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Presentation

Operator

Thank you for standing by. At this time, I would like to welcome everyone to today's fuboTV Second Quarter 2024 Earnings Conference Call. [Operator Instructions] Thank you.

I would now like to turn the call over to Ameet Padte, Senior Vice President of FP&A, Corporate Development and Investor Relations. Ameet, please go ahead.

Ameet Padte

Thank you for joining us to discuss Fubo's Second Quarter 2024 results.

With me today is David Gandler, Co-Founder and CEO of Fubo and John Janedis, CFO of Fubo. Full details of our results and additional management commentary are available in our earnings release and Letter to Shareholders, which can be found on the Investor Relations section of our website at ir.fubo.tv.

Before we begin, let me quickly review the format of today's call. David is going to start with some brief remarks on the quarter and our business, and John will cover the financials and guidance. Then we will turn the call over to the analysts for Q&A.

I would like to remind everyone that the following discussion may contain forward-looking statements within the meaning of the federal securities laws, including, but not limited to, statements regarding our financial condition, anticipated financial performance, business strategy and plans, industry and consumer trends, anticompetitive practices among our competitors and our response plan, including our antitrust lawsuit and expectations regarding profitability. These forward-looking statements are subject to certain risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from forward-looking statements include those discussed in our filings with the SEC. Except as otherwise noted, the results and guidance we are presenting today are on a continuing operations basis, excluding the historical results of our former gaming segment, which are accounted for as discontinued operations.

In addition, our guidance and other commentary with respect to Fubo's financial condition and our anticipated financial performance in future periods do not reflect any potential impact of the launch of the sports streaming joint venture between the Walt Disney Company, Fox Corporation and Warner Bros. Discovery, including the outcome of our antitrust lawsuit. Risks related to this joint venture and the litigation are described in further detail in the company's SEC filings.

During Q&A, the company will not address any questions related to ongoing litigations, including this matter. During the call, we may also refer to certain non-GAAP financial measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are also available in our Q2 2024 Earnings Shareholder Letter, which is available on our website at ir.fubo.tv.

With that, I will turn the call over to David.

David Gandler

Co-Founder, CEO & Director

Thank you, Ameet, and good morning, everyone.

We appreciate that you joined us today to discuss Fubo's second quarter 2024 results. Our second quarter continued our strong start to 2024, and the momentum we have achieved since becoming a publicly traded company in 2020. The second quarter marked our sixth consecutive quarter of global year-over-year improvement in our profitability metrics, while in North America, we exceeded expectations.

In North America, we closed the second quarter with double-digit year-over-year growth, posting \$382.7 million in total revenue, an increase of 26% year-over-year and 1.45 million paid subscribers, up 24% year-over-year. Our ad business also remains strong, ending the quarter with \$25.8 million in revenue, an increase of 14% year-over-year. Alongside this growth, we are making great strides on our path to

profitability with meaningful year-over-year improvements in net loss, adjusted EBITDA and free cash flow, which John will discuss in more detail. This progress gives us continued confidence in our ability to execute, with all teams at Fubo operating at the highest levels. Note that our profitability goals exclude the potential impact of the sports streaming joint venture.

In addition to our robust operational execution, we were agile and opportunistic in managing our balance sheet. In Q2 2024, we repurchased \$46.9 million of convertible debt at an average price of 56.6% of par value. To fund these repurchases, we issued stock at \$1.28 under our ATM program, achieving an impressive net effective issuance price of \$2.26. That's an outstanding 77% premium. This strategic move not only enhanced shareholder value by reducing outstanding debt, but also boosted our financial flexibility and mitigated dilution. These actions further underscore our confidence in our go-forward plan, as well as our commitment to driving business growth and shareholder value.

