Q2 2026 Earnings Call *(Corrected version)*

Event Details

Date: 2026-08-04
Company: Paramount Skydance Corp.
Ticker: PSKY-US

Company Participants

Kevin Creighton - Paramount Skydance Corp., Executive Vice President-Corporate Finance & Investor Relations
David Ellison - Paramount Skydance Corp., Chairman & Chief Executive Officer
Dennis K. Cinelli - Paramount Skydance Corp., Chief Financial Officer
Andrew BrandonGordon - Paramount Skydance Corp., Chief Strategy Officer, Chief Operating Officer & Director

Other Participants

Robert Fishman - Analyst
David Joyce - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

00:00:05 Good afternoon. My name is Krista and I'll be your conference operator today. I would like to welcome everyone to Paramount's Second Quarter 2026 Earnings Conference Call. At this time, all lines have been muted to prevent any background noise. After the speakers' remarks, the company will take questions from the analyst community.

00:00:26 I would now like to turn the call over to Kevin Creighton, Paramount's EVP of Corporate Finance and Investor Relations. Sir, you may begin your conference call.

Kevin Creighton

00:00:37 Good afternoon and thank you for taking the time to join us for the Paramount Q1 2026 earnings call. I'm Kevin Creighton, EVP of Corporate Finance and Investor Relations. Joining me today is our Chairman and Chief Executive Officer, David Ellison; our Chief Financial Officer, Dennis Cinelli; and our Chief Strategy and Operating Officer, Andy Gordon.

00:00:58 As a reminder, we will be making forward-looking statements today that involve risks and uncertainties. Our remarks will also include non-GAAP financial measures and reconciliations of these measures can be found in our earnings letter or in our trending schedules, which contain supplemental information. These can be found on our Investor Relations website.

00:01:17 I'll now turn it over to David for a few brief remarks, before we address analyst questions.

David Ellison

00:01:23 Thanks, Kevin, and good afternoon, everyone. A year ago, we set three priorities for the new Paramount: invest in storytelling; scale our direct-to-consumer business globally; and drive enterprise-wide efficiency. 12 months in, I'm proud to say we are delivering on all three.

00:01:40

We nearly doubled our theatrical slate, deepened our roster with top-tier creative talent, greenlit 40 new and returning series for Paramount+, expanded our sports portfolio with the UFC, Zuffa Boxing, while broadening our partnerships with UEFA, adding to an already strong lineup that includes the NFL, WNBA, PGA TOUR, March Madness and more.

00:02:01 At the same time, we've made meaningful progress in technology and product development, including with the convergence of our streaming platforms, which is well underway, helping create a better, more seamless experience for users. And these investments are translating into stronger performance. Paramount+ grew to nearly 82 million subscribers, delivered its best quarter of retention ever, and posted double digit growth in total view hours, all while expanding margins throughout the first half of the year.

00:02:29 Among the quarter's many highlights, our Studios business saw continued year-over-year profitability improvement, while growing its pipeline, with more than 90 series in production across the group this year. The early turnaround reinforces our confidence in the strategy, and we continue to make significant investments in theatrical and premium series to drive future engagement, subscriber growth and long term value.

00:02:52 Across our broader portfolio, TV Media's profit grew 14%, even as revenue declined amid the broader industry shift away from linear. And enterprise-wide, we're tracking to over $2.7 billion in run rate efficiencies by year's end, and still expect a total of $3 billion plus from the Skydance-Paramount merger.

00:03:11 We're also continuing to advance our proposed combination for Warner Bros. Discovery, a deal that builds on the foundations we've established by creating a stronger, well capitalized, creative-first company, with the scale to compete alongside Netflix, Amazon, Apple and others, benefiting consumers, theatrical exhibition and creators alike.

00:03:31 The clearances we've received from competition authorities and governments represent 65 jurisdictions worldwide, confirm that the facts of the law are on our side, and we remain confident the transaction will be completed.

00:03:43 One year in, we're proud of the progress we've made, a testament to the extraordinary talent, hard work and dedication of our people around the world. Our conviction in our strategy is stronger than ever, and we're energized and optimistic about the opportunities ahead.

00:03:57 And with that, I'll turn it back over to Kevin for your questions.

QUESTION AND ANSWER SECTION

00:04:04 **Answer – Kevin Creighton:** Great. Thanks, David. We'll now go ahead and take questions from the analyst community and then we'll open it up in the last few minutes for any final questions we're not able to address.

00:04:14 So, our first question comes from Steven Cahall at Wells Fargo, as the general transaction update. Given that Paramount outbid a larger competitor for Warner, I think investors view it as a must-have rather than an opportunistic transaction. Can you give us an update on the path forward and what if the WBD transaction doesn't come to fruition? David, maybe take that first one.

00:04:39 **Answer – David Ellison:** Yeah. No. Kevin, absolutely. And Steve, I really appreciate the question. Look, we remain highly confident that this transaction will close and we're preparing for basically a successful combination once it does.

00:04:50

If you take a step back and just look at exactly where we are today, we've received approvals from basically 65 regulators representing 65 countries around the world, including the United States federal government, Canada, European Union, China, and many more. And I think if you look at everybody who has published an opinion on the merger, have all identified the markets the exact same way and have all come to the same conclusion, which is that this deal raises no competition concerns.

