Transcript of
Dolphin Entertainment, Inc.
Second Quarter 2025 Earnings Conference Call
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Participants

James Carbonara - Hayden IR
Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Mirta Negrini - Chief Financial Officer & Chief Operating Officer, Dolphin Entertainment, Inc.

Analysts

Allen Klee - Maxim Group

Presentation

Operator

Greetings and welcome to the Dolphin Entertainment Second Quarter 2025 Earnings Call. At this time, all participants are in a listen-only mode and a question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, Mr. James Carbonara of Hayden IR. Sir, the floor is yours.

James Carbonara - Hayden IR

Thank you, operator. Good afternoon. Before we begin, I'd like to remind everyone that during the course of this conference call, management may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and involve risks and uncertainties that could differ materially from actual events. Please refer to the cautionary text forward-looking statements contained in the earnings release published today as well as the most recent SEC filings and reports.

During the call today, management will also discuss non-GAAP financial measures including adjusted operating income or loss. The company believes that these will provide helpful information for investors. Reconciliations to the most comparable GAAP measures are provided in earnings release.

Now I would like to turn the call over to Bill O'Dowd, Chief Executive Officer of Dolphin. Bill, please go ahead.

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Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Thanks James, and welcome everyone. As usual, I'll start by reviewing some of the key financial and operating highlights from our second quarter and then Mirta will provide a more detailed financial overview before we open it up for Q&A. And I am definitely going to steal Mirta's thunder because we're starting with the financials. Well, as we just saw in the earnings release we put out, total revenue came in at a second quarter record $14.1 million, which represents an increase of 23% year-over-year. On the bottom line, we reported adjusted operating income -- how we measure ourselves -- of approximately $628,000 as compared to an adjusted operating loss of $137,000 from the same period in 2024. Obviously, we are extremely pleased with those two results. I would like to point out also that these results were fueled solely by the strength of our subsidiary portfolio without benefiting from the contributions of ventures or productions such as the impact of 2024's documentary Blue Angels.

Also, we believe our growth to a 4.5% adjusted operating income margin this quarter is just the beginning. We believe that we will free up significant free cash flow steadily over the next three years for three reasons, in addition, of course, to our subsidiaries continuing to grow. First, next year in 2026, we believe the investment phase in Always Alpha and affiliate marketing will greatly reduce. Those results we just talked about come with those investments being made here in the second quarter. Second, our expensive long-term leases in both New York and Los Angeles will expire, New York by the end of next year 2026 and Los Angeles by the end of the following year 2027, thereby significantly reducing our overhead costs. And third, our commercial bank loans will be repaid in full in September of 2028. These term loans, used to fund our acquisition strategy and complete our marketing Super Group, currently represent approximately $2.2 million per year in principal and interest. We will no longer need to pay that after September of 2028. Thus, even without the revenue and profit growth we expect to experience in the coming quarters and years, we expect to free up significant free cash flow throughout the next three years, which we believe provides us a clear path to improving our margins.

Beyond this core trajectory, we believe our films such as Youngblood and our venture portfolio, including Staple Gin, offer tremendous optionality, especially when comparing potential upside in success against our current market capitalization. More to come on these two topics later in my prepared remarks but first, let's turn our attention to this morning's news. As you saw in the announcement, we've taken another significant step in expanding our integrated services model with the creation of our Tastemakers division. I want to spend a few minutes discussing why this matters strategically and how it exemplifies our broader growth strategy.

I'll address what makes this offering compelling, bringing together the exceptional capabilities of two of our subsidiaries, the Digital Department's talent management expertise in the Creator Economy and the Door's unmatched lifestyle and hospitality PR prowess. But this isn't simply about collaboration. It's about creating an entirely new service category that doesn't exist elsewhere in the market. Think about the

traditional landscape. Creators and lifestyle icons typically engage separate firms for representation and publicity, often leading to disconnected strategies and missed opportunities. We've eliminated that friction. Our teams now work as one unit from the outset, crafting cohesive strategies that maximize both commercial opportunities and cultural relevance. Let me put it even more simply. The Door's PR campaigns keep these talent top of mind for both brand managers and the public at large, while the Digital Department monetizes that cultural cache for the talent through brand partnerships and endorsements. This creates a virtuous flywheel for the talent, more visibility through PR and earned media leads to the ability to capitalize on greater endorsement potential.

Longtime listeners remember how excited we were for the acquisitions of Be Social and Socialyte, the two influencer marketing companies we purchased in 2020 and 2022 respectively, and that we merged to create the Digital Department in late 2023. These were highly strategic acquisitions to marry with our industry-leading PR firms in a combination we called the equivalent of peanut butter and jelly.