Fubo is focused on delivering value and expanding our relevancy to consumers in a fast-changing environment. Consumers benefit from a market with healthy competitive dynamics. We continue to fight for competition and better prices in a market in disruption, contrasting with the Walt Disney Company, Fox Corporation and Warner Bros. Discovery. Their JV attempts to circumvent the need for regulatory approval, while still giving these partners control of 80% of the premium sports market. The JV claims to solve the issue of bulky cable bundles, but we believe its primary goal is to limit competition, boosting partners' profits synthetically and leading to steep price hikes for consumers similar to those seen with their SVOD services.

Consumers passionate about sports content but frustrated with high prices and inflexible bundles need multiple streaming options with competitive pricing. Fubo, like all distributors, have the right to fairly compete in the sports streaming market. A fair market would force the JV partners to compete against each other in the licensing of sports channels to pay TV platforms, virtual and traditional, as well as with other market participants further downstream in the distribution space. This will foster competition, benefiting customers with better prices and choices.

Our preliminary injunction hearing to prevent the JV's launch goes before the U.S. District Court, Southern District of New York starting today. We appreciate the support we have received from across the spectrum. We continue to be encouraged by earlier reports that the Department of Justice is looking into the JV and an increasing number of high profile Capitol Hill lawmakers, public interest groups and other content distributors are alarmed and have weighed in on the negative impact that JV would have for consumers. We continue to strongly believe in the merits of our case and look forward to going before the judge this week.

Meanwhile, we remain focused on delighting our consumers with a seamless and innovative product that aggregates a portfolio of programming at compelling price points. In recent months, we've seen media companies increasingly turn their streaming services into app stores, requiring consumers to log into different apps and stream from multiple interfaces to access content. While these companies are characterizing this approach as consumer-friendly, users are still feeling the same pain point, friction. Therefore, we have every indication that our super aggregation strategy is the right one, as we believe the best consumer experience is frictionless with multiple bundles from skinny to fat to choose from.

As a super aggregator, our vision is to offer users the premium content they love, all within the Fubo ecosystem, differentiating our service from the so-called soft bundles on the market. In the second quarter, we launched the Fubo Free Tier, the first layer in our super aggregation model. Fubo Free offers nearly 200 free ad-supported streaming television or fast channels and is currently available to certain former Fubo paid and free trial subscribers.

Fubo Free users can reactivate their paid subscriptions at any time, which they may choose to do as their favorite sports seasons return to play. Early results are encouraging, and we may expand Fubo Free to other cohorts in the future. We plan to further build out our tiered offering with standalone content that does not require the purchase of the main Fubo product. This content can range from SVOD to pay-per-view and TVOD to skinny bundles. We look forward to sharing more in the weeks and months ahead.

In closing, the second quarter continued to demonstrate how Fubo has grown efficiently as we balance our profitability goals while strategically investing in our business. We remain focused on bringing consumers an aggregated sports entertainment offering that delivers premium content and innovative product features at the price point that's right for them. And as I said last quarter, we remain committed to a competitive streaming landscape that offers consumers choice, fair pricing and innovation. This is the vision upon which Fubo was founded and is only achievable in a truly competitive market.

I will now turn the call over to John Janedis, CFO, to discuss our financial results in greater detail. John?

John Janedis

CFO & Principal Accounting Officer

Thank you, David, and good morning, everyone.

The second quarter saw a continuation of strong results and progress across just about every metric and in relation to our profitability goals. These excellent results build on our strong momentum from the prior quarters and provide added proof that the initiatives and strategies we have implemented are having a positive impact on the earnings power of our business, which we believe positions Fubo for success in what remains a dynamic operating environment.

Taking a look at the results for the quarter, we continue to see healthy top line and subscriber growth, with global revenue growing by over 25% year-over-year to \$391 million, driven by 26% growth in North America and 2% growth in Rest of World. The primary driver behind this continued top line growth has been the ongoing robust increase in subscribers. I'm pleased to report overall subscriber growth of 24% year-over-year, bringing North America subscribers to over 1.45 million and Rest of World subscribers to over 399,000. As it relates to some of our key revenue drivers and key areas of the business, ad revenue during the second quarter totaled \$26.3 million, or a 14% increase versus the prior year period.

