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, who will provide a strategy and business update; and our CFO, Bill Greene. For those of you who 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, and 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 our progress in our second quarter of fiscal 2025, returning to growth and cutting our losses.

The broader industry tone continues to be more positive as well. Notably, the industry reported a strong holiday season after the challenges posed by the Hollywood strikes which negatively impacted the number and timing of movie releases over the past year. Those setbacks appear to be behind us now, and we're energized by a full slate of content expected for 2025. Major players like AMC, Regal, and Cinemark reported record Thanksgiving, 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.

With respect to 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. The need for upgrades represents a growth opportunity for MiT over the next few years as we continue to support our clients' evolving technological demands.

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

I'll now turn the call over to Francois to discuss his priorities as our new President and COO and provide a business update.

Francois Godfrey

Thank you, Phil. In my first three months as President and COO, I've focused on identifying and prioritizing opportunities to drive revenue growth and margin expansion in our core cinema business. Strengthening our profitability will enhance our flexibility to invest in our higher-margin, high-growth initiatives. While maintaining transparency, I believe in underpromising and overdelivering. Moving forward, we'll share updates on emerging initiatives once they reach meaningful milestones

The cinema industry is cyclical, driven by multi-year technology refresh cycles, and we're in the early days of a new upgrade cycle centered around laser projectors. This cycle might have started sooner if not for the disruptions of the past five years—first COVID, then the Hollywood strikes, both of which slowed our customers' spending to this day. However, a strong 2024 summer and holiday box office reaffirmed the industry's resilience, and optimism is growing for 2025's full release slate.

Historically, major cinema chains like AMC, Regal, and Cinemark invest early, while the independent, small and mid-sized circuits—our primary customer base—follow later. Right now, we're still in the early stages of this upgrade cycle, but momentum is slowly building. CinemaCon, the cinema industries premier global institutional event for studios and theater operators, in April will be an important barometer, and a strong summer box office could accelerate customer spending. My focus is on capturing more of this early demand while positioning MiT for the broader industry-wide rollout.

My immediate priority is driving higher revenue growth in our core cinema business, which, with our operating leverage, can move us into profitability quickly. I see opportunities in:

- Securing a larger share of technology upgrades
- Expanding wallet share with existing customers
- Acquiring new customers

- Strengthening our run-rate business, which currently generates around $2 million per quarter

To achieve this, we're putting in place more formalized sales processes and testing cost-effective marketing strategies to reach untapped customers who may not be fully aware of our broad product portfolio and capabilities.

While I'm very enthusiastic about our emerging products, I want to be pragmatic about their rollout timelines. My goal is to prioritize initiatives with the fastest ROI, both within cinema and in adjacent entertainment markets like stadiums and arenas. I'll now provide brief updates on these initiatives in cinema, followed by an update on e-caddy.

- **LEA Professional Smart Power Amplifiers**: We're actively integrating these into new projects, but real volume will come from the replacement market. Large cinema circuits are testing these products now, and while procurement cycles take up to 18 months, successful adoption could drive significant sales growth. We're also planting seeds for expansion in Europe.

- **CineQC** is our quality control platform that integrates an IoT network and SaaS software for cinema operators to run their theaters more efficiently. While progress has been slower than expected, we remain committed to this initiative and will provide updates as we make progress in upgrading the technology stack and finalize our go-to-market strategy.

- **Esports in Cinema**: We are well positioned with our MovEsports mobile gaming cart systems when this market starts to take off. Industry interest remains high despite delays at our partner SNDBX, which is now focusing on going operational and funding its rollout of amateur Esports leagues hosted in movie theaters, through sponsorships and promotions rather than capital raising. If they can execute, it will hopefully kickstart this business for both companies. In parallel, we’re exploring direct discussions with larger players to accelerate this opportunity.

- **MiTranslator & ADA Compliance Accessibility Solutions**: We’re currently reassessing our entire Accessibility product strategy, including MiTranslator, to unlock additional market opportunities.

- **E-Caddy** is a product in development that is meant to bring fan engagement services for stadiums and arenas through a digitized version of our Caddy cupholders. Though this opportunity has taken longer than anticipated, we still believe in the potential of this product. We're currently refining the technology and business model while looking to secure an initial partner.

In summary, the industry challenges from the Hollywood strikes continue to abate, our core cinema business is showing early signs of a rebound, and our emerging initiatives hold strong long-term potential. As the industry recovers, we're well-positioned to capitalize on opportunities and drive sustainable growth. We're still early in the cycle, but we're excited about what's ahead and look forward to sharing our progress.

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

Brian Siegel

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

Following a tough Q125 comp, we returned to year over year top-line growth, gross margin expansion, and loss reductions in Q225, despite it traditionally being our seasonally slowest quarter, as theater operators tend to keep all auditoriums in operation during the holiday season.

Revenue increased by 5.4% to $3.4 million.

Mix this quarter was also favorable, leading to a 23.3% increase in gross profit from the prior year to $936,000, as we recognized revenue from two premium technology installations and an order for our Accessibility compliance products during the quarter. This led to a robust gross margin of 27.2%, up 400 basis points from last year.

Operating expenses were $1,497,000, down $92,000 compared to last year, reflecting the headcount and other cost reductions we made at the beginning of the fiscal year. Remember that we took out roughly $600,000 of annualized costs, most of which are expected to positively impact our fiscal 2025 results.

Operating loss improved by $269,000 to a negative $561,000, compared to a negative $830,000 last year.

This led to a $267,000 improvement in our net loss to $527,000 from $794,000 last year. EPS improved from negative 7 cents to negative 5 cents.

Looking to our balance sheet, cash increased $38,000 to $5.3 million from the beginning of the fiscal year, indicating we remain well capitalized.

Moving to our third-quarter outlook, we expect continued year-over year revenue growth, gross margin expansion, and loss reductions. Note, that despite the combination of a strong holiday box office, the beginning of the technology refresh cycle, and a new customer budget cycle, which are all positives for MiT over the medium to longer term, we are still in the early part of the bell curve for spending and most of our customer base tends to fall in the early to late majority part of the curve.

In summary, we remain focused on the initiatives and offerings that we believe will accelerate revenue growth, increase gross margins and drive us to profitability. For our investors, we are committed to providing updates on meaningful 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 May. Operator, we are ready for questions if there are any.