Transcript of
Dolphin Entertainment, Inc.
Dolphin Entertainment First Quarter 2026 Earnings Call
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Participants

James Carbonara - Partner, Hayden Investor Relations
Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.
Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Analysts

Derek Greenberg - Maxim Group

Presentation

Operator

Good afternoon, and welcome to the Dolphin Entertainment First Quarter 2026 Earnings Call. At this time, all participants have been placed on a listen-only mode, and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, James Carbonara with Hayden Investor Relations. James, the floor is yours.

James Carbonara - Partner, Hayden Investor Relations

Thank you, operator, and once again, good afternoon, everyone. 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 involves risks and uncertainties that could differ materially from actual results. Please refer to the forward-looking statements contained in the earnings release published today, as well as the most recent SEC filings and reports.

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

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

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Thanks, James, and welcome everyone. As always, I'll start by walking through the key highlights from our first quarter, and then Mirta will take you through the detailed financials before we open it up for your questions.

For those who have followed Dolphin for a while, you know that our business has a very natural seasonality to it. The first quarter is historically our lightest, and our revenue tends to build as the year goes on, usually peaking in a very strong fourth quarter. With that seasonal context in mind, we are pleased with our start to 2026. On the top line, total revenue grew 5.2% to $12.8 million.

To give you just a quick flavor of what that growth looks like on the ground, our agencies have been at the absolute center of pop culture this year. Our powerhouse subsidiaries led major brand activations during Super Bowl LX, and we dominated the Awards Circuit. 42West and Shore Fire Media clients took home honors at the Grammys, and we celebrated an Oscar win for Best Documentary Feature at the Academy Awards. We also had a massive presence at South by Southwest with a company record 16 world premiere titles, and we are seeing fantastic cross-agency collaboration like The Door and Shore Fire teaming up to launch the new hospitality concept, Pawn Shop, in Los Angeles.

But where I really want to focus your attention today is on our profitability and our cash flow potential. For the first quarter, we reduced our adjusted EBITDA loss from last year's first quarter by 25% year-over-year.

When we calculate adjusted EBITDA, we add back one-time and non-recurring items, along with our significant non-cash amortization costs that come from expensing the intangible assets we acquired through the years of building our marketing supergroup. We do this because it strips out the noise and gives you a much clearer, more accurate picture of our true cash flow potential.

And the takeaway there is that our core business is operating more efficiently, driving that 25% improvement. While Q1 has historically resulted in an adjusted EBITDA loss, it's also worth noting that in full-year 2025, our adjusted EBITDA was a positive $2.9 million. This speaks to the seasonality in our business that I mentioned at the top of my remarks. We certainly hope to beat that adjusted EBITDA result this year.

Taking a step back, the broader thesis we laid out on our last call remains entirely intact. After several years of aggressive acquisitions and growth-related investments, Dolphin has built the infrastructure. We are now in the phase where we get to reap the benefits of that work. We operate in incredibly hot sectors, and with our rising profitability and very low capital expenditure requirements, we expect to generate significant free cash flow going forward.

It's also worth reminding everyone that we are sitting on approximately $127 million in federal and state Net Operating Loss carryforwards. Because of those NOLs, we pay very little on cash taxes. That means as our EBITDA grows, it translates almost directly into free cash flow. And since our management team and insiders hold a

substantial stake in the company, you can be sure we are deeply aligned with our shareholders in driving long-term value.

Looking ahead to the rest of this year, to next year and beyond, we are incredibly enthusiastic. Alongside the organic growth we expect from our agencies, we have several major catalysts lined up. First, we are making strides with our DealMaker partnership. We are having good conversations and are targeting having our first deal in the market later this year. This is a perfect example of a catalyst that leverages our existing marketing acumen and carries highly attractive margins.

Second, we just announced earlier today the launch of a publishing imprint venture with Copper Books and Simon & Schuster. This gives us the ability to offer premium book publishing services to our clients, whether that's a children's book, James Carbonara's favorite, a cookbook, or a novel. The best part of this model is that Dolphin puts up zero capital, but we receive 15% of the revenue. It's exactly the kind of capital light venture we love to pursue.

Finally, we want to reiterate two massive contractual catalysts that will fundamentally change our free cash flow profile. First, we expect to realize about $1 million in annualized lease savings when our large legacy leases in New York and Los Angeles expire before the end of 2027. Second, our bank debt matures in roughly two and a half years. Paying that off will save us almost $2.2 million annually in principal and interest.

Combined, that is over $3 million in annual cash flow savings that we expect will flow almost entirely to our bottom line. In short, the infrastructure is built. We expect continued revenue growth and adjusted EBITDA margin expansion throughout 2026, and we are very excited to watch our incremental revenue flow disproportionately to the bottom line.

With that, I will turn the call over to Mirta Negrini, our Chief Financial Officer, to walk through the numbers. Mirta?