Turning to the operational side of the business. Our actions around lowering expenses and increasing efficiency are having a positive impact on the business. Starting with gross margin, we saw a 511 basis point year-over-year improvement in gross margin to 13%, marking our seventh consecutive quarter of positive gross margin. The progress we are making across our operational and expense line items led to a Q2 net loss of \$25.8 million, a significant improvement compared to a net loss of \$54.2 million in Q2 2023. These improvements resulted in a per share loss of \$0.08, significantly improved compared to a loss of \$0.19 in the second quarter of 2023.

In Q2, adjusted EPS loss was \$0.04, an improvement compared to an adjusted EPS loss of \$0.12 in Q2 2023. Adjusted EBITDA was negative \$11 million, an improvement of \$19.6 million compared to the second quarter of 2023, while adjusted EBITDA margin was negative 2.8%, a significant improvement from negative 9.8% in the prior year period. In summary, our results for this quarter as well as recent quarters highlight the significant progress we're making throughout the business.

Notably, we believe that the company's current trajectory demonstrates both its potential and resilience, putting us in a strong position to achieve our profitability objectives. In addition, our ongoing efforts to identify efficiencies and maximize leverage across the business resulted in a \$40.5 million year-over-year improvement in free cash flow. We remain dedicated to upholding rigor and discipline in managing our company-wide cost and are pleased with the progress we have achieved throughout the quarter.

Moving to the balance sheet. We ended the quarter with \$161.3 million of cash, cash equivalents and restricted cash. We are confident that our liquidity will be adequate to invest in the business under our current operating plan, while maintaining our trajectory towards profitability. Note that this excludes the potential impact of the ongoing antitrust litigation, including the launch of the sports streaming JV.

We have also taken proactive steps to optimize our capital structure. In 2Q, we repurchased \$46.9 million in face value of our 2026 convertible notes at prices significantly below par value, \$19.9 million of which settled in July. Since the fourth quarter of 2023, we have reduced our level of debt outstanding by \$80.2 million, while also eliminating the potential dilution associated with the repurchased convertible notes.

Turning to our guidance. Our third quarter North America subscriber guidance is 1.605 million to 1.625 million subscribers, representing 9% year-over-year growth at the midpoint. While our third quarter revenue guidance projects \$360 million to \$370 million, representing 17% year-over-year growth at the midpoint. On a full-year basis, our guidance for 2024 North America subscribers is 1.725 million to 1.745 million, representing 7% year-over-year growth at the midpoint. And for full-year 2024, North American revenue, our guidance is for \$1.570 billion to \$1.590 billion, representing 18% year-over-year growth at the midpoint. Both our full-year subscriber and revenue guidance figures represent upward revisions to our previously shared full-year guidance. This guidance reflects our current exposure to potential industry volatility and our commitment to maintaining discipline in subscriber acquisition costs relative to monetization. However, it does not account for any potential impact from the joint venture.

For Rest of World, we expect 397,000 to 402,000 subscribers in the third quarter, representing a 3% year-over-year decline at the midpoint, while our revenue guidance projects \$8 million to \$9 million, representing 1% year-over-year growth at the midpoint for the third quarter. This leads to guidance of 395,000 to 405,000 subscribers for the full-year 2024, representing a 2% year-over-year decline at the midpoint and a full-year 2024 revenue guidance of \$33 million to \$35 million, representing 4% year-over-year growth at the midpoint.

As a reminder, given the many unknowns related to the potential launch of the joint venture, including the outcome of our lawsuit and the DOJ's investigation, our guidance and other commentary regarding Fubo's financial condition and anticipated financial performance in future periods do not reflect any potential impact of the joint venture to our business.

In closing, I'm pleased with our ability to post strong top line results and equally strong subscriber growth. While we recognize there's still much work to be done to capture the best opportunities we see in front of us, we're encouraged by our ability to improve just about every aspect of how we do business. It is clear that our strategies to maximize revenue and improve operating efficiencies are working, providing us with added confidence in our ability to deliver long-term value to our employees, partners and shareholders. I would now like to turn the call over to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] And it looks like our first question today comes from the line of Laura Martin with Needham.

