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Earnings Call

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Presentation

Operator

Good morning, and welcome to the Fubo Second Quarter 2026 Earnings Call.

[Operator Instructions] As a reminder, this conference call is being recorded. I would now like to turn the call over to Ameet Padte, SVP, FP&A, Corporate Development and Investor Relations. Thank you. Please go ahead.

Ameet Padte

Senior Vice President of FP&A, Corporate Development & Investor Relations

Thank you for joining us to discuss Fubo's Second Quarter Fiscal 2026 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 will 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, our expected future financial performance, including our financial outlook, guidance and long-term targets, business strategy and plans, including our products, subscription packages and tech features, our partnerships and other arrangements, the benefits of the business combination, including expected synergies and integrations and expectations regarding growth and 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 are discussed in our SEC filings. 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.

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 2026 earnings shareholder letter and press release, which are available on our website at ir.fubo.tv.

With that, I'll turn the call over to David.

David Gandler

Co-founder, CEO & Director

Thank you, Ameet. We appreciate everyone joining us for today's call to discuss our Q2 2026 financial results.

We delivered the strongest second quarter in our history on an adjusted EBITDA basis. More importantly, on a trailing 12-month basis, we have now exceeded \$100 million in pro forma adjusted EBITDA, an important milestone that reinforces our confidence in delivering against our long-term target of at least \$300 million in adjusted EBITDA by 2028. We also achieved record revenue for the quarter, driven by continued expansion of our Fubo and Hulu + Live TV offerings, differentiated content and product innovation.

The migration of our advertising business to the Disney Ad Server began in February, and we are pleased with the early benefits to date with both fill rates and CPMs experiencing healthy increases. The business combination fundamentally expands our strategic position. Fubo is now built to scale as a preeminent video player driven by flexible content packaging. We can aggregate and deliver a range of content

packages at different price points, allowing us to serve distinct consumer segments rather than forcing a single package across the entire bundle. That flexibility is a durable advantage and a key driver of both growth and margin over time.

We are already executing on this strategy. We now offer our Spanish-speaking customers 2 clear options. Fubo Latino, a lighter bundle without Univision and Hulu + Live TV Espanol, a more comprehensive package launched this quarter, which includes Univision.

Fubo is applying the same approach across our broader service portfolio. We offer the Fubo Sports service alongside our core Fubo bundle as well as a more comprehensive entertainment offering through Hulu Live, which includes NBC and Versant. This diversified product set is designed to expand choice while reducing churn. Importantly, we believe we have successfully navigated the loss of NBCU on Fubo, even during a period when NBC held a dominant portion of February sports programming. Customers continue to access that content through Hulu Live and incremental churn at the combined business during the quarter was minimal. This provides a clear example that we are not reliant on any one programming provider as we segment our content strategy across our portfolio. At the same time, we are beginning to unlock synergies following our business combination.

Over the last 12 weeks, we have been hard at work to explore, define and execute against a series of initiatives we've identified to power future growth. Let me expand upon a few of these. First, Fubo's aggregated storefront now offers the full Fubo and Hulu + Live TV content portfolios. Consumers can select the content plan that's right for them, whether that's an English or Spanish package, our Fubo Sports service, the Fubo virtual MVPD or Hulu + Live TV's complete cable replacement package.

Second, through our integration with ESPN, fans looking to watch a live game will soon be able to seamlessly access Fubo via linkouts on ESPN's Where to Watch pages, creating a new acquisition channel.

Third, we previously announced that our Fubo Sports service will be integrated into ESPN's e-commerce flow through a reseller and marketing arrangement. I'm pleased to update you that launch is expected in the first half of calendar year 2027. As a reminder, the ESPN ecosystem reaches over 100 million users every month.

Through our progress on various cross-selling initiatives, we are building a powerful growth flywheel to scale our business. But this is just the start. We believe the next phase of aggregation will be the conversational layer, where discovery becomes the product. As content libraries expand, simplifying how consumers find and engage with programming becomes critical. This fall, we intend to launch our first AI conversational feature within the Fubo app, starting with sports.

