Skydance Corporation

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Management Discussion Section

Operator

Good afternoon. My name is Sarah, and I'll be the conference operator today. I would like to welcome everyone to Skydance's Q3 2026 Earnings Conference Call. I would now like to turn the call over to Kevin Creighton, Skydance's EVP of Corporate Finance and Investor Relations. Please go ahead.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

Good afternoon and thank you for taking the time to join us for the Skydance Third Quarter 2026 Earnings Call. I'm Kevin Creighton, EVP of Corporate Finance and Investor Relations. Joining me today is David Ellison, our Chairman and Chief Executive Officer; Ynon Kreiz, our Co-CEO; Andy Gordon, our President; Dennis Cinelli, our Chief Financial Officer; and the Skydance IR team.

As a reminder, we will be making forward-looking statements today that involve risks and uncertainties. Our remarks will 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. This can be found on our Investor Relations website. As a note, we plan to publish our pro forma financials prior to our Q4 earnings call.

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

David Ellison
Chairman & CEO

Thanks, Kevin, and good afternoon, everyone. I'm pleased to be here with Ynon Kreiz, who joined the company last month as our Co-CEO. Ynon and I have been working side by side every day, and I couldn't ask for a better partner. It's 5 weeks since we launched the combined company, so these are early days. But our teams have hit the ground running and the more we dig into the business, the more excited we are about the opportunity ahead.

We've moved quickly to put our leadership teams in place across 3 segments, Skydance Studios, Direct-to-Consumer and Television. And we're executing on the strategy built around 3 goals: establish Skydance as the premier global content engine and the home of the world's leading storytellers, accelerate our integrated direct-to-consumer platform and optimize our highly profitable linear television portfolio anchored by CBS.

To do all of this, we will win in storytelling by leveraging our creative capabilities, talent relationships, production prowess and expansive library of iconic IP, build the most technologically capable media company with a unified technology platform spanning streaming, live and linear that improves the user experience and drives efficiencies, and lead in the crowded market by using our scale, assets and global reach to drive transformation and growth. And underpinning all of it is a program to deliver at least $6 billion in run rate synergies with more than 20 workstreams already underway.

We're proud of what our leadership team has delivered at Paramount. Last year, we took over an underperforming business and made significant improvements. Through better content, more disciplined investment and a focus on efficiency, we beat our initial guidance and raised it throughout the year. We raised our efficiency target to more than $3 billion, over 50% above our original goal, and we're on track to deliver more than $2.7 billion in run rate savings by year-end. And our 2026 Paramount film slate is expected to generate more than $500 million more in lifetime profit than last year's.

We've now taken on another company with mixed results across its business. HBO Max has performed well, consistently delivering revenue growth and has delivered hits this year, including Season 2 of The Pitt, Season 3 of House of the Dragon and the popular new series Half Man. We could not be more excited about what's coming next, including the highly anticipated Harry Potter series premiering on Christmas Day.

We do have some headwinds, particularly in studios where the Warner Bros. film slate has underperformed this year and will weigh on Q4 results. But we'll apply the same playbook we did at Paramount, greenlighting more selectively, prioritizing profitable streaming growth over subscriber counts, optimizing linear and driving efficiency

across the cost structure. We've proven it works, and we're confident it will work again, starting from a position of extraordinary libraries, franchises and creative talent.

We're also moving quickly in integration. Our $6 billion synergy program spans corporate overhead and real estate, marketing, technology and vendor management. On streaming, we plan to launch a bundle of Paramount+ and HBO Max in early 2027 as a first step towards a fully unified offering. We've largely completed Phase 1 of our tech convergence by moving Pluto TV onto the Paramount+ platform, and we expect to bring Paramount+ and HBO Max onto the same tech stack much faster.

We remain committed to our medium-term outlook of mid-single-digit revenue growth, adjusted EBITDA margins in the mid-20% range and at least $10 billion of free cash flow in 2030. Investing in the business and reducing debt are our top priorities, and we expect to reduce net leverage below 3x by the end of 2029. We know there's a lot of interest from investors in what we're building, and we look forward to sharing more with you at an Investor Day in the first half of 2027. For now, we're confident in our plan, energized by the opportunity and just getting started. And with that, I'll turn it back over to Kevin for your questions.