Laura Anne Martin

Needham & Company, LLC, Research Division

My first one is about ads. Could you give us an update on what's happening with cost per thousand and give us an update on -- looks like the growth slowed a little bit to 14% year-over-year. Could you give us an update on what's happening generally in the ad market for you guys?

John Janedis

CFO & Principal Accounting Officer

Yes. Sure, Laura. This is John. I'd say a couple of things. So to your point on the ad side, you posted, call it, 13%, 14% growth that was off of, I'd say a several percentage point tougher comp relative to the last year. And so if you look at a 2-year stack comp basis, more or less was kind of the same growth rate on a 2-year basis for both 1Q and on 2Q. So, I'd start with that. I'd also remind you that we have a 34% comp in the third quarter.

From a CPM perspective, a couple of things. One is that I'm sure you've talked a lot about this around, what do CPMs look like across the marketplace? What I can tell you for us is that we continue to see strength as relates to CPMs in the sports marketplace and so we're quite happy there. As you know, we're skewed more towards sports than, I think, most. On the, I'd say, entertainment front, particularly longer tail entertainment, there's a little bit of CPM pressure that we're seeing currently.

Operator

And our next question comes from the line of Alicia Reese with Wedbush.

Alicia Spring Reese

Wedbush Securities Inc., Research Division

If you could talk a little bit about your advertising performance in the quarter and also the subscription retention that you expect to see in the third quarter around the Olympics, I'd appreciate that.

John Janedis

CFO & Principal Accounting Officer

Yes. Sure, Lisa. So, look, on the advertising side, we were very pleased with the quarter. Maybe to give you a little bit more flavor. Just as a reminder, we built out the sales team that anniversaried about a year or so ago, and so the team has actually been sprinting since. On a categorical basis, I would say the good news here is that our top 5 categories in terms of dollars also outperformed the overall portfolio, meaning they're all above 14%. And so among those in terms of strength, we saw that within, call it, auto, e-com, financial services, food and beverage, among others. I'd say on -- a little bit on the software side, that included travel, tourism and entertainment and pharma. As it relates to the Olympics in general, what I would tell you is that we view one-off events that are short in nature, for example, the Olympics or, say, the Super Bowl. Those subscribers or cohorts tend to have less retentive value. And so our marketing team doesn't aggressively pursue them.

Operator

And our next question comes from the line of Jian Li with Evercore ISI.

Jian Li

Evercore ISI Institutional Equities, Research Division

Great. I want to kind of ask about the free ad-supported service. Can you just give us a bit more details on the learnings so far? Are you seeing it actually move the needle on your churn or, like, retention profile? And is that driving part of the North America subs outperforming this quarter? And also, if you can kind of just expand into your plans to roll this out into more cohorts?

John Janedis

CFO & Principal Accounting Officer

Yes. Sure. So, I think on the fast, I'll roll in the premium discussion as well. And so I think, as you suggested, we launched our freemium platform, if you will, mid-to-late way through the second quarter. At this time, it's really for those who end up churning out as a way to try to retain them. I'd say at this point, it's extraordinarily early. I'd say, we're pleased in terms of the amount of trials, if you will, or usage we're getting on the freemium side. I'd say too soon to call what it means as it relates to retentive aspects of this.

And then I'd say, more broadly speaking, we're getting, I'd say, increasing ad growth as it relates to that month-to-month and week-to-week. So, we're happy with what we're seeing there, although it's also off of a small base. More broadly speaking, in terms of fast, not that you asked this, I would say that we're in, call it, 175 plus fast channels. We continue to see very strong growth as it relates to both viewership and advertising growth specific to the fast business.