With Fubo's AI Assistant, customers will be able to use natural conversational voice to search their DVR'd content for game highlights and ask for recommendations. They can ask precise questions, such as give me all of the scoring plays by the New England Patriots quarterback in the past 2 games, but I only want to see passing touchdowns, no rushing. Or I'm trying to figure out who to move on to my fantasy team. Show me all of the Kansas City Chiefs defensive highlights from last month.

We believe our AI Assistant is a fundamentally more intuitive way to interact with live sports and video than scrolling up and down or being fed algorithmic carousels. We expect this to drive deeper engagement and stronger attention over time. We look forward to adding the AI Assistant to Fubo's Roku, Apple TV and mobile apps to start. We also plan to extend the AI Assistant to news and entertainment talk shows, enabling the Fubo app to instantly retrieve any clip our customers are looking for.

In closing, we are more confident than ever in the Pay TV category and in Fubo's growing position within it. Based on these and other initiatives, we believe there will be opportunities to drive growth and scale as we focus on our long-term target of at least \$300 million in adjusted EBITDA.

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

John Janedis
Chief Financial Officer

Thank you, David, and good morning, everyone. The second quarter of fiscal 2026 marked our first full quarter as a combined company following the close of our business combination with Hulu + Live TV. As a reminder, to facilitate comparability between periods, we will discuss our results on both an as-reported and a pro forma basis, which gives effect to the transaction as if it had been completed at the beginning of the first period presented.

Turning to results for the quarter. In North America, our revenue for the second quarter was \$1.566 billion compared to \$1.125 billion in the prior year period. Pro forma revenue in the prior year period was \$1.556 billion, representing 1% growth year-over-year. In terms of our user base, we ended the quarter with 5.7 million total subscribers in North America compared to 5.9 million in the prior year period.

Turning to our profitability metrics. Our net loss for the second quarter was \$6.2 million compared to a reported net loss of \$40.9 million in the prior year period. Pro forma net income in the prior year period was \$120.6 million, positively impacted by a \$220 million net gain related to the settlement of litigation. Earnings per share for the quarter reflected a loss of \$0.07. We delivered adjusted EBITDA of \$37.7 million in the second quarter compared to pro forma adjusted EBITDA of \$1.4 million in the prior year period. From a cash and liquidity perspective, Fubo ended the quarter with \$244 million in cash, cash equivalents and restricted cash on hand, and we continue to expect to finish the year with more than \$200 million of cash on our balance sheet.

I would also like to provide some additional commentary around the near- and long-term financial targets we recently released. For fiscal 2026, we continue to expect pro forma adjusted EBITDA of \$80 million to \$100 million and at least \$300 million in fiscal 2028. We also expect to deliver positive free cash flow in fiscal 2027 and fiscal 2028 under our current operating plan.

Our outlook is supported by elements of our business combination in which we have a high degree of conviction. As a reminder, for our commercial agreement, Fubo received a wholesale fee relative to Hulu + Live TV's carriage costs, currently at 95% in calendar 2026 and scaling to 99% by 2028. This contractual step-up provides strong visibility into our expected earnings profile and adjusted EBITDA expansion. Furthermore, the company captures advertising revenue from both the Fubo and Hulu + Live TV businesses. Together, these elements reinforce our expectations regarding the long-term earnings power of our combined entity.

In summary, Q2 was a healthy quarter for our business, and we believe we are just beginning to realize the full potential of the Fubo and Hulu + Live TV business combination. As David noted earlier, we are excited about our new initiatives and the opportunities ahead. As we move forward, we remain focused on establishing a sustainable foundation for growth.

With that, I'll turn the call back to the operator for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Kutgun Maral from Evercore ISI.