00:05:20 And the facts simply speak for themselves. When you look at the television market share, excluding YouTube, the combined company would represent less than 20% of all television watch time, according to Nielsen. If you include YouTube, which is the industry standard, it represents 13.4%, based on the most recent Nielsen data.

00:05:38 When you look at the theatrical box office over the past 12 months, the combined company would represent 18% of the domestic box office. If you do a 24-month look back, it's 22%, competing against larger scaled global players like Netflix, Amazon, Apple, as well as other studios such as Sony, Disney, Lionsgate and A24. And we continue to believe very strongly that the combination of these two businesses create a stronger competitor that is good for Hollywood, good for consumers, and good for the creative community.

00:06:11 Look, as it relates to the ongoing litigation, we're absolutely open to finding a solution out of court, but we also really believe that we'll win at trial. We believe that the facts and the law are on our side. And the trial date was just set for March of next year. And as it relates to the financing, all of that is in place. There's nothing at risk. And so, we're confident we'll close the transaction and we're working towards that as fast as we possibly can.

00:06:39 **Answer – Kevin Creighton:** All right. All right. Great. Thanks, David. Our second question, which follows on to that one is from Laura Martin at Needham. And the question is, if the Warner transaction closes later than expected, what is the average burn rate, including ticking fees, commitments and any other costs for Paramount shareholders?

00:06:56 **Answer – Dennis K. Cinelli:** Sure. Let me take that. So, on the financing, both the equity and bridge is locked in and committed throughout the remaining time we need to close the deal. In terms of incremental cost, we have two areas. We do incur costs beyond September 30.

00:07:10 The first is on the bridge which carries modest fees that will run $8 million to $9 million a month, plus an additional bridge commitment fee due in June of 2027. In total, this adds up to around $190 million in incremental financing, if we don't close until June. The second, the merger agreement does provide an additional ticking fee for WBD shareholders, if we close after September 30. This is only payable when and if we close. It's $0.25 per share per quarter, which is about $650 million per quarter and will be funded at close through additional equity.

00:07:44 In terms of the question on our current liquidity and balance sheet, we ended the quarter at $1.6 billion in cash, $3.2 billion of undrawn revolver capacity. This is sufficient to fund the business, our dividend, transaction related costs through the extended timeline. And actually, as we noted in the letter, we've seen positive free cash flow performance for the year. We took up our free cash flow guidance 10% before transformation costs. So, we feel good about where we stand in terms of liquidity and managing through this extended time period.

00:08:16 **Answer – Kevin Creighton:** All right. Great. Thank you, Dennis. Appreciate it. All right. We will now go ahead and pivot towards the business. So, our first question, on the streaming business, comes from Steve Cahall, Wells Fargo. And it's on DTC growth. So, the question is, we've seen revenue growth slow at large streaming peers. Where do you think you are in terms of subscriber penetration and pricing for Paramount+? Do you believe that double digit top line growth, which is both Netflix's target and Disney's for their DTC service, is sustainable over the medium term? David, maybe you can take that one.

00:08:53 **Answer – David Ellison:** Yeah. No. Kevin, absolutely. And, look, the short answer is yes in terms of the double digit growth. I mean, I think we just demonstrated that with 16% revenue growth year-over-year.

But again, to just kind of level set, like, let's take a step back in terms of where we are as a standalone company, which is our business is very much in transition of a majority of our revenue and EBITDA coming from the linear business to transitioning to studios and streaming. And we're making really significant progress as we work towards those goals.

00:09:23 Everything we're seeing on the streaming side of our business is accelerating throughout the year. We've got great momentum. We're seeing top line revenue grow, we're seeing improved profitability and ARPU also continue to improve. And I think it's worth noting that we're not yet at scale today. A lot of the competitors that we're competing with are a significant multiple of our size, which means that we have a tremendous amount of basically runway in terms of how we can continue to grow and scale Paramount+. And to do that, we really believe in this theme of art and technology working hand in hand together to really deliver a superior experience for users.

00:10:01 If you look at the performance that we obviously had in Q2 with Dutton Ranch, the UFC, as well as the World Cup in the select territories we had it in, all improved incredibly well for us. We have a remarkable technology and product team that are continuing to iterate to deliver the best possible experience to users. And so from that standpoint, we feel like we're very well positioned to continue to grow and scale the business. And with that, let me hand it over to Dennis to dive into some of the numbers from the quarter.

00:10:27 **Answer – Dennis K. Cinelli:** Yeah. Thanks, David. So, it's worth reminding us of how we sort of – our investment philosophy in this business, right? We've talked about our owner-operator's mindset in the streaming business. We are investing in the long term to combine content and technology that will drive growth and we still have a lot of room to run.

00:10:44 We have room to grow subscribers, both domestically and internationally. We have room to deepen engagement. And you're seeing this come through in the quarter we had. So, a couple of numbers. Revenue up 16% for Paramount +, roughly a third of that was from subscriber growth, two-thirds from our ARPU increase. This is really flowing through some of the pricing actions, but also the continued improvement in our mix of subscribers.