David Gandler

Co-Founder, CEO & Director

Yes. I'll just add one piece on that, is that with respect to the specific way in which we've rolled out our free service is that we're really focused, as you said, on the customers that are churning out. And I think early indications, we're seeing some strong reactivation. But at the same time, there's some more work that has to be done around A/B testing to really better understand how do we get more volume back into that funnel. So, we'll be working on that for now. But again, early indications seem very compelling, and we'll probably put more resources behind that very soon and then see if it makes sense to begin to expand that out to other cohorts.

Operator

And our next question comes from the line of David Joyce with Seaport Research.

David Joyce

Congratulations on the balance sheet management, first of all. But second, if you could please drill down on the strength of the net ads in North America. What were some real biggest content drivers there? There were some other streamers, obviously, not virtual MVPDs that had some issues in the quarter. But timing wise, I was just wondering, what were the drivers there?

John Janedis

CFO & Principal Accounting Officer

Yes, David. I'd highlight a couple of things. One is that we had some, I'd say, sporting events that drove both trials and also conversion, if you will, later in the quarter. So, that was one thing I would say. The second thing I would say was that we -- as you know, we dropped the Warner Brothers Discovery content earlier in the quarter. I would say we didn't see as big of an impact as we would have expected there. And then the third thing, I guess as a result, we also saw better-than-expected churn for the quarter, too. And then finally, I would say we talked about our range in terms of SAC and SAC came in, I'd say a bit below our target as well.

David Gandler

Co-Founder, CEO & Director

I would just add that it was a very strong sports calendar, generally speaking. We had two major soccer events, and at the same time, I think we've done a really nice job marketing our cricket championship, as well as some strong work behind the RSNs, adding YES Network and ensuring that there was continuity

with respect to some of the other regional sports networks and baseball seasons proven to be stronger this year than it was last year for us.

Operator

And our next question comes from the line of Jim Goss with Barrington Research.

James Charles Goss

Barrington Research Associates, Inc., Research Division

All right. I wonder if you might comment on the potential impact of connected TV options on your TAM. VIZIO, Walmart, TiVo and proprietary OEM efforts provide an option for consumers to get into some of the services without using something else. How do you view that as a competitive threat?

John Janedis

CFO & Principal Accounting Officer

David, do you want to take that one?

David Gandler

Co-Founder, CEO & Director

Yes. Sorry, Jim, I'm not sure I understood. It sounded like you were saying how are we competing with some of these other fast services? Are you saying on the fast side? Sorry, if you could just rephrase.

James Charles Goss

Barrington Research Associates, Inc., Research Division

Yes. Well, the fact that if you buy certain televisions, you'll have an opportunity to gain access to a lot of the programming, including a lot of the same sort of fast channels without having a service at all. And I'm just wondering if that satisfies the needs of enough individuals that it proposes a competitive threat to you?

David Gandler

Co-Founder, CEO & Director

Well, the fast business for us is really complementary. About 7% of our viewership comes from fast within the paid service. And so if the consumer churns out, they'll still have access to free channels. We have -- there's millions of people that come through the platform organically every year. So for us, it's just more incremental opportunities to engage consumers and really highlight the capabilities, the features, the premium programming that we have and the abundance of different connected devices, as you said.

I think the interesting thing about Fubo relative to all these OEMs is that most people that have multiple televisions in their homes, call it 2 plus, they typically have different OEMs in different rooms. And so having that seamless way in which that you can use Fubo across different devices, I think, is extremely appealing. And so at this moment in time, I look at them more as potential business development partners versus direct competitors.

Operator

And our next question comes from the line of Nikhil Aluru from J.P. Morgan.

Nikhil Phanish Aluru

JPMorgan Chase & Co, Research Division

David, you touched on the sporting events. I was wondering if you could potentially comment on what the retention effort look like after that for those subscribers, given that both those events ended before the end? I mean, as you head into 3Q with the retention of those customers you might be looking like.

And then second, just on the balance sheet. Obviously, a great job with the opportunistic management. Is there anything you can tell us about kind of further expectations for capital? Do you still feel confident you have the wrong way to breakeven without any additional capital raises?

