefully, we increased the throughput of movies to smooth out the volatility on that studio business. But that's sort of job #1 in the studio. So that's realizing about \$7.5 million of cost reductions. We also have a plan to move a lot of the content costs that today were being borne by our balance sheet -- off balance sheet into other financing mechanisms, that are kind of industry standard for studios to make that business look even better.

So that's job #1 there. Job #2 is on these 2 acquisitions, what are the immediate synergies that can be provided. So we're talking about IndiCue, Mark Lindsey, you can confirm this. I believe we're looking at somewhere up to, between \$8 million and \$9 million of potential synergies by deploying IndiCue's capabilities across our media portfolio on the revenue side. Mark, can you speak to that a little bit on the revenue and potential EBITDA synergies as we kind of deploy IndiCue into monetization and improvements in our existing sort of ad-based infrastructure?

**Mark Wayne Lindsey**

*Chief Financial Officer*

Yes, sure, sure. Absolutely. So I'll hit on a few of them. I definitely don't want to reset our guidance because they're good numbers as they are. But there's some significant revenue synergy upsides from both Giant acquisition and IndiCue and how they integrate with Matchpoint. And then as well as the revenue synergies that come from IndiCue and their ability to leverage our existing infrastructure and our ad platform and our various channels.

So we -- as Brian noted earlier, IndiCue had a significant growth profile. As Chris mentioned, they've exceeded estimates, exceeded their forecast for the last 3 or 4 months. So they're growing rapidly. They're very profitable. There are, we believe, revenue synergies that we're going to have the opportunity to execute on and realize that we don't have built into our guidance. This guidance is clearly numbers that we think we're going to be able to obtain.

So there's some upside there. There's a lot of revenue synergies that are attainable, but we want to put a fairly conservative number out there. And we have bigger numbers for fiscal '28 and fiscal '29 as it will take a few months to ramp up and see those synergies take place and have traction. So without putting specific numbers out there, the \$110 million to \$120 million, that's including mid-\$50 million of revenue combined from the 2 acquisitions and \$10 million plus of EBITDA coming from the acquisitions, but we think there's definitely some upside there related to the synergies.

And Erick mentioned, there's about \$7.5 million of cost savings that we have fully built into the adjusted EBITDA guidance that we put out there. So while it's aggressive numbers, we think they're very attainable, and there's definitely some upside there.

**Erick Opeka**

*President & Chief Strategy Officer*

And then -- and I'll just finish up the last bit on the -- talking a little bit about the margin improvement on Giant. One, so today, if you think about that business model, it's a labor dependent with sort of labor and SG&A costs or depending how it's characterized in some cases, it could be OpEx costs, tracking with revenue. So there is no scale benefit to that business.

If you book more revenue, you got to hire more people where we saw the limits of that, that was happening over the last couple of months with them where just not enough, you can't scale people enough to meet the demands of the industry. We look at and see about 70% of the work can be done for encoding and delivery part of that business which is the lion's share of the revenue, can operate within Matchpoint's automation platform which would kind of flip gross margins from low 30s to mid-70s, give or take.

So that in and of itself is, I think, one of the biggest parts of the transformation is not only is the volume, I want to call it infinitely scalable but near so, but it also more than 2x-es the margin out of the business. So we have to build -- obviously, build the mechanisms and systems that make it easy. The good news is porting that over is not exactly the most challenging technological thing in the world. It's more workflow and process in the early days, and it will be more automated in the later part of the year.

But I think that also reflects on some of the cost basis. And then the last piece is we kind of look at these 2 businesses, we don't really need to do -- these are very differentiated businesses. There are some improvements we made on Giant pre-acquisition was an asset purchase. We didn't take all the people, all the cost structure. So we -- on day 1, we improved the cost structure there. There are minor things you do in any business, but that business for the most part, the cost realization. A lot of it's done already.

And IndiCue is a small, lean, highly profitable, smartly structured company that we don't have to do, there's not really any synergies to reap there. So most synergies are going to be coming from optimizations to the business models of the respective companies on either side of the equation.