Question and Answer Section

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thank you, David. All right. So, our first question that we have is from Sean Diffley at Morgan Stanley, and it's about the first month. So, the question is, you're a month into owning the new company. Can you talk about early learnings and impressions and any early actions you've taken that you'd like to highlight? Ynon, maybe we start with you and then over to David.

Ynon Kreiz
Co-CEO

Yes. Thanks, Kevin, and thanks, Sean, for the question. As much as I was excited when I joined, it's even more so the case now that I've been here for over a month, and I could not be more excited to partner with David and our team at Skydance. We are bringing together incredible assets, large scale and a world-class team. And this is at a pivotal time for the industry in a rapidly changing landscape.

From what I've seen, the various parts of the company are in strong shape. The Warner Bros. Discovery team did a good job managing their business and delivered the expected results through the close with the one area of softness in the movie studio, and we are looking to build on their good work. We have a new organization in place designed to manage the company holistically as part of one global strategy so that we can take advantage of our scale, our strength and our capabilities.

The transformation, as David said in the prepared remarks, is off to a strong start. We're very confident in our synergy plans, getting deep into execution. We are seeing very large areas of opportunity to reduce costs. And because of that, we have very strong confidence in achieving the $6 billion of synergies in the next 3 years. It's important to say that this is not just about cutting costs, but also how we work, and we're looking to transform and reengineer the business so that we will do an even better job going forward.

Another interesting point is that everyone knows about the great movies and TV content that we make, but it has been especially exciting for me to get close to the technology that we're integrating into our operations and services, which will make us an even better company and a high-performing operation. And while the immediate focus is on bringing the assets together and driving synergies, this is a growth story. We are shifting from legacy media to building a next-generation media and entertainment company powered by creativity and technology.

And while cost synergies are an important element of what we're very focused on and spending time on at the moment, we are seeing significant revenue synergy opportunities with meaningful upside given the scale of our business across our IP and franchises, content production, extensive library and distribution platforms. And I'd say kind of the last point is that as the organization is coming together, we are building a new culture and aligning the team around our holistic strategy. All in all, we are in full execution mode and momentum is building. We have clear operational and financial targets for each part of the company and plan to hit them. We believe we have the right assets, the right capabilities and the right team and the right strategy to win.

David Ellison
Chairman & CEO

Ynon, thank you for all that. And again, it's a pleasure to be your partner. As Ynon said, we have only grown more bullish on the combination of these assets and have confidence that we're positioned to win. If you look back on our year of owning Paramount, we've delivered on our economic goals. This quarter, we grew top-line revenue by 5%. Paramount+ revenue was up 21% and has accelerated throughout the year. Engagement is up over 20%, and we're on track to exceed our initial synergy target by 50%.

This team is going to apply the same playbook at Skydance, and we're confident we're going to deliver on our plan. To that end, we're moving quickly, and it's definitely been a busy month. From an organizational standpoint, we've structured leadership to align with our 3 business units: Studios, Direct-to-Consumer and Television. We've aligned

the leadership of linear television and Direct-To-Consumer. So, trade-offs between streaming and linear are made with the full picture in view.

Expanding on that theme, one business leader now spans distribution, ad sales and content sales. So, decisions are made holistically versus in silos. On the studio side, we had some exciting news this morning on the DC Studios side, and we're incredibly excited to welcome Jeremy Latcham. Jeremy is well regarded as one of the founding team members of Marvel Studios, and we are aligned in the future of DC with a shared vision and optimism about what we can do with this incredible treasure trove of superhero storytelling.

We are also beyond grateful to Peter Safran and James Gunn for their incredible contributions, both past and continuing to DC Studios. Collectively, our film studios are now unified under 1 leadership team, and the creative teams at Warner Bros., Paramount, New Line and Skydance will continue to lead their labels. And our TV studios now operate together under one leadership team. For streaming, the first step to unifying our services is a bundle in early 2027. We will phase in changes with discipline so we can keep growing throughout the transition.

As it relates to streaming convergence, Phase 1 is complete. We moved Pluto onto the Paramount+ platform and ingested BET+ into Paramount+. This took us about 18 months. Using that experience, we have an ambitious target to converge Paramount+ and HBO Max in roughly a year. This is possible because of the latest tools in artificial intelligence. Zooming out, we're incredibly confident in our ability to execute our plan, and as Ynon said, build a next-generation media and entertainment company.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thank you. So, our next question comes from Steven Cahall at Wells Fargo, and this one is on synergies. Can you provide a sense of how the $6 billion in synergies fall across the segments and what the major projects are that deliver them? Relatedly, with the 30% and 70% run rate guidance in years 1 and 2, how should we think about the actual cost reduction in those years that flows to EBITDA since it will presumably be a percent of the run rate savings? Ynon, do you want to start with this?