00:11:10 Overall, we added 2 million subscribers in the quarter, reaching 81.6 million globally. This was ahead of our expectations. I think the thing to note here is the strong underlying growth. We added 4 million underlying subs before you exit the hard bundles and that's nearly double the amount of underlying subs that we added in Q1. This was driven, as David talked about, the performance in our content, Dutton Ranch, the biggest series in Paramount+ history, UFC, the World Cup.

00:11:39 And then really encouraging is the input metrics, right? The best retention quarter in Paramount+ history, we had double digit year-on-year growth in total engagement. And so we really see the business and the platform accelerating from here. As we talked about in prior letters, we expect DTC revenue to accelerate in the back half. This is driven by both subscription and advertising, both at Paramount+ and the reacceleration in Pluto as we relaunch that platform.

00:12:07 And then in terms of 2027, it's a bit too early to guide on 2027. But I think the thing to note is we will keep invest behind this business. We believe the opportunity will be multiples of where we are in terms of engagement, revenue and profit. And we really believe winning here comes down to having the best stories and the best technology to deliver that, and we're going to invest in both.

00:12:31 **Answer – Kevin Creighton:** All right. Great. Thanks, Dennis and David. All right. Our next question comes from Rich Greenfield at LightShed, and this one is sort of overarching question on platforms. So, the question is, Netflix is ingesting TF1. Peacock is ingesting Starz, YouTube Premium and Peacock and on and on. Do you foresee Paramount+ becoming a platform or have you consciously decided to remain a standalone service?

00:13:00 **Answer – David Ellison:** So, so by the way, Rich, thank you so much for the question. I think important to note, we're in the middle of a transaction, which would not keep us at a standalone service. And one of the core thematics behind the WBD transaction is really getting us to scale in streaming. We'd be over 200 million basically gross subscribers at close.

00:13:16 I think from a competitive standpoint, it's worth noting that that just puts us right around Disney, still obviously not at the scale of Amazon or Netflix. So, this is still an incredibly pro-competitive transaction. It accelerates our goals of getting to scale in DTC. It also strengthens our content offering between – what we can offer between the two services, which we think positions us incredibly well to be able to grow and scale all aspects of our business in the future.

00:13:43 Then, let's talk about what we're doing today as we obviously prepare for that transaction, which is we're working on building a world-class experience for Paramount+. We're building an industry best-in-class product and technology team and incredibly compelling content offerings across films, series, sports and news. And we're on track to basically converge our tech stacks by the end of summer as we've guided towards. And we think that will – the combination of that will position us incredibly well to be able to be successful and grow our direct-to-consumer business.

00:14:19 As it relates to the platform question, I think the right way to address that is really looking at what is the consumer looking for that is not currently being delivered by the marketplace? And I think if you look at the trends across the tech businesses over the last, call it, 10 years, they've really been in the business of eliminating friction, to improve convenience, to drive value. That has not been the trend in media.

00:14:49 I think a lot of us probably would like the convenience where everything is in one place, which we used to get with the cable bundle, having the breadth of selection all be centralized, I think these are things that users are asking for. And so I think you'll see us work to want to solve those problems really for how do we deliver the best possible experience for the consumer. We're very consumer-focused in terms of how we're approaching this.

00:15:16 And then that turns into, well, what will really differentiate your service from your competitors? And we continue to believe that the quality of the content, the quality of the storytelling, which again the combination of WBD and Paramount really speaks to. I also really want to give a tremendous amount of credit to our basically studio teams who consistently punch above their weight.

00:15:35 If you look at the series that have obviously been delivered this quarter and from a technology standpoint, we are going to take and iterate test and learn approach in terms of how we roll these things out. So, we feel good about where we're going and we're going to work really hard to make sure that we are delivering the best possible experience to users as consumer focus is really a big driver for us.

00:16:00 **Answer – Kevin Creighton:** Great. Thank you, David. Okay. Our next question comes from Robert Fishman at MoffettNathanson. And this one's regarding sort of the broader bundling strategy. And his question is, any updated views on how you weigh investing behind Paramount+ to accelerate its growth versus partnering with other streaming platforms to leverage their distribution, similar to Peacock's deal with YouTube Premium? And can you do both? Maybe Andy, we'll go ahead and give that one to you.

00:16:30 **Answer – Andrew BrandonGordon:** Yeah. Thanks, Robert. And, look, this is really a follow on to what David just talked about, which is how we basically create the right distribution partnership that really lights up our consumers. And so when you step back, like we look at each partnership independent and separate, large or small against literally the same criteria. One, does it expand our reach to new audiences? Two, does it enhance our ability to own the direct relationship with the consumer? And three, do the economics work for us relative to our owned and operated direct franchise?

00:17:03 There are other components that we also look like that are more technical. Is it a better customer experience? Can that customer experience be enhanced by what the partner can offer? Are we going to get shared data? Will the partner share their data in a way that helps them and also helps us? Lastly, we also think about on our ad tiers, will that partnership essentially scale our own ad business and allow us to have the ad signal from that partner that will benefit us as well as them? It's a high bar for us to really consider some of these very large bundles, and it really has to fit in that framework that I just mentioned on all those different criteria.