Well, how has Tastemakers been received, even in these very early days? The initial response has been remarkable. We've already assembled a great roster of creators spanning culinary, wellness and lifestyle sectors. Like Josh Scherer from Mythical Kitchen, my personal favorite culinary influencer, he's just a great guy; Jeanine d', Onofrio, who's built Love and Lemons into a powerhouse brand; and Jessica Bui, who's transformed home design content. These creators understand how to connect with modern audiences and drive engagement across platforms. And all of these icons, personalities and creators are excited by the prospect of increased exposure through PR leading to additional money and endorsement opportunities through influencer marketing.

What excites me most is how this initiative demonstrates the multiplier effect of our ecosystem. These creators aren't just getting management and PR, they're gaining access to our entire suite of capabilities. When one of our talents wants to launch her next pod -- excuse me, her next product line, we have the infrastructure. When another one needs production support for his next series, we're ready. This is precisely the kind of value creation we've been discussing with you throughout the years. Now that we've reached horizontal scale across the Super Group, we're innovating within our existing portfolio to generate new revenue streams and deepen client relationships. Every creator we sign opens doors to brand partnerships, content opportunities and cross pollinization across our other divisions.

Looking ahead, Tastemakers represents a blueprint for future initiatives. We're actively exploring similar integrated models in other verticals where our agencies' combined expertise can create differentiated offerings. The market is clearly moving towards comprehensive solutions and we're positioning ourselves at the forefront of that evolution. Each of Dolphin's subsidiaries brings something unique to the table, but together they create something far greater than the sum of their parts. We believe this collective strength is what makes Dolphin a leader across the pop culture landscape. Furthermore, these cross-selling initiatives help fuel organic

growth within our companies and, as we do so, we believe that our adjusted operating income margin will continue to grow. This is a good point to mention 23% year-over-year revenue growth and positive adjusted operating income of over $600,000; probably it's a good point to insert that again.

Anyway, back to the prepared remarks. This is the first half of the better mousetrap that we believe we are building. Those who have followed our story from the very beginning know that our idea to create this unique collection of best-in-class entertainment marketing companies was so that we could create a solid foundation of revenue and profit from our core activities and then have the upside of transformational optionality represented by productions and ventures that we can own or co-own and wherein our form of marketing will give us a greater likelihood of success. In other words, we believe that our core business will provide both stability and continuous growth to the top and bottom line as we just saw here in Q2, and that our ventures into content, consumer products and live events will provide us with tremendous upside disproportionate to our core business.

With that said, we shared exciting news on our latest production venture yesterday, the feature film adaptation of Youngblood has been selected to premiere at the Toronto International Film Festival next month. This is a tremendous honor and we hope it will provide a springboard for us to successfully sell the project to a theatrical distributor or streaming service. We are also hoping lightning strikes twice, as it was at the Toronto Film Festival where we premiered the first footage of the Blue Angels, which led to our highly successful sale of the streaming rights for that movie to Amazon. Fingers crossed we will enjoy the same level of success this year. I'll certainly be able to provide updates on our next earnings call. Toronto, for those who don't know, is always the week after Labor Day.

To conclude, I'd like to highlight how our achievements from the launch of Tastemakers to leading global sales for Youngblood exemplify the strength and innovation of our diversified portfolio. Additionally, my continued personal investment in Dolphin, including the purchase since just this April of an additional 1% of all common stock outstanding, underscores my confidence in the exceptional value we are building for shareholders.

Thank you for your time and attention today, and with that, I'll turn it over to Mirta for a deeper dive into the financials.

Mirta Negrini - Chief Financial Officer & Chief Operating Officer, Dolphin Entertainment, Inc.

Thank you Bill, and good afternoon everyone. Let me walk you through our financial results for the second quarter of 2025. Total revenue for the quarter ended June 30, 2025 was approximately $14.1 million, an increase of 23% from $11.4 million in the same period of the prior year. Operating loss was approximately $57,000 for the three months ended June 30, 2025, compared to an operating loss of $1.1 million for the three months ended June 30th, 2024. Adjusted operating income was $600,000

for the three months ended June 30, 2025 as compared to an adjusted operating loss of $137,000 for the same period in 2024.

Operating expenses for the second quarter of 2025 were approximately $14.1 million, including depreciation and amortization of approximately $600,000 and non-recurring or non-cash expenses of approximately $90,000. This compares to operating expenses of $12.6 million in the second quarter of 2024, including depreciation and amortization of $600,000 and non-recurring or non-cash expenses of $400,000. Net loss for the second quarter of 2025 was approximately $1.4 million, including depreciation and amortization of $600,000 and non-recurring or non-cash expenses of approximately $900,000. This compares to a net loss of $1.6 million for the second quarter of 2024, including depreciation and amortization of $600,000 and non-recurring or non-cash expenses of $400,000.