Ynon Kreiz
Co-CEO

Sure. I'll start, and I'll let Dennis continue. Thanks, Steven, for the question. As we've said, we absolutely expect to achieve at least $6 billion in run rate synergy savings within 3 years. There are more than 20 work streams already underway. We are combining 2 global streaming services, 2 film and TV studio groups, 2 television portfolios and many overlapping corporate functions across a large cost base of more than $50 billion per year. That gives us a lot of room to reduce duplicative costs and optimize how we run the company.

This is more than cutting costs, as I've said earlier. It is a tech-forward transformation that will make us more efficient, more agile and create flexibility to reinvest for long-term growth and establish a healthy margin profile and free cash flow trajectory. So, it's important to say this is beyond cost savings. This is about reengineering how we work. We've identified multibillion-dollar opportunities in key areas, including non-labor and labor spend.

The key areas include corporate overhead and real estate and facilities as well, where we expect to achieve at least $2.2 billion in savings. This is about consolidating back office and corporate functions using shared services, implementing a single ERP through Oracle Fusion and scaling AI workflows. There's also a very meaningful opportunity to rationalize our office footprint. This includes consolidating our real estate across major markets. Just to give you an example, we have 5 sites in New York and 7 different sites in L.A. with multiple locations in Atlanta and London, just as a few examples. So, we are looking to optimize that footprint.

And beyond reducing the footprint, we also see opportunities to move people and consolidate our business into our own properties rather than pay out rent to third parties. We also see meaningful opportunities in marketing, at least $1 billion of savings. We will achieve this through streamlining and optimizing our global spend, cross-promoting key initiatives on our own platforms and unifying media planning and buying across all our business units.

In technology, we expect to achieve at least $1.4 billion in savings. This we will do through unifying our enterprise tech stack in our streaming ecosystem and broadcast architecture, integrating platforms and systems and merging parallel technology functions and using AI coding tools. And then in vendor and procurement management, we

expect to achieve at least $1.4 billion of savings through optimizing third-party spend across vendors spanning hundreds and hundreds of different services. We're also looking to combine purchasing levels that will give us economies of scale by consolidating purchasing decisions into one centralized group.

In addition to that, we also see opportunity in content, which for us is both an expense, but also an investment in building valuable long-term library assets for the company. We spend more than $30 billion annually on content, which is the highest in the industry, and we see opportunities to optimize that budget to maximize value across the company. With the reach of our combined platforms across streaming, broadcast and cable, each title can work harder for us. As one company, we can make smarter choices about how we distribute and monetize both new content and library content.

So, there is a lot to do here. It's still early, but we have strong confidence in achieving at least $6 billion in run rate savings within the next 3 years, and I'll let Dennis complete the answer.

Dennis K. Cinelli
Chief Financial Officer

Thanks, Ynon. I can give you some color on how the program will flow through the P&L and our financial statements. So as Ynon said, we're well on our way on executing on the transformation program. This is 20-plus work streams. The teams are getting to their plans. We're executing on the early projects. In terms of the P&L impact, it's worth reiterating that we expect to deliver 70% of run rate synergies by the end of '28 and 30% by the end of 2027.

Now these are run rate figures. So, the in-year benefit will be lower because our actions will land throughout the year. And we'll give you all more specific guidance on the specific contribution of synergies when we go through our overall 2027 outlook next quarter. Ynon gave you the breakdown by function, but what I thought I'd spend a little bit of time on is how that hits across the segment. So, the majority of the savings are going to come through corporate, D2C and TV. In D2C, this is primarily through tech and marketing optimization. And then in TV, you'll see pretty broad-based cost structure optimization, similar to how we've been delivering here at Paramount before the combination.