00:17:41 When you think about what we're trying to do and what David mentioned is we really want to scale our direct-to-consumer businesses. So, putting Paramount+ with the assets of Warner Bros., once we close, it's important that we literally put that into a combined globally scaled standalone service where we have the direct relationship with the customer, the control of the data and the monetization strategy. That's really how we think about it, and that's how we're going to essentially grow the business as we move forward.

00:18:11 Look, we have great relationships with the likes of Amazon, Roku, YouTube, and Apple, and we'll continue to work with them on a variety of opportunities and things that are both enhancing for them as well as enhancing for us. Back over to you, Kevin.

00:18:25 **Answer – Kevin Creighton:** All right. Great. Thanks, Andy. Our next question is on the tech convergence and I think we may have touched on this a bit up in prior questions, but from Mike Morris at Guggenheim. Question is, is the Paramount+ Pluto, BET+ convergence still tracking to launch this summer? And what will you watch in the early data to know it is working and how do you think about bundle design or any changes at launch and where you might see benefit to advertising as well?

00:18:53 **Answer – David Ellison:** Yeah. So, Mike, I really appreciate the question. The answer is yes, we're on track for everything that we've guided towards, in terms of convergence, the web experience for Pluto has actually been live since June 30. And we're on track to basically roll out the O&O completion by the end of the summer, which is what we've been working towards and our expectation.

00:19:17 In terms of the early signals that we'll look for, it's really improvements across personalization and recommendation quality, discovery and engagement left, a better ad experience and improved monetization as we unify the ad stacks across both Paramount+ and Pluto, and also improved merchandising, which was not previously possible, given connectivity between the two services had really siloed data where they didn't talk to one another. And by bringing them together, we're going to get significant benefits.

00:19:49 I also think it's worth noting that we really view that as getting us to the starting line. There was some tech debt that we inherited when we acquired the company and this really now puts us in a position to be able to iterate very quickly and also to make incremental investments in Pluto as we get towards the back half of this year, because that will have an improved VOD experience, improved user experience, improved monetization engine, you are going to see us make select content investments into Pluto in fourth quarter of this year.

00:20:22 As it relates to the front end, again, with having it be a truly unified stack, we can now iterate much quicker. And so you should look for us to obviously continue to improve the UI/UX, merchandising, as well as the basically ad stack across the two services.

00:20:42 As it relates to pricing and bundle design, the right way to think about convergence is really as a technology integration that is bringing together the code bases and unifying the data that was previously siloed between the three separate services.

00:20:58 As it relates to the specific question around the kind of ad tier ARPU, should absolutely expect upside over time. And really the structural goal that we're working towards is to being effectively indifferent as to which plan the subscriber chooses from a monetization perspective. So, we are on track and the team has been making incredible progress, and we will achieve the goals that we've set out.

00:21:23 **Answer – Kevin Creighton:** All right. Great. Thank you, David. We'll now pivot a bit to industry trends. So, our next question is from Sean Diffley at Morgan Stanley and it's on AI. Question is, David, how do you envision AI and interactivity across the company and how can you nurture intellectual property and keep it fresh and relevant for younger generations?

00:21:46 **Answer – David Ellison:** Look, it's a fantastic question. I know we've talked about this a little bit on previous earnings calls. Look, we really do view artificial intelligence as a tool for storytellers, not a replacement for them. We are a content and storytelling company first. I think we demonstrated that with, I'd say, some of the models that infringed on copyright. We were kind of early to kind of step in and fiercely defend our copyrights and also fiercely defend the artists that we create them who are in the business of serving.

00:22:19 That said, we think AI is going to be a big unlock and a positive for our business and for our industry. We think it's going to be a creative unlock in terms of storytelling, again, all through the lens of being a tool for artists. But I think if you think back to 1983, when James Cameron made the first Terminator film for a little over $4 million, that at that time was an original film with a first-time director. And when you think about what that would cost today, it would be hard for that movie to basically get made.

00:22:56 And I think as you look at how the technology will make things more efficient, I think that will be a big unlock to creativity across the totality of our business, really driven by filmmakers and talent. I also think you're going to see significant efficiencies as AI is deployed across the business. One particular area is that in computer programming, the speed at which you can now iterate and complete projects is kind of on average 50% more efficient in terms of what's possible. And I think that this technology has really changed that for the foreseeable future.

00:23:34 I also think there were some things, as it relates to the Seedance launch and the Sora launch that I don't think have been talked about enough, which was what did you see created on those days? You saw people wanting to interact with intellectual property, with characters in universes that they love, that they don't actually have the access to be able to do, which again speaks to the power of intellectual property and new avenues that can be created to be able to interact with it with fans of the next generation.

00:24:09 But I think also pretty much across the board, right, like you, we're going to live in a world where, look, my daughter is a huge fan of PAW Patrol, right. We have the movie coming out in just under two weeks. We couldn't be more excited about it, but her favorite character is Skye, for anyone who was interested, and you're going to live in a world where if she wants to have a 10-minute conversation with Skye powered by an LLM, she can do that. And that will deepen fandom, deepen engagement. That's all possible.

00:24:36 If you're a die-hard Star Trek fan and you want to basically create a five minute clip on the bridge of the enterprise, that's going to be possible. So, again, I think there's going to be really significant unlocks across the totality of the business that's really generated and propelled by artificial intelligence. But with that said, in a world of AI slop and user generated content, I continue to believe there will be a premium for handcrafted filmmaker, high quality artist-driven storytelling. And you're seeing that take place in the marketplace right now.