John Janedis*CFO & Principal Accounting Officer*

Yes. Why don't I start on the capital...

David Gandler*Co-Founder, CEO & Director*

Yes. John, why don't I just close out on the first part and then you can take the second question. Yes. So just on the retention piece, look, these are very large-scale events that drive a lot of viewers. And essentially, the job of the service provider is to deliver that viewer the experience they're looking for. And so the job typically is done. We've seen this for many, many years, starting with the World Cup in 2018. This is why we wanted to add the free service that becomes available to churned out customers to make sure that we can continue to learn more about their viewing behavior and really focus on what it would take to reengage them and have them reactivate their services.

What I do think is important is that these customers will come back for Liga MX, and a lot of the soccer programming that will return. So the team is doing the best job they can to retain. Still somewhat early to know, but I will say that I don't think there's a really strong overlap between the soccer viewer, the hardcore soccer fan and the Olympics. So, still early to say, but we do expect that there could be some slight churn associated with those events given the size of the cohort that came in.

John Janedis*CFO & Principal Accounting Officer*

And Nik, on the capital question, what I would say there is, look, as you'd expect, I can't comment on what we may or may not do as it relates to the capital structure or our capital structure directly. But what I can say is that we continue to believe that we are funded to execute on our operating plan, excluding the potential impact of the JV. And I would say that we are very sensitive to shareholder dilution.

Operator

And our next question comes from the line of Darren Aftahi with ROTH.

Darren Paul Aftahi*ROTH MKM Partners, LLC, Research Division*

Just curious, your marketing approach in the second half, does anything change in light of a competitive landscape changing? And then I guess as a dovetail question of that, what kind of pricing power do you feel like you have, given you've raised prices in the past? Is that a strategy that you'll employ going forward?

John Janedis*CFO & Principal Accounting Officer*

Look, on the pricing side, Darren, what I would say is maybe one thing, which is simply that I think the team has done an amazing job. As you know, we've raised prices now, \$5 this year. I would say the churn we've seen related to that is actually -- but I'd say in line to probably better than we would have thought. And so we think we still have some pricing power in the business.

Can you go back to the first question?

David Gandler*Co-Founder, CEO & Director*

He must have cut off. What was it?

John Janedis*CFO & Principal Accounting Officer*

Yes, on marketing tax. Right. So on the marketing side, what I would say is, look, certainly the team has done, I think, an outstanding job in terms of the first and second quarter. There will be some adjustments

that they're making as it relates to the third quarter in terms of driving subscribers. Certainly, I'm not going to preview that today, but when we get to the next quarter's earnings call, we will share that with you.

Operator

And our final question today comes from the line of Brett Knoblauch with Cantor Fitzgerald.

Brett Anthony Knoblauch

Cantor Fitzgerald & Co., Research Division

Maybe on the sequential improvement in subscriber-related expenses. Could you maybe quantify how much of that came from removing Warner Brothers content off the platform? Or is there other factors at play there?

John Janedis

CFO & Principal Accounting Officer

Yes. So on the subscriber-related expense, Brett, to your point, as you noted, we saw, I think, a few 100 basis point improvement year-over-year on the SRE line. We also saw even greater improvement from the first quarter to the second quarter. We don't get specific, I think, as you know, as it relates to any specific piece of content. But what I can tell you is what -- and consistent with what I said before is that we will continue to see improvement in that line item going forward. And so expect to see that again in the third quarter and also in the fourth quarter. But again, I can't get more specific than that.

David Gandler

Co-Founder, CEO & Director

Yes. I would just add one more thing, and I just don't want you to think that it's just Discovery, the Discovery drop. This is a combination of other activity and other content negotiations that have transpired and just some mix shift opportunities as well that came up just driving customers into different types of packaging. So, I think it's a culmination of things but certainly not specific to Warner Brothers alone.

Operator

And that is all the questions we have today. So ladies and gentlemen, I just want to let you know, this concludes today's call. Thank you all for joining, and you may now disconnect.

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