In terms of cash cost to achieve, it's $4 billion of the overall synergy program, 60% to 70% of that will be incurred between 2027 and 2028 with $1.5 billion to $2 billion hitting in 2027. Separately, just to give you an update on the Paramount program, this was before we combined, the Paramount efficiencies program is on track to deliver. And we raised that target to $3 billion, which is $1 billion above our initial goals. We'll deliver $2.7 billion run rate efficiencies by the end of 2026, and we expect to realize the remainder of that in '27. This is a major focus for us. So, we want to make sure we deliver operationally, we deliver the financial impact we've outlined, and we'll continue to update you all as we go.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thanks for the question, Steve. Our next question is from Peter Supino at Wolfe Research. This one is on the streaming strategy and bundle plans. Question is, in streaming, should we expect HBO Max and Paramount+ to continue as separate brands with unified tech and support costs? And when will you begin increasing stand-alone subscription prices and discounting the bundle? David, do you want to maybe take this one?

David Ellison
Chairman & CEO

Yes, absolutely. And Peter, thank you for the question. So bundling is our first step towards unifying the 2 services. It lets us start capturing the consumer monetization benefits ahead of a fully unified product. And we believe consumers will be delighted by this as the bundle will deliver what we view as an unmatched portfolio of entertainment, news and sports.

For example, a subscriber could potentially see a new episode of Harry Potter, Frisco King, The Pitt, Mayor of Kingstown, A Knight of the Seven Kingdoms, Rooster and Landman, all offered over a few months of time. Additionally, they will get the Pay-1 movies from Paramount, Warner Bros. and A24. One of the true consumer

benefits of 30 movies a year is that it delivers a theatrical film with a full marketing campaign to the service roughly every other week, not to mention marquee sports like the NFL, UFC, Champions League and all of March Madness.

I also think it's important to note that HBO Max and Paramount+ are highly complementary offerings and over-index with different consumer segments in different parts of the country. By bringing these services together, we are well positioned to deliver for a broad range of audience cohorts. And given this, we really do expect to grow reach and engagement, improve retention and increase revenue and profitability in line with or ahead of the leading competitors over the long term. Today, the 2 services reach a combined 203 million subscribers worldwide, and Pluto adds roughly 75 million monthly active users.

Regarding the question around basically tech and product improvements, we have seen really strong results since we acquired Paramount with P+ engagement up over 20% and now we have Pluto operating on that same tech stack. This gives us strong momentum and confidence as we build a unified platform across Paramount+ and HBO Max. We'll phase in new plans for pricing with discipline and consumer feedback so we can continue to grow the services throughout the transition.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

Great. Thanks for the question, Peter. Our next question is from Matt Condon at Citizens Bank, and this one is on technology investments. David, you've spoken extensively about building a technology-first media company and have assembled a leadership team with significant experience across some of the largest tech companies. As you look ahead over the next 3 to 5 years, particularly with AI reshaping how consumers discover and engage with content, how do you envision the consumption of premium entertainment evolving? And where do you see the biggest opportunity for Skydance to differentiate itself as those consumption habits change?

David Ellison
Chairman & CEO

First, I really appreciate the question, and it cannot be more on point. I guess starting at 30,000 feet as a theme, we believe creativity and technology working together will shape the future of entertainment full stop. First, in a world of AI slop, we think there will always be a premium for truly handcrafted storytelling. The summer box office and our growing engagement on P+ are a few proof points of this. We also believe in a world of artificial intelligence, the value of franchise IP has never been more important. And we have approximately 40 billion-dollar franchises, which I think highlights the strength of our overall portfolio. We also continue to believe that artificial intelligence is a tool for artists and will never be a replacement for them.

Regarding your question as to how AI will reshape our business, the answer is significantly. And again, we view this as an opportunity across all aspects of our business. While none of this is forecast in our model, we've been developing AI tools that, again, it's early days, but it strongly indicates that content will be easier to produce, projects across the organization will speed up and how we work will transform. Again, all of this makes the value of premium IP and live events more valuable, not less. And this thematic is also having a positive impact at Paramount+, and we see that continuing across all of our D2C services.

In regards to differentiation, we think content is an area where we differentiate. We have unmatched IP franchises, world-class talent, sports, news and an incredibly deep library. Scale is another area of differentiation. With HBO Max and P+, we have 200 million-plus subscribers and 75 million MAUs on Pluto. When you look at the overall portfolio, we have the #1 broadcast network in CBS, leading cable brands and 2 premier news services. Together, this creates a platform that is second only to YouTube for overall television watch time according to the most recent Nielsen Gauge. And that creates an incredibly compelling platform for advertisers and AI-driven tools will have a positive impact there as well.