Net loss per share was $0.13 per share based on 11,168,572 weighted average shares for the basic loss per share and 11,232,511 weighted average shares for diluted loss per share for the three months ended June 30, 2025. Net loss was $0.17 per share based on 9,723,155 and 9,787,094, respectively weighted average shares outstanding for basic and fully diluted loss per share for the quarter ended June 30, 2024.

With that, I'll now turn it back to the operator to open the floor for questions. Operator, would you please poll for questions?

Operator

Thank you. At this time we will be conducting our question and answer session. [Operator Instructions] Thank you. Our first question is coming from Allen Klee with Maxim Group. Your line is live.

Q: Hi. Congrats on the strong results. For revenue, where would you say the upside came for your revenue in the quarter?

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Yeah, thanks, Alan. And it was broad is the answer. Each of our operating subsidiaries, we have seven marketing companies. I think they all had just steady growth during the quarter. I know we really exceeded the revenue expectation for Q2 and it was building throughout the quarter. June was stronger than April. Special Projects, our celebrity booking and event company, had a particularly good quarter. They're having a particularly good year. The second half of the year is going to be better than the first half of the year for them. The Door has been very strong. They're continuing that throughout the whole summer, and so is Shore Fire, our music PR firm. I'd say we're blessed to have really strong results across many of the subsidiaries. So there was no one reason or one silver bullet, if you will. And that was a point I was trying to make in the prepared remarks -- this is a quarter we didn't put out a movie, we didn't get the big hit like we did in Q1 of last year with the Blue Angels; this is just our blocking and tackling -- our core companies doing well and

we're continuing to grow them and they're getting better and better at selling with each other and this Tastemakers division is a good example of that. But to answer your question succinctly, it was broad, there's broad revenue growth.

Q: That's great. And I know that one of your big investment focuses is Always Alpha and your affiliate marketing. Can you talk a little about how you're making out in the investments to grow those businesses?

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Yeah, happy to. And the adjusted operating income, again, the measure by which we measure ourselves -- what's our operating income when you strip out the non-cash amortization expense and other one-time non-cash expenses and things like that -- we made over $600,000 in the quarter, which is fantastic. We were very close to making money under that metric in Q2 last year. I think we lost a little over $100,000 in the quarter. We obviously exceeded $600,000 this time but that 600,000 is depressed, if you want to think of it that way, by the investments we're making in women's sports and affiliate marketing, but we know how they're going to pay off in 2026 and beyond. And we're continuing to make those investments in Q3. Q3 will have the same level, if not more, a little bit up in those areas as we build. Always Alpha, I'll start there, we brought in two very senior talent managers for us, Malea Hotson and Tracy Hughes, that will give us entry points into women's basketball in a big way as well as further Olympic athletes and soccer players, and they joined us in July. And as we build up their roster of clients and as we ramp up, that's an investment you make now and we'll see the benefits of the revenue starting in Q4, but it really is a play into 2026 and in success it's going to be highly profitable for us and we're building a beautiful company there. But it's completely an investment year this year with that company.

And affiliate marketing inside the Digital Department is similar. It's a little bit broader in the cost. You can build teams of talent for less cost per team but you can have more teams if that makes sense. So we'll build that through the end of this year. That investment will probably slow down tremendously after these next six months but we expect it to build a nice return for us.

So these results are happening while we're making those investments. But the sports investment in particular is highly strategic in addition to what a great opportunity in a moment in time, as you've heard me say before, to be an early pioneer in women's sports. I think it's beyond a moment. It's a movement, as they say, and feeling like we've got the right leaders for it with Cosette Chaput and Allyson Felix, of course. It's strategic for us because it plays across our other companies. Imagine the events we can do in the women's sports world and with our ability to bring celebrities to those events. We're in active conversations now on that with multiple parties and there's just so much excitement from both brands and others of getting in on that space. Imagine the consumer products we could launch together with female athletes. So it's more than just -- that one company is like a little microcosm of the greater Dolphin investment thesis. We expect that company

to be profitable, we're building towards that and continue to grow profits year-over-year, but they give us a springboard into our ventures. The consumer products and the events, it opens up entirely new consumer products and entirely new events because we have access to the sports world to go with our already market-leading access to the entertainment world. So yes, we're very excited. This quarter exceeded anyone's expectations, and we hope to build on it, but while we're making those investments, that's great.

