Brian Siegel

Thank you, Operator.

Good morning and welcome to Moving iMage Technologies' earnings conference call and webcast.

With me today is Chairman and CEO, Phil Rafnson, who will provide an industry overview; Francois Godfrey, President and COO, and Co-Founder and Executive VP of Sales and Marketing, Joe Delgado, who will provide a strategy and business overview; and our CFO, Bill Greene. For those of you that have not seen today's release, it is available in the Investors section of our website.

Before beginning, I would like to remind everyone that, except for historical information, the matters discussed in this presentation are forward-looking statements that involve several risks and uncertainties. Words like believe, expect, anticipates, mean that these are our best estimates as of this writing, but that there can be no assurances that expected or anticipated results or events will actually take place. Actual future results could differ materially from those statements. Further information on the Company's risk factors is contained in the Company's quarterly and annual reports filed with the SEC.

Now, I'd like to turn the call over to Phil. Go ahead Phil.

Phil Rafnson

Thank you, Brian, and thanks to everyone joining us today. I'm Phil Rafnson, CEO of Moving iMage Technologies, or MiT.

I’m encouraged by the progress we achieved in our first quarter of fiscal 2025, particularly as the industry begins to rebound from the challenges posed by the Hollywood strikes over the past year. Those setbacks appear to be behind us now, and we're energized by the clear signs of a box office resurgence and a lineup of potential blockbuster releases sparking renewed enthusiasm for in-theater experiences.

The broader industry tone is experiencing a positive shift as well. Major players like AMC, Regal, and Cinemark are reporting solid improvements, highlighting the resilience of the cinema sector. AMC has seen rising attendance, especially for major releases, and Cinemark noted stronger-than-anticipated demand in their third quarter, with audiences embracing both premium experiences and traditional moviegoing. This reinvigorated interest perfectly aligns with our premium offerings—such as immersive sound systems and advanced laser projection upgrades—which are increasingly valued by customers looking to elevate the moviegoing experience.

Looking at the technology upgrade cycle, the industry is reaching a pivotal point with thousands of projectors and servers due for replacement over the next few years. This need for upgrades represents a growth opportunity for MiT as we continue to support our clients' evolving technological demands.

As the industry moves forward, MiT is exceptionally well-positioned to capture this growth, leading in cinema innovation with essential products and solutions tailored to meet the high expectations of today's theater-goers.

Turning to the recent changes in our leadership structure. The industry and our business is at a critical juncture. With cinema rebounding and MiT working on a host of potentially transformational offerings that are in development, I wanted to put in place a long-term succession plan sooner than later. After careful consideration, I decided to promote Francois

Godfrey to the role of President and COO, reporting directly to me. Francois brings decades of industry experience with strong relationships and has been a key part of our team moving our emerging growth initiatives towards viability. I look forward to working with him as we move into MiT’s next phase as a Company. I’ll now turn the call over to Francois to say a few words.

Francois Godfrey

Thank you, Phil, and I appreciate the opportunity to join today’s call. I’m very excited about MiT’s prospects for success in the years to come. Over the next month, I plan to thoroughly review our business and operations to develop a business plan designed to accelerate revenue growth, increase gross margin and take advantage of our operating leverage to generate cash flow and profits. While I don’t expect any radical changes, I believe this review may flush out opportunities to increase the baseline in our core cinema business, improve operational excellence and align investment in our emerging offerings with an adequately timed go-to-market strategy. My goal is to share this plan with you on our second quarter earnings call in mid-February. Now I’ll turn the call over to Joe to discuss the business in more detail.

Joe Delgado

Thank you, Francois, and good morning, everyone.

Starting with our core cinema business, we're encouraged by signs of a promising future. In addition to the industry's ongoing recovery, a key catalyst here is the technology upgrade cycle, with thousands of projector and server combinations expected to reach the end of their lifecycle in the coming years. These upgrades will involve replacing older systems with new laser technology, with prices ranging from $30,000 to $130,000, depending on specifications. While we won't capture every opportunity, our expertise in this space gives us confidence that this cycle will contribute meaningfully to our cinema growth over the next few years.

We're also optimistic about our partnership with LEA Professional, which grants us global distribution rights for their smart power amplifiers in the cinema market. These amplifiers not only offer high margins but also provide an extended warranty—twice the industry standard—which differentiates them from larger competitors. In North America alone, the existing installed base is valued at approximately $630 million, and an estimated 5-10% of this equipment requires replacement each year, representing a total addressable market of $32 to $63 million annually. We continue to scope these products into new builds, and refurbs whenever possible. Lastly, we're also in early discussions with potential European customers, and we believe LEA could play an instrumental role in expanding our presence there.