Kutgun Maral

Evercore ISI Institutional Equities, Research Division

There's a lot to talk about, but I wanted to actually focus on advertising. With Fubo's inventory having now moved over to Disney's ad platform, it seems like there's a lot of opportunity, but the broader streaming ad market has been choppy for some folks. So I'd be curious if you could talk about any of the early indicators you're seeing on whether the Disney relationship is creating real upside net of the 15% agency fee, perhaps, in terms of CPMs, filler rates or something else? And how much of the medium-term EBITDA plan that you laid out assumes a meaningful ad monetization improvement versus just stabilization?

John Janedis

Chief Financial Officer

Kutgun, this is John. Let me answer this one. I would just say the short answer is yes, and we're already seeing that. It's been less than 90 days since we started the migration of the inventory to Disney's ad server. And we have seen improvement in both CPMs and fill rate. And as you know, those are the key components of that ARPU, and we think that can continue. The CPM improvement has come in faster than expected. I'd say in terms of timing, we expect the migration to be fully completed by the end of the year. And then at that point, the Fubo ad ARPU is expected to converge with Hulu Live.

On the second part of the question, look, the largest component of the adjusted EBITDA improvement will come from the contractual increase in the wholesale fee from 95% to 99%. But I would say the ad monetization improvement is tracking in line to better as of now. And I'd say also the quarter came in ahead of expectations.

Operator

Our next question comes from Matt Condon from Citizens Bank.

Matthew Dorrian Condon

Citizens JMP Securities, LLC, Research Division

I just want to ask, just given the combination with Hulu Live TV meaningfully expanding your subscriber base and with it sort of your content cost leverage, can you just help frame the timing of when that scale benefit really begin to show up in your content cost structure?

John Janedis

Chief Financial Officer

Matt, this is John. I'll start with this, and David may want to chime in also. Look, I'd say cost broadly in terms of scale benefit to your question, first, on the content cost, we historically haven't spoken to the timing of specific deals. What I can tell you is that we've had a couple of small renewals come up since the close of the business combination. We're happy with that outcome or those outcomes. And I think what I've also said historically is that on the timing, but we've talked to medium, short and longer term in terms of seeing that benefit. On the content cost side, given that we typically have about 1 renewal per year, that will have a bit of a longer tail to show up in the numbers.

Operator

Our next question comes from Drew Crum from B. Riley.

Andrew Edward Crum

B. Riley Securities, Inc., Research Division

So on your fiscal '26 adjusted EBITDA guidance, you've generated \$79 million during the first half, which suggests a pretty meaningful step down in the second half, can you reconcile the 2 and address what's driving the deceleration?

David Gandler

Co-founder, CEO & Director

Yes. This is David. Why don't I start, and then I'll let John chime in. So just in terms of where we are, as you know, we are a sports-first cable replacement service and the seasonality of our business typically allows us to generate 40% to 50% of our gross ads in the last fiscal quarter. And therefore, we keep our powder dry until then. So we do expect to spend more in marketing. And also, given the initiatives that we just laid out for you in my opening comments, we want to make sure that we have the flexibility to not only focus on profitability, but also growth. So this really allows us to take a balanced approach.

John Janedis

Chief Financial Officer

And I would just want to add one quick point in terms of a one-timer. We did have a \$6.5 million above the line tax-related benefit during the quarter.

David Gandler

Co-founder, CEO & Director

Yes. And just one last thing I'll say is look, we provided guidance a few weeks ago. Our plan is really to focus on the at least \$300 million of EBITDA in 2028. And so we're planning accordingly and working with Disney on a number of these initiatives that we -- again, of course, as we get traction, we'll look to double down on some of these efforts.

Operator

Our next question comes from Tyler DiMatteo from BTIG.

Tyler DiMatteo

BTIG, LLC, Research Division

I was hoping we could unpack some of the organic growth trends in the business, in particular, the subscriber trends. I was hoping we can kind of get a little bit more color about maybe the split between Hulu Live and Fubo and then also more importantly, kind of how you see that trending through the year? And maybe any comments on ARPU as well.