00:25:14 You're seeing The Odyssey break records, you're seeing one of the biggest opening weekends of all-time with Spider-Man. So, from that standpoint, we are bullish on high quality content that is handcrafted by storytellers. And so from that standpoint, we really believe that there are areas where AI will be great for our business. We believe in high quality handcrafted storytelling. And you'll see us basically pursue both across the company.

00:25:43 **Answer – Kevin Creighton:** All right. Great. Thank you, David. All right. So, now, we'll go ahead and turn to Studios. So, our question comes from Peter Supino at Wolfe Research. And his question is, could you talk about the progress you've made rebuilding studios? What have been the most valuable advances and what remains to be done that's controllable?

00:26:06 **Answer – David Ellison:** So, Peter, I really appreciate the question. And, look, we're really proud of the work that we've made basically in one year across the Studios business, right? I mean, from a measurable standpoint, we've obviously – Q2, we delivered a profitable quarter for our Studios business coming off of a loss. And we really do view our Studios business as a long-term growth driver for the business and we really are just getting started.

00:26:33 I think if you look at where we were basically a year ago when we bought the company across Paramount Pictures, there were eight films released that year. Literally a year later, we have 15 films that we're releasing in 2026, which we're incredibly proud of. Across our Television Studios, we're on track to deliver 90 series this year and 800 episodes of television, and that is absolutely durable and growing.

00:27:03 We've also, in credit to Josh and Dana and Josh Goldstine, they've been doing a lot of work to obviously improve the marketing and distribution business, in terms of using more data and analytics to make marketing more efficient, and also to target in a way that is much more effective. I think Scary Movie's outperformance is a great reflection of that.

00:27:29 And then as you look forward into 2027 and beyond, we really are building our slate in a way that we're really excited about. We have Children of Blood and Bone coming from Gina Prince-Bythewood' He's a phenomenal filmmaker. I was fortunate enough to get to produce The Old Guard with her. We have the next installment in the Sonic the Hedgehog franchise.

00:27:50 John Krasinski has obviously returned to A Quiet Place with Emily Blunt. We have a new Teenage Mutant Ninja Turtles movies coming. We have Teyana Taylor's Get Lite. We couldn't be more excited about our Days of Thunder sequel with Tom Cruise and Jerry Bruckheimer, as well as what we're doing on Call of Duty with Pete Berg and Taylor Sheridan, just to name a few.

00:28:12 And another thing you'll see us do is we really do believe in the philosophy of betting on people and betting on talent, and that's something you will continue to see us do. And we have an incredible group of artists that we're very fortunate to have call Paramount home. We're thrilled that The Duffer Brothers are now here. They're hard at work on their first feature film that we're really excited about.

00:28:37 Matt and Trey Parker have been doing unbelievable work. Jon Chu, Issa Rae, James Mangold, and then, of course, basically Taylor Sheridan, we just released Season 3 of Lioness. He's working on the next season of Landman as well as writing Call of Duty, literally as we speak. I think he is a singular artist whose track record more than speaks for itself. And so all of those are things that are controllable, that we've been working hard towards, that we're excited about.

00:29:06 And also, I would say one of the other things that we've been seeing really big improvements over is from our licensing group. When we got here, we made improvements to our pay one deals (00:29:18) that have really been performing well for us. Recent success from Skydance Animation, Swapped just joined the top 10 of Netflix's most watched original films, will actually be the number two most watched animated movie behind KPop Demon Hunters and really joins The Adam Project. So, we're proud that basically the legacy Skydance business now has two of Netflix's top 10. And what we're going to continue to do is obviously continue to invest in content, continue to grow our Studios business and you will only see that accelerate in the future.

00:29:56 **Answer – Kevin Creighton:** Great. Maybe, Dennis, you want to briefly touch on financials of that?

00:30:00 **Answer – Dennis K. Cinelli:** Yeah. So, I can run through the Studios results. Studios continued its run of improving adjusted EBITDA year-on-year. Adjusted EBITDA was $36 million in the quarter, up from a loss last year. Revenue was up 16%. A few of the areas that drove the results. So, as David mentioned, theatrical beat our plan, Scary Movie really delivered franchise-best opening. This year-on-year partially is offset by the lapping of Mission: Impossible. Our film slate profitability improved year-on-year. This was a bit better than our expectations.

00:30:34 And one of the things that's interesting, I like to add a metric to look under the hood in that performance. We implemented a more disciplined data-driven approach to greenlighting marketing and distribution.

And so each dollar of marketing spend is doing more for us. Each dollar of marketing spend is generating 11% more box office in 2026 versus 2025. Across our TV studios, we saw double-digit licensing growth. This was driven by third-party deliveries at Paramount Television Studios, as well as the consolidation of Skydance licensing.

00:31:04 And then in terms of our outlook, so we expect Studio performance, as we've talked about, to continue to be a growth engine for us. We expect this to be durable. We have eight films remain in the back half of 2026. This includes PAW Patrol, The Dino Movie, Street Fighter, Mr. Irrelevant with the NFL, between the higher output volume, our improved marketing discipline, our licensing momentum that David talked about, and then the visibility into our slates for 2027, we feel good about Studios sustaining its profitable path. And being not just sort of a one quarter pop, but a growth driver for us as well as profitability driver. And so overall, you'll see Studio, the segment grow profitability 2026 versus 2025.