Mirta Sanchez Negrini - CFO & COO, Dolphin Entertainment, Inc.

Thank you, Bill, and good afternoon, everyone. I will now review our first quarter 2026 financial results. Total revenue for the three months ended March 31, 2026 was $12.8 million, an increase of 5.2% from $12.2 million in the prior year same quarter. Our operating loss was $2.1 million for the first quarter of 2026 compared to an operating loss of $1.8 million for the same period in 2025.

Operating expenses for Q1 2026 were $14.9 million. As Bill noted, this included unusual items, specifically $900,000 in legal and professional fees, as well as a one-time direct cost of $700,000 related to a distribution guarantee for Youngblood. This compares to operating expenses of $13.9 million in Q1 2025, which included acquisition costs of approximately $400,000. Both periods included non-cash depreciation and amortization expenses of roughly $500,000 and $600,000, respectively.

Net loss for Q1 2026 was $2.7 million compared to a net loss of $2.3 million in Q1 of 2025. Basic and diluted loss per share for Q1 2026 was $0.22 based on 12.3 million weighted average shares outstanding, compared to a basic and diluted loss per share of $0.21 in Q1 2025 based on 11.2 million weighted average shares outstanding.

Finally, turning to adjusted EBITDA. After adding back non-cash items like depreciation and amortization, as well as the one-time Youngblood guarantee and the unusually high legal fees related to outstanding litigation, our adjusted EBITDA loss for Q1 2026 was approximately $467,000. This represents a 25% improvement compared to an adjusted EBITDA loss of $625,000 in Q1 2025, reflecting the underlying strength of our core operations.

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

Certainly. The floor is now open for questions. [Operator Instructions] Please hold a moment while we poll for questions. We have a question from Derek Greenberg from Maxim Group. Derek, your line is live. Please go ahead.

Q: Hey, guys. Thanks for taking my questions. I wanted to start with just the DealMaker partnership. At the beginning of the call, Bill, you had mentioned you expect to announce your first deal from that later this year. I was wondering if you could just update us. I think on the last call, you had said that deals should generate around six figure fees per deal. I was wondering, A, if that math is still correct, if that's what you're seeing. Then, B, as we move forward, kind of just what your expectations are with that partnership in terms of like maybe deals per year or just how you think about how that can contribute to the business overall.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Sure. Thanks, Derek, for the question. We had a very nice, let's say vetting call with DealMaker at the end of April, sharing the sourced deals that we have to evaluate and talk about what we like, what they like, which ones we think are ready for market. And it gives me the confidence to believe we'll be able to announce our first deal, maybe even before our next earnings call, but certainly have a deal in market by the end of the year. We have a couple that we're all very excited about.

With that said, I do believe that each of these deals will result in six figures per year to Dolphin in marketing revenue. And I also believe that we'll be able to get to multiple deals per year in the market. We're going to test with the first one, go through the process together, have that deal in market alone, not try and do two deals at once to start, but get the rhythm down and go from there. So It will impact later this year in a positive way, and then it'll be a real driver for us in 2027.

Q: Okay, great. And then on one of the other catalysts you had mentioned, with today's announcement of the partnership with Copper Books, you had said you expect to get 15% of revenue with zero capital. I was wondering, is that in relation to, like, a publishing deal, or is that, like book sales, how you think about that revenue? And then just overall, your expectations for that partnership, and then kind of getting your pipeline of talent activated within that partnership.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Yes. This is a real nice to have for us. We have many clients across most of our companies, quite frankly, that have either published books already, they're established authors or want to. And the ability to offer this service to guide them to a national distribution deal through Simon & Schuster is something that really separates us, gives us a little bit of extra reason for the clients to want to either sign with us as a business development tool or retain our clients because we can offer services like this. We'll see the uptake. It's all net positive, as you can see, no investment from Dolphin in this relationship.

So from that sense, it's anything is additive. We'll see how many take us up on it and how much it grows over time. But the publishing industry in general, the book world is something that we have a couple of irons in the fire on that we think can be very additive to Dolphin. It's entertainment, right? And it's something that our companies are already experienced at promoting and marketing.

Each of our marketing companies have helped launch books or clients with books or held events for book launches. So it's a natural extension for us, and Copper Books is a trusted source. Allison Trowbridge that founded Copper Books is a dear friend of many of us within the company. And she has a fabulous business, and Simon & Schuster is obviously one of the big publishers. So we're excited for it and looking forward to seeing where it will go.

Q: Okay, great. And just on that 15% revenue, if you could just clarify if that was like publishing deal between author and the publisher, if it's book sales, just with that number? How to think about revenue?

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Sure. Yes. That'll be 15% of the author's keep and/or any consulting fees that are required to get the book into market. So that's what that represents.