David Gandler

Co-founder, CEO & Director

Yes. Thank you. I'll start. So one, we don't separate our sub count going forward. This is one company, and we're focused on creating leverage for the business as a combined entity. In terms of where we are from an organic perspective, I laid out 3 initiatives that we're working on at the moment just to kind of reinforce those. The first is utilizing our storefront to drive sales for Hulu Live. I think you know the Fubo team has been very strong in driving growth organically and inorganically over the last few years. So we'll look to really attempt to drive growth on the Hulu side.

Due to the array of products that we offer, it makes sense for us to be able to push people towards a bundle that includes a comprehensive portfolio of networks. And I think part of the opportunity here is we're the only company today that offers such an array of offers, everything from as low as \$9.99 on the Fubo Latino package. Then there's the Hulu Español package, which starts at the \$30 range, which is well below some of our competitors and really gives us an opportunity to drive growth across these packages. As you know, lower pricing typically yields greater subscriber growth and top-of-the-funnel conversion. So we're focused on that.

From a product and technology perspective, we've built a pretty strong mousetrap, I would say. Today, we're really focused on continuing to enhance our product capabilities to drive engagement and to take

advantage of what John was talking about earlier around the advertising. The more engagement that we can drive on the platform, the more Disney will be able to drive ad sales on behalf of Fubo Inc.

John Janedis

Chief Financial Officer

And I would just add on seasonality given your question in terms of organic. Look, the Fubo service tends to have a bit more seasonality than Hulu Live. But when we look at the sequential change in subscribers from fiscal 1Q to 2Q over the past 2 years, the trends were nearly identical for both periods and for both services.

Operator

Our next question comes from Brent Penter from Raymond James.

Brent Matthew Penter

Raymond James & Associates, Inc., Research Division

It's good to see some of the RSN deals ahead of MLB season. I just want to zoom out and get your broader view as that space evolves and some of those businesses face some headwinds. How do you maintain your advantage in local sports as that ecosystem changes? And then with Hulu Live now, any plans to push Hulu Live more into the RSN space?

David Gandler

Co-founder, CEO & Director

Yes. So obviously, we are working in an ever-evolving landscape. I think we've done a very good job navigating the different changes that the industry is dealing with. As you said, we've done a great job adding -- I think it was 14 local baseball teams in a very short period of time as well as the Dodgers, the Braves and the Mets before opening day, if I'm not mistaken. And that allowed us to really offset our losses from the subs that rolled off due to the NBCU drop.

So we feel pretty good about where we are. Of course, we enjoy our position as a leader in local sports. But we'll be focused on football season next -- the World Cup and then football season after that at this juncture. So that's where our focus is, and we'll look to evaluate the situation as things change. But as you know, we've constantly been proactive about some of these decisions that we've made, and they've obviously worked out very well for us.

Operator

Our next question comes from David Joyce from Seaport Research Partners.

David Carl Joyce

Seaport Research Partners

Could you just provide a little bit more color on what you said about the Olympics earlier and Super Bowl and NBCUniversal. What's your retention experience been like versus prior years? And then secondly, it seems like you're mostly integrated with Disney ad sales. Was there any technological work remaining on that front?

David Gandler

Co-founder, CEO & Director

Why don't I start with the first part of the question and let John touch on the technological side of the ads.

Look, from a retention perspective, I think we've done very well. As I said, we've navigated the issues with the NBC loss in a particularly dominant month for NBCUniversal, which included the Super Bowl, the Olympics and let's not forget the All-Star game. So I think from January through March, we've experienced better retention across all plans, which is obviously very important, and we've seen growth on that front, which really translates into the, I would say, relatively flat sub base on a year-over-year basis, which I think is very impressive.

In April, what we've already experienced is retention levels that are on par with 2024. Again, that's offset by local baseball. And the only year, I think where we may have experienced better retention was during the pandemic in 2021. Reactivations were also very strong, which really highlights the fact that people really enjoy the Fubo product during the baseball season. So again, we're very focused on continuing to drive growth across all of our plans and to ensure that we don't rely on any one provider of programming for our service.

John Janedis

Chief Financial Officer

David, just on the tech front, look, I would just say that there was, as you'd expect, a fair amount of tech work that was done, and that's also largely complete.