Regarding where AI is working today and impact over the next 3 to 5 years, look, I don't have a crystal ball. So, I'll give you my best perspective as where we sit today. I don't think it can be discounted how fast this technology is moving. But on an enterprise basis, we see these tools yielding greater productivity across the organization. Every discipline across the business will use these tools and productivity will improve as a result. From a product perspective, things like personalization across sign-ups, registration and retention experiences plus search, discovery and recommendations will all improve.

I think when you zoom out and look at production, AI really has the potential to be the biggest creative unlock in modern history. The last time we saw anything close to this was really the advent of CGI and digital composites in the early '90s. That technology gave birth to amazing stories like Jurassic Park and Terminator 2. It's hard to imagine that AI is not going to have a more significant impact than that. I personally believe that's going to be an incredible unlock on creativity.

If you go back in time speaking of Terminator 2, which everyone knows is one of my favorites, to '83, when James Cameron made that movie, it was made for $4 million. If you wanted to make that picture today, shot for shot, it's $60 million to $70 million. There aren't a lot of first-time filmmakers with an original idea who get a shot without a big star attached. Arnold Schwarzenegger became one of the biggest movie stars in the world, but he wasn't then. There aren't a lot of bets like that taken across our industry. We think these tools will help unlock more original storytelling by being able to make the budgets more digestible to be able to take that amount of risk.

As it relates to your question around tech investments, we view everything through a ROI lens. We'll build technology that is truly differentiated and bespoke to our business. And we'll partner with the leading technology providers where it makes sense and where they can help us grow our business. Ultimately, we do see technology as a core competency of our company that will allow us to both save cost and drive growth over the long term.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right, great. Thanks for the question, Matt. Our next question is from Ric Prentiss at Raymond James. And this one is on asset sales and deleveraging. So, the question is, do you see opportunities for selective asset divestitures as you focus on core long-term growth businesses and deleveraging? What criteria would determine whether an asset is strategically important to retain? Dennis, do you want to take this one?

Dennis K. Cinelli
Chief Financial Officer

For sure. Thanks, Ric. So, I think it's important to first talk about our deleveraging path more broadly, and then we can get into some specifics around the levers. We remain very confident that we'll hit our medium-term target. Just to remind everybody, that's growing top line mid-single digits, achieving mid-20% adjusted EBITDA margins and getting free cash flow to $10 billion in 2030. We will hit our leverage goals. That's 3x by 2029. We'll do this through cash flow generation and, of course, growing the EBITDA of the company.

I just want to note that until we hit our leverage target, excess cash beyond reinvestment in the business and our current dividend goes to repaying the debt. So, I think it's important to remember that the 2 businesses combined are strong cash flow generating businesses. This combination gives us the ability to grow more quickly and more profitably, but we do have an underlying base that we're working from. So as a combined company, for example, we are on track to deliver $4 billion of underlying free cash flow if you exclude the one-time transformation costs.

So, as we go forward and hit our deleveraging goals, we have a number of levers to improve free cash flow from today's levels. The first being reduction in onetime transformation costs. This has impacted both businesses in the last few years. Our current free cash flow and WBD's free cash flow both had cash costs from the Skydance transaction. PSKY's free cash flow also included $500 million in transformation costs in '25 with another $500 million in '26 through the third quarter. This includes $174 million in Q3 alone, which on an underlying basis puts us at a much higher conversion rate than what we had guided earlier in the year.

We'd expect now 30% free cash flow conversion excluding transformation and transaction costs. So that's the first lever, which is reduction in one-time transformation costs. Secondly, as we pay down our debt, our cash interest costs will come down. And the third is working capital improvement. And this will be a major initiative for us as both businesses have room to improve in this area. And it's one of the areas we're deploying AI workflows first. We just launched an AI agent that's helping in our procure-to-pay area.

On the capital structure, I think we want to make sure we put a fine point on this. Achieving our leverage targets does not require us to raise additional capital or divest assets. We will hit our leverage goals through our operating plan. At the same time, we will review the portfolio as we integrate, and we'll be opportunistic where we can around monetizing noncore assets. And when we have more to share there, we will do so.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thanks, and thanks, Ric, for the question. Our next question comes from Jason Bazinet at Citi, and this one is on the outlook. Could you provide some additional color to help us think through the Q4 and 2027 outlook? Also, any additional information you can share on moving to annual guidance versus quarterly that you have been providing previously?