Q: Thank you. Switching to Youngblood, remind us -- can you give us a sense of how much you think it's going to cost to produce? Just remind me the accounting, does that show up as like capitalized costs on the cash flow statement, not on the income statement? And then how that works and then when you recognize that or when it's sold? Just if you could go through that. Thank you.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Sure. And the Dolphin Studios, the original Dolphin before I took it public, right, what I did for 20 years, it's really a bridge company for us to help you think about it, too, because while it's been part of my life for 30 years, almost each of these films is like its own little mini venture, right. You're putting a consumer product out in the market. This is one of those types of deals that I know others are very fond of because we didn't put up any capital. We produced the movie in partnership with our Canadian partner, Aircraft Pictures, longtime friend, Anthony Leo, who was a Board member of Dolphin for many years; Oscar-nominated production company. We're blessed to have made the remake of Youngblood, of course, without getting into the total budget of the film, which we obviously don't disclose for other reasons, but let's just say it was a solid independent film budget of north of $5 million and less than $15 million and we're going to go sell it. And if we can sell it for what we sold Blue Angels for, everyone is going to be extremely happy. But if we can sell it for $2 million to $3 million and Dolphin has financial results in the range of $0.5 million to $1 million from that, then I think without putting up any capital, that's a pretty good win. $1 million is just under 10% of our entire market capitalization today, which is a crazy thought, right. If we sell for Blue Angels, you're tripling that number, quadrupling that number.

So we're going to go into Toronto with fingers crossed and hoping for the best result. And we're proud of the film. And we're going to have some exciting announcements about the film to make ahead of our next earnings call, already with some of the partnerships we can create, we think. But yes, we're excited for it. But that's why we think of films like that or Blue Angels as lottery tickets as some people call them or optionality as other people call it, because if you're risking little to no capital and you have the upside of that and we've got the industry's best film marketing company in 42West helping us with it, and as you saw in the press release, by the way, we're co-selling it with CAA. You can't do better than that. And that's the same group. We put the band back together -- that is the same group we sold Blue Angels with, right. I mean, you've got the world's most powerful PR agency in film with the world's most

powerful talent agency in film with Dolphin selling the film at Toronto, that's how we sold Blue Angels. So I'm hoping lightning strikes twice.

Q: So the reason why you put no capital up is because you're offering the PR marketing.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

No, no. What we did there and what was very exciting about that film was -- Aircraft optioned the film -- optioned the rights to the film with us and we were able to make it as Canadian content. And as many people know that follow films, we were blessed to bring in Telefilm Canada as a partner. Canada will provide tax credits for shooting in Canada. Telefilm will make investments in films, they feel we have strong commercial potential and they came in as a partner against the Canadian rights and then we were able to get a bank loan against the remainder secured just by the copyright in the film, the remaining part of the budget because so much of the film was being covered by Canada that the rest of the world seemed like a safe bet. And it's very, very rare that you can completely finance a film that way. But these people believed in the commercial potential of Youngblood and as a result, we didn't put up capital to make the film. So hopefully, we can get a good sale and everyone feels great about the end result.

Q: Interesting. Thank you. So then you talked about earlier that different legacy things could go away, you could benefit from that. Could you just go through some of the numbers for them again? You mentioned some of it but -- thanks.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Yes. This falls squarely into the not as sexy realm, but in operating a business, it's this level of blocking and tackling that matters to investors in a Dolphin at this stage, right. I think we're at the point where we're just going to keep talking about it because it's not that far away. So Dolphin today, when we acquired those companies, all these companies over the years, you inherit their leases, right. And so even today, we have three offices in New York City. We don't need three offices in New York City and we have more space than is being used because, of course, those leases were signed pre-COVID. So we anticipate when those leases are all up next year, the big one expires next December. So as we go into 2027, we're going to save real money and without trying to commit to a hard number, but if it was $0.5 million a year or more in New York, I think that's safe. We certainly would hope so, probably even more in Los Angeles. We inherited those leases, they're up in 2027. So you get out of the New York leases, and you get out of multiple leases in Los Angeles. You're saving real cash but then obviously too the biggest amount of cash will be saved because we took out the term loans with BankUnited to help us make the acquisitions. I think when we started the process, it was with BankProv. It was a six-year -- it would have been a six-year process. Well, next month marks the halfway point, three years. So when we hit the halfway point, we said, well, we'll start talking about it so people in the market understand that on September 29 of 2028, not that

I've got the date stamped on my forehead, we're out of the last of the commercial bank loans, right. And we pay right now happily, they got us the companies we wanted to form this group, but we pay about $2.2 million a year, principal and interest. And you combine that with, let's say, $1 million plus of lease savings we hope to make between New York and L.A, we go out three years from now on a roll-forward basis, we're saving over $3.25 million of cash if our companies don't grow at all. And while $3.25 million is meaningful, I hope to anybody, I'll remind everyone of our market capitalization today is $13 million. That's 25% of our market cap is freeing up in cash with no other growth three years from now and along the way, too, some of it's being freed up along the way. So it's just one of the reasons why we think we're severely undervalued today and why I've been purchasing stock under the 10b5-1 plan and even outside the 10b5 when I'm in an open window to try and signal to the market just one of the reasons why we think we're undervalued, and results like today certainly add to that narrative, I hope.