Operator

Our next question comes from Alicia Reese from Wedbush.

Alicia Spring Reese

Wedbush Securities Inc., Research Division

And then moving back to onetime events or occasional events. I'd like to ask on the World Cup. And I have a couple of questions or a two-parter on that. If you could talk first about what level of subscription uplift is embedded in the guidance from the World Cup? And then also, if you could talk about any -- like how you're participating outside of subscriptions in terms of perhaps shoulder programming around the World Cup that you can advertise against, whether it's on Fubo or Hulu?

John Janedis

Chief Financial Officer

Reese, this is John. Look, for World Cup, we do think there may be a good incremental opportunity for us, particularly on Fubo Sports, given the lower price point. I would say on previous World Cups, really haven't had a major impact on ad revenue. I'd say this time around, we do have several sponsorships that we haven't had in the past because we're now selling hubs. And so combined with that, given with the friendlier time zone, there could be more of an advertising opportunity this year.

On subscribers, look, I'd say that we haven't shared a subscriber outlook specific in terms of our guidance, but I would say that our marketing team expects an uplift in trials. And so it could also be upside based on conversion.

Operator

Our next question comes from Patrick Sholl from Barrington Research.

Patrick William Sholl

Barrington Research Associates, Inc., Research Division

With your free cash flow expectations for 2027 or sooner, could you maybe outline some of your capital allocation priorities whether in terms of growth, investments, leverage targets and other areas of investment?

John Janedis

Chief Financial Officer

Pat, it's John. Look, we're investing in several areas. David alluded to them in the letter. But I would just add again, we're investing in product and tech. I think we're seeing some of the fruits of that in terms of what we're seeing in retention and churn, content in terms of the RSNs, marketing, all in an effort to drive customer delight and customer growth. On the free cash flow front, look, I would say we are tracking in line to slightly better relative to our expectations. Look, on leverage, we don't have a leverage target, but more or less what we've said is that in terms of cash, we expect to have north of \$200 million of cash on the balance sheet at the end of the fiscal year. Based on our debt outstanding, we have a very manageable net debt level, if you will.

Operator

Our last question today comes from Laura Martin from Needham.

Laura Anne Martin

Needham & Company, LLC, Research Division

Okay. On AI, can you guys talk about how you're affecting -- AI is affecting cost and also whether it's accelerating revenue? And then on international, could you tell us sort of what's going on in the international subs and how those subs fit into your strategy now that you're a part of Hulu + Live TV?

David Gandler

Co-founder, CEO & Director

Yes. Thank you. Laura, this is David. I'll take both of those, I think. Let me start with the international question. I think post our business combination with Hulu + Live TV, we're very focused on driving domestic growth given the size of our subscriber base here. So we'll probably put that on the back burner given all the priorities we have, particularly with some of the initiatives that we are implementing in the relatively short term.

As it relates to AI, I think you and I are sitting together on May 12 at your conference. I'm looking forward to it. This is a major topic. I think this is one of the most underrated topics within streaming video. On the back end, I would say, from a business perspective, about 35% of all of our code is now completed with AI. About 200 of our employees now use either ChatGPT or Claude to code to really drive more effectiveness and efficiency. Some of our top engineers actually don't code anymore. So there's still a learning curve here. We're still going through that. But I do think that there's opportunities for us to enhance across all of the various functions in the company.

From an external-facing perspective, as I mentioned, on the technology front, we're going to start with our AI assistant. I actually think times are changing. Everyone has been so focused on the billing relationship. I think going forward, it's really the conversational layer that's going to really drive value for consumers and for companies. And our job really is to try and to compress the entire journey from discovery to purchase. And that means that there will be some level of graphic UI deconstruction where I think we're going to really start to experiment as we've done historically with 4K and MultiView and other capabilities that we brought to the forefront, which I think the industry has benefited from.

So we're looking forward to implementing some of these features in the short term before the fall to start testing and looking forward to talking about these in the future.

Operator

We have no further questions. This will conclude today's conference call. Thank you for your participation. You may now disconnect.

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