Dennis K. Cinelli
Chief Financial Officer

Absolutely. I can take this one. Okay. So, to hit briefly on Q3 for stand-alone Paramount, we feel really good about the quarter we delivered, strong growth in overall company revenue, 5% up year-on-year. We talked about the momentum in Paramount+, up 21% year-on-year, $1 billion of adjusted EBITDA, which exceeded the top end of our guidance. And this is really, I think, a good representation of the management team and the team we have here now at the combined company delivering on the goals we set out to achieve.

As we think about guidance moving forward, I do want to update you all on our philosophy. So, we're making decisions to drive the company on a long-term basis. We're not managing towards short-term quarterly targets. And we want investors to focus on full year and medium-term outcomes. So, with that, we are moving to an annual guidance methodology. We'll provide our next guidance for 2027 in our next earnings call. But we'll provide quarterly color on trends and major moving pieces across the business when we believe appropriate.

So, with that new guidance philosophy, I did want to provide some color as we think about the rest of the year and as we're going into 2027. So, for the full year, Warner Bros. is on track with our underwriting plans with the exception of the near-term film slate. And then Paramount on a stand-alone basis remains on track for our prior 2026 guidance, which is including the high end of the profitability range at $3.9 billion of adjusted EBITDA. And if you remember, we took that up during our last earnings call.

To go a little bit more into Q4, on D2C, we expect continued strong growth in revenue. And for context, on a pro forma basis, D2C revenue grew 15% in Q3 when you combine both Warner Bros. and Paramount's D2C businesses. On the linear business, we expect trends to be consistent with prior quarters, adjusting for seasonality around politics and sports. And then in the Studios business, while the Paramount film slate continues to perform well, that will be more than offset by the continued underperformance of the Warner Bros. film slate.

Based on this, we expect to have a $200 million headwind to adjusted EBITDA in Q4. This includes films that are already released quarter-to-date as well as films that we will release going forward. With this, we expect slower revenue growth and slower adjusted EBITDA for the combined Studios segment than previously anticipated for the quarter.

Moving to '27, just to provide you all with some preliminary color, we expect continued strong growth in D2C revenue. We expect to grow the Studios revenue and increase total company adjusted EBITDA year-on-year, and this will be based on both the underlying growth and the ramp of our $6 billion synergies program. We'll provide our full 2027 outlook next quarter. But on cash flow, we do expect to be breakeven or better next year, including our cost to achieve synergies.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thanks, Dennis, and thanks for the question, Jason. All right. Our next question comes from Michael Morris at Guggenheim around our content investment and the consent decree. The consent decree requires 30 theatrical releases in the first 2 years, 32 a year in years 3 to 5, an incremental $300 million of annual U.S. production and 5 years of ownership of both lots. Were those commitments already in your $6 billion synergy plan and the $30 billion content budget? Or do they shift the timing? David, do you want to take this one?

David Ellison
Chairman & CEO

Yes, absolutely. And Mike, I really appreciate the question. The short answer is all of this was planned for and has no negative impacts on our plan. 30 films was always in our business model. And strategically, it's something we've always wanted to do. When we talk about the 30 films a year, I think it's important to note a few things.

One is our plan already accounted for the decree's commitments, including the incremental U.S. production investment. So again, don't think of this as a headwind in any way. We've been planning for 30 movies per year, and we're producing actually 30-plus in 2027. The consent decree also only requires 20 wide releases scaling to 22. So, we have a tremendous amount of operational flexibility in the future. And additionally, this means that, as I said before, a new movie will arrive on our service every other week. And we know film is a major driver of acquisition and engagement on our platforms, and we see this as nothing other than a positive across our business.

In 2027 alone, we'll release Children of Blood and Bone, Sonic the Hedgehog 4, A Quiet Place Part III, Godzilla x Kong: Supernova, Man of Tomorrow, a Minecraft movie, the Ocean's 11 Prequel and Lord of the Rings: The Hunt for Gollum, which forgive me, I think is a pretty compelling theatrical offering. And we think that's going to be compelling for consumers when those movies arrive in theaters and eventually when they hit home on streaming. So again, we feel very comfortable operating within the consent decree and don't see any headwinds as a result.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thanks for the question, Mike. All right. Our next question is from David Karnovsky at JPMorgan. This question is on sports. As you look at Skydance's combined portfolio of sports across legacy Paramount and Warner Bros., how are you thinking about rights that can be leveraged across different streaming or linear platforms? And does that create room to drop or sublicense any existing live programming? David, do you want to take this one?