**Daniel Louis Kurnos**

*The Benchmark Company, LLC, Research Division*

That is incredibly comprehensive. Thank you for that. Very helpful and don't worry Mark. No one includes revenue synergies and acquisitions, so I think you're fine. The only other thing I'd ask for you guys because I know this is going to be a sort of an unprecedented or at least in recent times, question, which is, how should we think about free cash flow conversion now that you guys are going to have real meaningful EBITDA. And I know we have the really favorable convertible note that's out there, but you guys are going to have to think about now what to do with the cash that you're going to start generating.

**Erick Opeka**

*President & Chief Strategy Officer*

I'll tee it up and then Mark, you can kind of dig into that. But the good news on these 2 businesses is not big CapEx, no big CapEx investments really are going to be required. They've been -- they're -- the improvements and the sort of synergies and benefits to growth are coming from over a decade of investment into our software platform.

So we start to realize the benefits of those applying those to other scale economics, and/or they've built out many years more capacity than we'll need to. So realistically, free cash flow flows back into growth initiatives for the company. So I think that's one of the core benefits here is we see an environment where there's a lot of companies similar to Giant and IndiCue that are highly accretive and add to the flywheel of this platform as sort of a baby version of what Salesforce did years ago, bolting things on or other things, that can scale this up even larger.

It also allows for other areas of investment and growth of things that we've been discussing internally. So that's a good place to be where we can leverage free cash flow as opposed to, say, dilution for some of these growth initiatives.

**Daniel Louis Kurnos**

*The Benchmark Company, LLC, Research Division*

That's it, Mark, if you got something, go ahead, but I just -- congrats. So whatever you want to finish up with.

**Mark Wayne Lindsey**

*Chief Financial Officer*

I'll just kind of summarize what Erick said. I mean this is a great position to be in. It's a little bit different than where we've been in the last few years. We're 5 weeks on 1 acquisition, and 2 days or 3 days into the other one. So still some time to get our arms around them. But definitely an opportunity to put some dry powder on our balance sheet, reduce the outstanding balance on our revolver.

As Erick alluded to, there's some unique opportunities out there for us for some tuck-in acquisitions to continue to help grow the company. That will be day 1 accretive that we feel like we can get at a great price. And hopefully, we're in a position where we can utilize cash and/or equity, as a capital to make those acquisitions. So we can talk free cash flow in next quarter and start reporting on it.

So I know you're excited to see that number. So we'll start doing it.

**Operator**

[Operator Instructions] Your next question comes from the line of Laura Martin with Needham.

**Laura Anne Martin**

*Needham & Company, LLC, Research Division*

Can you hear me okay?

**Christopher J. McGurk**

*Chairman & CEO*

We can hear you now.

**Laura Anne Martin**

*Needham & Company, LLC, Research Division*

So congratulations. It seems like you've made transformative acquisitions here. Chris, my first question is for you. So the studios absolutely need to cut cost and then automate their workflows. But I sort of feel like the studio system -- look, I think Wall Street has a consensus that generative AI tools are going to lower the cost of content creation and proliferate content makers, and that's going to ultimately hurt the studios over a longer-term frame.

So my question is when I think about Matchpoint, which I saw a demo at CES and I thought it was fantastic already. It's going to be even better now. Is there -- are there tools and features at Matchpoint that are applicable to the next generation of content creators who run lean, right? There's 5 guys, and they have their great software narrative guys. So is there something here that is applicable to the next generation?

**Christopher J. McGurk***Chairman & CEO*

Yes. Well, first, Laura, thank you very much for joining the call. We're very happy that you listened in. Thank you. One of the things that I really like about what we're doing on the AI front is we're putting forth, I think, positive AI tools that help the industry, whether it's what we're doing here with Giant where we're using AI in our technology basically to power fulfillment and drive down costs for the studios or what we're doing on cineSearch with Ava, our Siri for streaming search. They're done in a way that doesn't have any negative impact at all on the creative side of the business, and yet they're positive applications of AI within the industry.

We just made an announcement the other day, and I'm going to turn this over to Tony about how we're going to be developing AI tools on the creative side of the business. So Tony, do you want to respond to that question?