Q: Yes. No, this is great. So can you just remind us if there's any typical seasonality in your business?

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Sure. Yes. Each of the companies or some of the companies, not each, may have some seasonality. Typically, Q1 is our hardest quarter. Q4 is our strongest quarter. That's partly because our two biggest subsidiaries by revenue would be 42West and of course, going into the -- through the fall, they typically get a lot of independent films and business as we gear up into award season. And then obviously, The Digital Department, our influencer marketing company is weighted towards Labor Day through Thanksgiving for holiday season. So they do a disproportionate amount of revenue in those months versus any other time of the year. That's typical. Of course, their business is typically slowest in July and August, so it tends to balance a little bit. Q3 could be down for them. But otherwise, our summers are strong for Door and Shore Fire. 42West still can often have a strong summer, going into their main selling season of fall. So while as a general rule, Q1 is our worst quarter, Q4 is our strongest, as a general rule, the second half of the year is better -- better than the first half. Q3 and Q2 tend to mirror each other somewhat but that's a little bit of our seasonality. That's in the core business. Now if you have a movie or a venture or something, obviously, that could -- like we had in Q1 last year, Q1 shot through the roof when we had Blue Angels. But if you don't have that, then that's a little, that's the best I can answer that question, I think.

Q: Okay. And my last question would be just related to your IMAX partnership. Do you think it's possible that there might be something in 2026 that could be announced related to that?

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Allen, I would like nothing more. I don't think I wanted -- I don't think I even wanted a pony at age six more than I want that. We were actively negotiating to have a

follow-up to Blue Angels. IMAX very much wants us to have a follow-up to Blue Angels and I'll go to church on Sunday and pray for that follow-up to Blue Angels. So yes, we've got that as a focus now. In the meantime, Youngblood represents a second front, if you will, of productions for us. Blue Angels put us back in the documentary business and restarted that. I wish I had another documentary for 2025, we expect to have one in 2026, but Youngblood here this year was our reentry into scripted films. Obviously, that's what we did more of when Dolphin was a private company and a production company. We were known for our scripted. So Youngblood is important to us and the fact that it got into a film festival is incredible as a sports movie. A real tribute to we think to, hey, some people out there think this is a pretty good movie, right, but it announces that Dolphin is in that business again as well. So it gives us a couple of different ways to have a film, either documentary or scripted. So we're going to ride the Youngblood wave this fall, and then hopefully, it leads us to have a follow-up project we can announce as soon as possible.

Q: That's great. Congratulations.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

No. Thank you, Allen, and it feels very, very good this quarter.

Operator

Thank you, ladies and gentlemen. As we have no further questions on the line at this time, I would like to hand it back to management for any closing remarks.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.

Oh gosh, it always comes so sudden. Well, thank you, everybody, for listening. And obviously, I think the highlight for us, the numbers speak for themselves. I don't -- please don't anticipate 23% year-over-year every quarter, but we are growing. And again, I'd point everyone to how we measure ourselves. We're blessed to have a quarter that has positive adjusted operating income. And again, it's not Q4, so we do it again in Q3, and we can do it again in Q4. Obviously, we knew we were shooting this year to have it for the full calendar year. We were able to do so last year because of Blue Angels. We'll do it this year without Blue Angels. Our company is growing. And the better mousetrap I spoke about in the prepared remarks, we're shooting to -- we're working every day to have growing revenues, get to the point of creating free cash flow-- meaningful free cash flow and then have our upside, have the ventures, have the films, have the things that could be in success, could result in numbers that are larger than our entire market cap. So that's the investment thesis for Dolphin.

So we're excited about where we are. And then long-time followers have seen that progress step-by-step and brick-by-brick over the years and kudos to the super group. I mean it's the collective group that got to this quarter, and it will be the collective group that creates the results we'll announce in three months for Q3 and

I’m very proud of the team. So thank you, everybody, and look forward to talking again in November.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference, and you may disconnect your lines at this time, and we thank you for your participation.