David Ellison
Chairman & CEO

Sure. And look, I really appreciate the question. We now at Skydance have a best-in-class portfolio, which is centralized under one team. When you put CBS Sports and TNT Sports all under one roof, we hold more than 3 dozen premium sports agreements. And it also allows our sports calendar to now run year-round and includes the NFL's AFC package, UFC, 100% of March Madness, College Football Playoffs, PGA Tour, the Masters Weekend rounds, Big Ten, UEFA, MLB, NHL, NASCAR and the French Open.

Suffice to say, we believe in sports, and we will continue to be a significant player and leader in the space. As it relates to all of our content investments, we will optimize for growth and economics across our ecosystem. Regarding how we evaluate rights, we look at each package on its own and as part of the portfolio. To give a few examples of that, we look at the audience, we evaluate the size, engagement and advertising value.

For streaming, we evaluate whether it drives acquisition and engagement, and whether it supports the overall ecosystem. For distribution, we look at the value to our partners and the genre packages built around it. From a schedule perspective, we look at: does it help fill a gap that we have in our sports calendar. And of course, returns, whether the economics clear our bar given the cost. As it relates to future rights, we'll be disciplined. Every right has to earn its place, but we're really happy with the portfolio we have. We also feel we're well positioned to be great partners to all of our sports leagues that we have the privilege of being in business with, given our scale across both our linear and streaming services.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thank you, and thanks for the question, David. All right. And our last preselected question is from John Hodulik at UBS. His question is on the linear business. How do you navigate the secular pressures in linear TV and the increasing popularity of skinny bundles? Ynon, do you want to take this one?

Ynon Kreiz
Co-CEO

Sure. Thanks, John, for the question. Skydance TV brings together a very strong offering led by CBS, the crown jewel of U.S. broadcast television and more than 50 cable networks, including TNT, TBS, TLC, Food Network and CNN, which were 5 of the top 10 ad-supported cable networks in the U.S. among adults 25 to 54 last year, a key demo. This is a highly profitable and cash-generative business.

You heard from David just now about our strength in sports. We also have particular strength in news between CNN and CBS News, 2 of the world's leading news services. All in all, our goal is to manage the combined portfolio to optimize long-term profitability and cash flow as the industry gradually shifts towards streaming. We are seeing that the decline in linear television has moderated slightly over the last few quarters. And while we continue to conservatively plan for a structural decline of this business, we believe it can continue to be a highly profitable and cash generative as we grow our D2C and studio business.

It's also worth saying a few words on CBS, which is an incredible asset. Excluding sports, CBS is the #1 broadcast network in prime time and up 18% year-over-year among total viewers. The NFL on CBS is averaging nearly 20 million viewers, up 5% from last year. And then currently, CBS is leading the new fall season with the #1 series on TV, all 5 of the top series and 7 of the top 10. So, a quite remarkable and very strong asset for the company.

Also important to note is that according to Nielsen, between the reach of our TV networks and our streaming platforms, we are the #1 traditional media owner in the third quarter this year on a combined basis in the U.S., and we're only second to YouTube overall. So, we have strengthened the business, and the platform is very broad and a strategic asset for us.

As distribution evolves, we will see partners increasingly wanting streaming built into the packages, and we are very well positioned to deliver that, including Paramount+ and HBO Max as part of their offering and making our networks available across all devices. We've established a unified leadership structure across TV and D2C to ensure that we are fully aligned on distribution, ad sales and content sales as part of a holistic strategy, while at the same time, we are respecting the requirements of the consent decree regarding separate negotiations of the Paramount and Warner Bros. cable portfolios.

This approach overall in terms of holistic management will allow us to follow one globalized commercial approach to maximize the full potential of our portfolio across both TV and D2C.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. And thanks, John, for the question. With that, I'll turn it back over to Sarah to open up the line for live Q&A.

Operator

Your first question comes from Jessica Reif Ehrlich with Bank of America.

Jessica Reif Ehrlich
BofA Securities, Research Division

You guys have clearly laid out the synergies on the cost side. I was hoping you could do the same thing on revenue. Ynon alluded to it earlier. But is there any way you can kind of lay out for us with any specificity or kind of color where it would come from and maybe the timing because it really does seem like that's the bigger opportunity over time.