**Mark Antonio Huidor***President of Technology & Chief Product Officer*

Yes, of course. Thanks, Chris. Laura, thanks for the question. Yes. Obviously, as an AI forward company, we continue to monitor and watch all the key developments within the industry. On Monday, we announced the formation of the Matchpoint Creative Labs. That's essentially our R&D unit for GenAI so we're already working with some clients on taking GenAI and using it for ad creation, which would tie in with IndiCue.

We're also using it for channel branding station IDs and so on. And this is a service that we can provide our Matchpoint clients, they use Matchpoint Blueprint or FAST channels. But we continue to invest in that area. I think in terms of your question, definitely where we are compared to the rest of the industry, we're pretty far ahead.

Agentic AI is something that Erick spoke about during his portion of the of the script. I would say agentic AI and creating an intelligence layer related that sits on top of the data that we manage is a big focus of ours that we'll be doing some announcements later this year. But we get it. We're very invested in this space, and I think we have a very good handle in terms of how we can leverage AI in what we feel is an ethical way that doesn't hurt the business.

But we're here ultimately to build as we say, picks and shovels to help the rest of the entertainment industry move forward, and we think we have a huge foundational head start compared to any of our competitors.

**Erick Opeka***President & Chief Strategy Officer*

And I'll add one thing, Laura. So I think your question really is whether the studios catch up and start to focus on AI and they're sort of an innovator's dilemma play there or if other companies emerge. I think our position is that, AI is going to massively increase the volume of total content.

So if anything, a platform that can organize, monetize, route it, is going to become even more critical, apply other tools to make it distributable into beyond just YouTube and other sort of social platforms because we believe looking at the quality leaps, generational leaps that are happening. This is going to democratize the quality available, and the volume of content, but we think that this is -- this will make what we do being able to ingest, normalize the metadata, so it can go into the various sales and monetization channels, doing things like localization, tracking rights, delivery to all the FAST AVOD other platforms, performance tracking, providing real-time data and feedback that can inform the models that are making it.

That's where I think our platform actually is going to add massive value if that is the future universe that happens. And so -- and we believe that's likely. So we think we're in a very good position to handle that explosion of content.

**Laura Anne Martin**

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*Needham & Company, LLC, Research Division*

Great. And then my second question, and then I'll stop there is, you guys just made transformative -- you transformed the business with these 2 acquisitions. So what next? Are we done? Are we done with acquisitions? Do you need more stuff? Do you listen to your clients about what they need and they lead the way in what you add or bolt-ons to these acquisitions? What happens next on the M&A front?

**Erick Opeka**

*President & Chief Strategy Officer*

So I would add that, number one, we've got a lot of work to do to digest these 2 acquisitions. So the short term is about post-merger integration, making these all work, getting all the teams aligned to the growth that we're putting out there.

But I think the environment that we find ourselves where the media services industry, the processing the packaging data. There are a lot of companies that were private equity and other buyers, corporate and strategics bought these businesses at the peak of COVID, at high valuations or under thesis that don't make sense anymore. And those companies are going to become available over the next months and years.

And we think finding the best of the best that have strong assets that fit with our flywheel, stripping out cost structures and the same way we're doing here and automating them to capture scale and more value is a model that we think is worthy of pursuing. And first, we're going to prove the thesis though over the next months and quarters here.

**Christopher J. McGurk**

*Chairman & CEO*

I agree with that, Erick. But I would just say, if you look at these 2 deals, if you drill down into these 2 deals, they're going to be enormously accretive. They were done with great valuations and there are incredible synergies between the 2 companies.

And even though, it's always a challenge to integrate companies together, we think in the grander scheme of things, both companies are very easily integratable into Matchpoint. So -- and the short answer is, if we can find other opportunities like Giant and like IndiCue that we think just have enormous upside. Of course, we're going to do that because it's in the best interest of our shareholders.

**Operator**

There are no further questions remaining. So I'll pass the conference back over to Chris McGurk Chairman and CEO of Cineverse for closing remarks.

**Christopher J. McGurk**

*Chairman & CEO*

Thank you. Thank you all for joining us today. Please feel free to reach out to Julie Milstead with any additional questions you might have from this call. So we look forward to speaking to you all again on our next quarterly call. Thank you all very much.

**Operator**

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

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