00:31:48 **Answer – Kevin Creighton:** All right. Great. Thank you. We'll now go ahead and pivot to TV Media. We have a couple of questions on that. So, the first one comes from John Hodulik at UBS on cord-cutting. The question is cord-cutting seems to be slowing, driven by the proliferation of skinny bundles. How is Paramount positioned with the linear ecosystem and is this dynamic a net positive or negative for the company? Andy, maybe I'll turn that one over to you.

00:32:15 **Answer – Andrew BrandonGordon:** Sure. John, thanks for the question. I think I'll take the second part kind of first and just talk about where we're positioned in the ecosystem. I would say the relationship with our affiliate partners has never been better. The content that we provide through both CBS, our cable channels, and our P+ credentials are very important to their consumer base. Whether it's our CBS primetime lineup, whether it's our sports offering, whether it's some of the great program we have on our cable channels, as well as all the things that we serve on the original side of Paramount+, the affiliate wants to have us in the ecosystem.

00:32:51 I will say that we've noticed the affiliate revenue declines have slowed somewhat based on the following, which is subscriber declines are slowing in terms of their rate of growth of slowing down, meaning that they're not shrinking as much as quickly, and sort of the rates we're getting are essentially resilient on a business as usual basis.

00:33:14 Having said that, we're very conservative about how we look at the future and how we look at those declines, and we're managing the business very effectively around that. In fact, the team has done a great job in making sure that as revenue declines, actually margins are improving in terms of being more efficient in going after that business, which we find to be incredibly attractive to the overall ecosystem of Paramount.

00:33:36 I do want to call out that there is a lot of innovation that's happening with our MVPDs, as well as our virtual MVPDs, YouTube and Charter are very large relationships of ours. In particular, Charter has really cared about the video product and they've done a very good job in sort of packaging both as a bundle relative to our cable channel CBS and our P+ credentials, which are critical in terms of their relationship with us and what they offer the customer.

00:34:04 And they have 10 million of those, but they also have been very thoughtful on looking at skinny bundles in terms of where the customer may want to just have sports or just have certain general entertainment. And we're okay with that as long as it sort of provides a really good customer experience and it provides the right economics for us overall. So, that's – Kevin, that's really the answer.

00:34:27 **Answer – Kevin Creighton:** All right. Great. Thanks, Andy. Appreciate it. Next question is from Jessica Reif Ehrlich at Bank of America, and this one's on advertising and the Upfront. Generally, just question on the overall tone or color regarding the advertising market for Paramount over the past quarter and as we look out. Maybe, Andy, you want to take that one as well.

00:34:49 **Answer – Andrew BrandonGordon:** Sure. Jessica, great to hear from you. Hope you're in a great place at the moment. But let me start with the question and then I will turn it over to Dennis for the numbers (00:34:57). Look, we could not be more excited. We've had a very strong Upfront season, double digit percentage increase year-over-year.

00:35:06 I think we credit it not only to our content offerings and what we're offering to our advertising clients, but that we have a really awesome digital-first management team and new leadership around what we're doing in advertising. Quite frankly, this has been the strongest Upfront season since the CBS-Viacom merger. And we couldn't be more thrilled to see where we're ultimately going to go into the end of the year and into next year.

00:35:32 I will say that we are very focused on making that digital transition. We started on the sales side with our new leadership team, but we're also focused on the product side where we really are investing in technology that will allow us to monetize more ad impressions across our entire digital portfolio, whether it be in Paramount+ ad tiers, Pluto and our digital sites across the company. And I think you'll see more of that product innovation as we get into the end of the year and into next year. But this is a critical component of ultimately where we want to be from an ad perspective.

00:36:05 So, let me turn it over to Dennis to go through some of the numbers relative to advertising over this quarter.

00:36:11 **Answer – Dennis K. Cinelli:** Great. Thanks, Andy. So, in terms of advertising results, so in the second quarter, organic ad revenue trends were pretty stable and then a little bit better than typically seasonal patterns. Our DTC advertising growth nearly offset continued TV Media pressure as we make that digital transition that Andy talked about.

00:36:31 Maybe it's worth a couple of the breakouts. In TV Media, Q2 advertising declined 14% year-on-year. This was driven by a couple of headwinds. One is 8 percentage point impact from the NCAA, where last year we had the Final Four. And this year, we did not. We also have the 3 percentage point headwind from our sale of Telefe and Chilevision. And this was partially offset by a 2 percentage point political benefit.

00:36:51 In Paramount+, we continue to have really encouraging results. We delivered double digit ad growth. This was driven by our premium demand, including live sports programming, UFC, World Cup. And then really encouraging our sell through continued to increase year-on-year.

00:37:13 On Pluto, this remained a drag. It was consistent with our Q1 results. Again, we're relaunching that platform here in the summer. And so we will – we do expect that Pluto to return to growth in back half of the year.

00:37:27 And then Andy talked about the investments we've been making across the team and the pricing and packaging, in our technology stack. And what we'll see in the back half is overall ad revenue for the company return to growth. Kevin, back to you.