Ynon Kreiz
Co-CEO

Yes, I'll take that, Jessica. Thanks for the question. As I said earlier, we believe there is meaningful upside for revenue synergy in our business. To give you a few examples. One obvious area is in content licensing between our combined library of 15,000 movies and hundreds of thousands of TV hours, plus 30 theatrical movies and 100 series per year new content that we produce, we can serve our licensing partners even better across every programming

vertical with a single point of contact. We now have more opportunities and more flexibility around windowing, particularly in the second run licensing business. We also can make the content we produce maximize reach and value through our own platforms by optimizing release schedules with more flexibility around windowing.

Another key area is our television business where we can drive revenue synergy on both the distribution side and the advertising side. In distribution, we can better serve our affiliates with a complete offering. In advertising, we will be an even better partner for our clients. We talked about sports. This is a particular area, that drives significant advertising sales. So, with CBS Sports and TNT Sports under one roof, we have a complete sport offering that we believe is in a very strong position. Advertisers can purchase media across the sport portfolio through a single partner spanning broadcast, cable and streaming.

And then, of course, Direct-To-Consumer. This is where we see many exciting opportunities. Starting with the fact that we can unify our paid streaming service into one product that will be very attractive. This will allow us to offer the depth and breadth of our content in one place, which will drive stronger engagement and higher lifetime value. The benefit of having 30 major theatrical movies per year, showing our streaming services, following global marketing campaigns and built-in audiences around the world will boost our subscriber acquisition, engagement and retention.

One area in particular that is worth noting in that environment is that we know that our ARPU lags other players in the industry and that in international regions, it can be multiple levels higher than our ARPU. So, we believe that the combination of these assets that we are putting together will deliver a content offering that will increase the lifetime value and ARPU of our subscriber base over time. And another point to say is that having over 200 million streaming subscribers gives us the opportunity to amortize content and technology investments across a larger base, which will make our economics very different than the old days.

All of this requires work and very tight coordination between our teams and business units, and we factored that into our organizational design. We talked about how we combine the leadership across TV and D2C to ensure that we are fully aligned on executing on that business. But these are just a few examples to talk about all the opportunities we have to drive our business and accelerate that even further beyond cost synergies.

Dennis K. Cinelli
Chief Financial Officer

I would just add to that, Ynon, that Jessica, none of this is in our business plan going forward or our underwriting case. So this is all upside to what we plan going forward.

Operator

Your next question comes from Rich Greenfield with LightShed Partners.

Richard Scott Greenfield
LightShed Partners, LLC

You've announced, David, that you're going to be bundling HBO Max and Paramount in 2027. But you also have a number of distribution platforms. You use Amazon Channels, you use Roku, YouTube Primetime Channels, and I think you have a bundle with Disney+ and Hulu. I'm curious, as you think about how you're going to bundle Paramount+ and HBO Max, is the goal to only offer that D2C meaning directly from you, so you can start to shift people away from these third-party aggregation sites? Do you plan to be the aggregator or the platform versus sort of being ingested into other people's platforms? And how do you think about striking the right balance long term?

David Ellison
Chairman & CEO

No, Rich, it's a great question, and I really appreciate it. Look, zooming out to start, we really do view the bundle of the combined services as really the home for some of the best storytelling available on the market. And we think that having the best content is going to be a significant anchor for who positions themselves to be able to make those choices as the market evolves. In addition to that, you have to be able to offer a user experience that is best-in-class.

By converging the back end of our tech stacks within a year, we got a lot of benefits. If you look at the scale of competitors that are in the 300 million kind of subscriber zones, we have over 200 million today plus 75 million

MAUs from Pluto. We feel like once that's on one unified tech stack, it really does position ourselves to be competitive with anyone.

We also absolutely see the value in being a predominantly direct business, but also believe that we need to make choices about where you go direct versus where you can get additional reach through others. And that is going to be a balancing act as we grow and scale this business. We have great partnerships, but I think what you can expect us to do is navigate all of that through the lens of how we drive and build value for shareholders across the D2C ecosystem.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Great. Thanks, Rich. Operator?

Operator

Thank you. That is all the time we have for questions. I will turn it over to Kevin for any closing comments.

Kevin Creighton
EVP of Corporate Finance & Investor Relations

All right. Thanks, Sarah. And thanks, everyone, for joining today. I appreciate you taking the time to listen to the call. And please reach out to the IR team if you have any questions or follow-ups. Thanks.

Operator

This concludes today's conference call. Thank you for joining. You may now disconnect.

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