Q: Okay, great. I wanted to ask about the Youngblood movie. I had two questions there. First, if there is just any revenue from this quarter that was related to the premiere and box office run for Youngblood. And then my other question is just if there's been any updates on a potential streaming deal or your expectations there.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Sure. Yes. We recognized $450,000 of revenue in this quarter, from U.S. sales of Youngblood, which is nice. And in terms of the streaming sale, after the theatrical release, we put a movie out for pay-per-view. It did enter pay-per-view through a sub-distribution deal with Universal. We've been told that the first month was looking good, a few hundred thousand in sales. We'll get a full report in the next 30 days, which I could share, of course, on the second quarter earnings call. But we're going to try and use that positive result from the pay-per-view sales to help drive a favorable streaming deal for ourselves. So we're waiting on that report, and then hopefully we'll have something to share about a streaming sale on the Q2 earnings call.

Q: Okay, great. That's super helpful. And could you touch on just how the revenue share for the pay-per-view works?

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Yes, typically, and in this case, we'll receive somewhere in the neighborhood of 40% to 50% of that revenue when there's a sub-distributor like that of Universal, after they take their fee for doing that. That could be offset by marketing costs. But as a general rule of thumb, I think you could probably expect something like that in that range.

Q: Okay. Got it. I wanted to turn to another initiative you guys had, I think towards the end of last year, just on the Dolphin Intelligence and your marketing initiatives. I was wondering just how that's progressing and what you're seeing?

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Yes. That's run by Mark Anderson, who has spoken on a few panels in the last couple of months. And the clients have expressed a strong interest in this service. I think we have signed our first of clients to do what we call the audit, where we go in and effectively audit the results when people search in the general area that that client works in to show them if they are showing up on AI searches, and if not, why not? And so that we can take remedial action.

So it's started, and we think the momentum will pick up. Mark will be with me, and we'll have about eight of our team members across Dolphin at the Cannes Lions marketing conference that's in Cannes, France, at the end of June. Not to be confused with the Cannes Film Festival that started today. But at the Cannes marketing festival, I would say that AI and influencer marketing are the two twin topics that probably are between them, 90% of the conversation in marketing today. The use of AI and the continued growth of influencer marketing. So we have members of our influencer marketing team going to that conference. We have members of our consumer products team. We have Mark from our Dolphin Intelligence team. I'll be there. Our chief of staff will be there. So it'll be a good conference for us, and I would expect we'll have some more momentum behind Dolphin Intelligence coming out of that, the biggest conference of the year.

Q: Great. Guess just my last question. I was curious how you think about potential M&A from here. Obviously, it was a huge part of your past and history, but I was wondering now that you view the platform as largely built out, if you still plan to opportunistically pursue M&A or just if you had any thoughts on that front.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Sure. Yes, I guess you will never say never, right? But I don't know of a single acquisition in a pipeline today. If something comes across our desk or if there's a skill set that who knows where the world's going, right? If there's a skill set we determine that we need, we could go back into the market. We certainly haven't forgotten how to acquire companies, but we're more focused today on our DealMaker partnership, on our ventures, so to speak, that can create disproportionate upside for us along with our organic growth, of course. That has always been the mousetrap that we were trying to build that was a better mousetrap, so to speak, right?

If we could build this group to a certain scale and have it grow organically so our profits are growing every year, both revenue and profits, so we had enough horizontal scale across earned media to provide a suite of marketing services that would influence the outcome of ventures that we pursue, that we could take ownership stakes in, then that's the better mousetrap, right? Because some of these DealMaker type opportunities or some of these ventures that we're evaluating now, they're 10 X's, maybe more. That's what we want to pursue, and quite frankly, a better use of our opportunity cost than incremental acquisitions would be, in our view.

Q: Yes, that makes a lot of sense. Thanks for taking my question.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Oh, sure.

Operator

Thank you. And there are no further questions in queue at this time. I would now like to hand the call back to CEO Bill O'Dowd for closing remarks.

Bill O'Dowd - Chairman & CEO, Dolphin Entertainment, Inc.

Well, sure. Thank you. And the closing remarks after Q1 usually start with, I know we just spoke six weeks ago. So we have the short span here and nothing major to report since we last spoke after our phenomenal Q4 to end 2025. We'll get back into our normal rhythm now of speaking again in 90 days. And I think in that type of timeframe, we may have something exciting to talk about, one or two things, and certainly an update on our DealMaker partnership. So as I had mentioned, those are the huge opportunities that we see in our future, big catalysts for us coming out of that.

But in the meantime, the blocking and tackling of just incrementally doing better per quarter, year-over-year, and each quarter gets us one quarter closer to those cash savings that I've really talked quite a bit about on our last couple of calls with the leases expiring and the term loan being paid off. It's going to free up a lot of cash flow for us, and that's always exciting too.

So thank you, everybody, for the time, and look forward to talking to you in 90 days.

Operator

Thank you. This does conclude today's conference call. You may disconnect at this time and have a wonderful day. Thank you once again for your participation.