Next is the Esports in cinemas opportunity, where we've refined and sharpened our strategy over the past few quarters. Initially, our Esports initiative was tied solely to SNDBX, which aims to develop a "Little League" model for Esports. However, delays in SNDBX's rollout due to an extended fundraising period have required us to adapt. Despite this, we can confirm customer interest in this concept has not wavered since SNDBX announced a strong domestic pipeline. Recently, SNDBX pivoted away from relying on external capital to focus on sponsorships and operational plans, targeting an early 2025 launch of its first leagues. Meanwhile, we've adjusted our approach, beginning to pursue direct sales to large theater circuits with the internal capabilities to support Esports leagues. This proactive shift has enabled us to actively engage with theater circuits ready to integrate Esports into their offerings, and we're hopeful these efforts will materialize over the coming quarters.

Now, let's talk about eCaddy—an incredibly exciting and innovative opportunity for us to expand beyond cinema. The market potential here is significant, with millions of existing stadium and arena seats that could be retrofitted with our eCaddy cupholders, alongside a pipeline of new build opportunities. What sets eCaddy apart is that it's more than just a product upgrade; it's a new model designed specifically for stadiums and arenas. Imagine a cupholder that not only holds drinks but also upgrades the fan experience through services such as advertising or promotions, creating new revenue streams for venues.

We've received positive feedback from Major League Baseball and other sports executives, and we're currently defining and developing both the model and prototype for this technology, both precursors to being able to submit proposals at select stadiums and arenas. The eCaddy platform has nearly limitless potential, with tens of millions of seats worldwide and the versatility to adapt across various venues. We believe eCaddy can generate high-margin, recurring revenue as it scales, meeting the growing demand for technology-driven fan engagement solutions.

In summary, despite industry challenges, we've stayed focused on our long-term objectives and made solid progress. Our cinema business is showing signs of turning the corner, and our new initiatives—particularly in Esports and eCaddy—are full of potential. As the industry recovers from recent disruptions, including the Hollywood strikes, we’re positioned to see our strategies yield results. We’re still in the early stages, but we’re excited for what’s ahead and look forward to sharing our progress as we reach key milestones.

With that, I thank you, and I'll turn it over to Brian.

Brian Siegel

Thanks Joe, and thank you, everyone, for attending our earnings call.

Q125 was always going to be a tough comp, as Q124 had tailwinds at its back from the continued box office recovery post covid, and momentum from the Barbenheimer phenomenon. Unfortunately, as we’ve pointed out several times, the Hollywood strikes derailed this momentum for the rest of fiscal 2024, and we are only now starting to see it pick up. So, while our numbers for Q125 were down as expected, we did see encouraging signals that give us optimism for an improved spending environment as we head into the new calendar year.

Revenue declined roughly 21% versus last year to $5.3 million. The big difference between the two quarter’s was last year’s revenue contained higher run rate business, fewer, but larger projects and more orders related to the technology refresh cycle.

Gross profit for the first quarter was $1.4 million, a 24.6% decline from the prior year. Gross margin was 26.1%, down 130 basis points from last year. The encouraging sign here is that the mix improved sequentially versus the prior couple of quarters when we had a large, lower gross margin seat order.

On the expense side, operating expenses, reflecting the headcount and other cost reductions we made at the beginning of the quarter, were flat at $1.4 million versus last year. Remember, that we took out roughly $600,000 of annualized costs, most of which is expected to impact fiscal 2025.

Operating loss was $68,000, compared to operating income of $0.4 million last year, and we achieved EPS break-even for the quarter versus $0.04 per share, last year.

Looking at our balance sheet, our cash and cash equivalents were down $32,000 at $5.2 million, indicating we remain well capitalized.

Moving to our second quarter, historically, this is our seasonally slowest quarter due to the holiday movie schedule and theaters running at high capacity. While we don't expect this pattern to change, we do believe the comp versus last year should be more favorable given the stronger industry spending environment and cost reductions we took this year.

In summary, we remain focused on the initiatives and offerings that we believe will accelerate revenue growth, increase gross margins and drive profits. For our investors, we are committed to providing updates on milestones as our emerging growth strategies unfold, and we will continue to announce any key developments or orders through press releases and earnings calls as well as on X, where we encourage you to follow us at our handle @movingimagenews.

Thank you for joining us today, and we look forward to speaking with you again during our next call in February. Operator, we are ready for questions if there are any.