00:37:42 **Answer – Kevin Creighton:** All right. Great. Thank you. We'll now go ahead and move on to our financial results and guidance. We got a question after we printed today from Steve Cahall at Wells Fargo. And the question is, you've raised your FY 2026 adjusted EBITDA and free cash flow guides, you captured Q2 guidance, but you didn't raise your revenue guidance.

00:38:07 Should we imply that synergies are coming through more strongly, or are there additional operating outperformance? And then on the free cash flow side, is $800 million still a good number for 2026 cash restructuring costs? And I guess my step back is just maybe, Dennis, it would be helpful to walk through kind of some of the puts and takes on the quarter and the outlook.

00:38:26 **Answer – Dennis K. Cinelli:** Yeah. Sounds good. So, we'll talk through the pieces. Overall Q2, I mean, we've talked about a lot of pieces, was a strong quarter. We feel really good about how the company executed in the quarter and you saw the results. Overall revenue and adjusted EBITDA were at or above the high end of our prior guidance ranges. Revenue growth was led by DTC, 9%, Studios was up 16%, adjusted EBITDA grew 27% year-on-year to $1.1 billion, profitability was up across all three segments, which was a great quarter for us.

00:39:02 Given this outperformance, we are raising our full year adjusted EBITDA outlook. We're putting a range on it from $3.8 billion to $3.9 billion. We are increasing our free cash flow conversion to be at least 10% from previously 5%. This is while keeping our $30 billion of revenue outlook in place. And so I'll talk through some of the puts and takes here.

00:39:24 So, on the adjusted EBITDA increase, we are making progress on our transformation. As we noted in the letter, we are taking up our synergy realized through this year to $2.7 billion. You're seeing that flow through in this guidance. We're able to – we're seeing upside from our cost management efforts. And we're doing this even as we reinvest in the business. We're reinvesting in technology. We've also talked about the programming investments we're making.

00:39:50 On revenue, revenue is pretty consistent. What we've said previously, our guidance is we will have accelerating DTC revenue. Studios will continue to grow and we're managing against the linear declines. The trend – this sort of continues our transition of revenue more towards our growth engines, streaming and Studios, as well as our profit base.

00:40:13 We'll talk through Q3, you're going to see that revenue step up in our Q3 guidance, revenue growth step up in our Q3 guidance. And I'll come back to that. So, on free cash flow outlook, one of the things that I've been focused on, the team's been focused on, especially since I've been here is just making sure we are implementing a ton of discipline in free cash flow and managing the business accordingly. And we're starting to see that come through.

00:40:36 So, we did take up our free cash flow outlook for the year. It's 10% excluding our transformation costs. This still reflects our elevated content spend, tied to programming, right? Our content investments are still in early ramp, namely our expanded film slate as well as our broader originals lineup. And also it carries in some of our – and this will moderate, our – given this is an investment year, our investment in content will moderate as we come to our steadier (00:41:06) profile.

00:41:11 We still see, I think the thing to call out is 10% free cash flow conversion is not our end goal. As we've talked a lot about, we do see a clear multiyear opportunity over the mid-term to deliver a sustainable top line growth and to close the gap in our profit margin to free cash flow conversion to our relevant peer companies.

00:41:33 In terms of Q3, just to state the guidance, we expect revenue of $6.95 billion to $7.15 billion. This is growth from 4% to 7% year-on-year. This is an acceleration of business as we see our investments pay off. Our adjusted EBITDA is $875 million to $975 million in guidance. This is really driven by the accelerating growth in DTC and Studios, as well as moderating declines in TV Media.

00:42:03 In terms of Paramount+ subscribers, we do expect subscribers to be relatively flat quarter-on-quarter. In terms of the Q3 revenue growth, we've talked a little bit about this, right? We will see accelerating growth in DTC. This includes improving both advertising trends as well as subscription strength. We'll see accelerating Studios growth, which includes our strong slate in the back half of the year as well as our delivery on licensing, both first run licensing as well as our library. A thing to call out is our library, revenue is growing double digits.

00:42:36 And then TV Media, we'll see less of a decline year-on-year, versus Q2, just given we'll have the NCAA comp. On Q3 adjusted EBITDA, as we noted in last call, our profitability is going to be more heavily weighted to first half. This is driven by the step down year-on-year in DTC in the second half. And it's really comes out in Q3 where the timing of content amortization, which is really our sports portfolio, as well as some of the new originals hit us more in Q3 and start to moderate in Q4. However, Studios and TV Media profitability will continue to improve. Overall, we feel really good about our results in Q2. We feel good about improving our adjusted EBITDA guidance and our free cash flow guidance, and we look forward to continuing to execute.

00:43:26 **Answer – Kevin Creighton:** All right. Great. Thanks, Dennis. And our last question before we go ahead and open it up, Andy, maybe this one's for you on transformation. The question is from Ric Prentiss at Raymond James and it's, what are the two to three biggest areas left of cost savings across PSKY?

00:43:47 **Answer – Andrew BrandonGordon:** Yeah. Before I get to that, let me just remind everybody that we started prior to closing last year, we thought we'd save $2 billion by merging Skydance and Paramount together. During our first quarter earnings call, after we closed, we raised that to $3 billion plus, basically based on understanding what we could do by reorganizing the businesses. That was a 50% increase over what we thought we could do prior to closing.

00:44:14 And when you think about what we did in reorganizing, we put cable and broadcast into the same group and use the management team running CBS, essentially reduce redundancies, centralized essential shared services and institute best practices. We did the same thing in Studios where we put the film studios of both Skydance and Paramount together with all the television studios of Skydance and Paramount, with the exception of CBS into one business unit. And we got the same type of efficiencies there. We'd also improve the ROI on the content spend for every dollar of production that we put into motion since we've closed.

00:44:51 Some of the big step functions that we've noticed over this year that's gotten us to an incremental $200 million run rate by the end of the year and into next year really our technology and what we're spending in technology relative to our running the company on the ERP side, our migration to Oracle Fusion will essentially be complete by the end of next year and that will save us a ton of money.

00:45:18 In addition from that, on the product side, David already talked about integrating Paramount+, BET+ and Pluto to the same tech stacks. When you look at the combination of all that together and also economizing on our third-party spend with cloud providers, that's roughly $200 million savings overall in our program and then there's another $100 million across consolidating facilities management, other procurement efficiencies, such as professional services and marketing, all of which will sort of be part of this year, but also flow into next year as we get into that $3 billion plus synergy target. So, thanks, Kevin.

00:45:53 **Answer – Kevin Creighton:** All right. Great. Thanks, Andy. We'll now go ahead and transition to taking any final questions live. Before we do, just quick note, before we open up the line, given the pending transaction, we won't be taking any questions on the deal today before or beyond what we've already discussed. So, please keep any final questions focused on the business or the industry, but not on the transaction. With that, Krista, can we go ahead and open up the line for final questions?

Operator

00:46:32 Thank you. Thank you. Your first question comes from Robert Fishman with MoffettNathanson. Please go ahead.

Analyst: Robert Fishman

00:46:39 **Question – Robert Fishman:** Hi. Good afternoon. You guys called out in the letter how premium live sports is improving the engagement, strengthening retention and increasing the value to your service. Does that push you to add even more sports rights in the years ahead? Clearly, there's some bigger ones coming in the next few years, including the success of World Cup. And then if you can touch on maybe how you think about the broader portfolio when you do include Warner Bros., whether that's a rebalancing or prioritizing of the different rights that you do have in the portfolio. Thank you.

00:47:12

Answer – Kevin Creighton: Yeah. We'll take the first part. As I mentioned, we're not going to address anything on the transaction side, but David, do you want to touch on the first piece, maybe?

00:47:19 **Answer – David Ellison:** Yeah. No, no. Absolutely. So, I mean, look, we're a big believer in live sports and I think you should look for us to obviously continue to expand in terms of how we look at the portfolio there. And look, I'd say our confidence based on the UFC's performance on Paramount+ has only really reaffirmed basically that position.

00:47:41 I think if you go all the way back to where we started with UFC 324, that delivered the largest live exclusive event in the history of Paramount+. We then beat that record with basically UFC 250, which did 17 million viewers across the US and LatAm. And as TKO announced on their earnings call, 45 million globally, which I think really speaks to the power of that sport.

00:48:06 And then in July with the McGregor fight, we obviously, again, set a new high watermark for Paramount+ in terms of peak concurrent streams. And so from that standpoint, I think you should definitely look at us as a buyer of sports rights. That obviously is a category we believe in a great deal. And I look forward to when we can answer the WBD question later on.

00:48:29 **Answer – Andrew BrandonGordon:** I would just sort of add to what David said, which is the Champions League has been something we've had in the US and we've been able to secure that both in the UK and Germany and other territories have come up that we'll announce shortly that are also very attractive to us, too.

00:48:44 **Question – Robert Fishman:** Okay. Thanks, Andy.

Operator

00:48:45 Your next question comes from the line of David Joyce with Seaport Research Partners. Please go ahead.

Analyst: David Joyce

00:48:54 **Question – David Joyce:** Thank you. I was wondering what sort of discussions you've had or have coming up with your affiliate partners, distributors on linear side over the next 12 to 18 months. What sort of proportion of your portfolio does that include? And are you able to rollout the combination with your streaming services as a bundle with any more distributors from here? Thanks.

00:49:20 **Answer – Andrew BrandonGordon:** Great. Let me address that, David, if that's okay. Let me start with the last part, which is most of our distributors want our streaming credentials. It's critical to our offering generally, and we continue to do that in the right way. And some perform better than others on their platforms. That is something that is clearly important to our affiliate relationships.

00:49:42 And I would say that between now and the next 18 months, generally all will come up for renewal and sort of there sequential. So, every time we do this, they're usually 18 months to 2 years out. And we're just continuing to progress with them. And so far, those discussions have been going very well, this year so far.

00:50:02 **Question – David Joyce:** All right. Thanks, Andy.

Operator

00:50:06 Thank you. I will now turn the conference back over to Kevin for closing comments.

00:50:11 All right. Thanks, Krista, I appreciate it. Thank you all for joining us today. And if you have any follow on questions, please feel free to reach out to me or Logan on the Investor Relations team. Thanks.

Operator

00:50:21 Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation and you may now disconnect.