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

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Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Mirta Sanchez Negrini - Chief Financial Officer & Chief Operating Officer, Dolphin Entertainment, Inc.

Analysts

Derek Greenberg - Maxim Group

Presentation

Operator
Good day. Welcome to the Dolphin Entertainment Second Quarter 2026 Earnings Call. At this time, all participants are in a listen-only more. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to your host, James Carbonara, with Hayden Investor Relations. James, you may begin.

James Carbonara - Investor Relations, Hayden IR
Thank you, operator. 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 involve 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 & Chief Executive Officer, Dolphin Entertainment, Inc.
Thanks, James, and welcome everyone. As always, I'll start by walking through the key highlights, and then Mirta will take you through the detailed financials before we

open it up for your questions. Revenue for the quarter came in at $14.4 million, up 2.5% year-over-year, and $27.2 million for the first half, up 3.8% compared to last year. Driving that top-line was another busy quarter for our agencies. We were front and center at several large events since we last spoke in May, including the Cannes Film Festival the week after our last earnings call, and the Cannes Lions Festival of Creativity in June, which is the preeminent conference of the year for the marketing industries.

Also, 42West had a big presence at the 25th Tribeca Film Festival in June and picked up multiple Emmy nominations last month. The Digital Dept. ran the creator gifting lounge at VidCon Anaheim. Elle's clients were on stage at the NEXUS Global Summit in New York City, and just a few weeks ago, we were all over, really all over San Diego Comic-Con, where I'm pretty sure we saw James Carbonara dressed up as Darth Vader.

The thing I really want to spend a minute on is something new, Graviteur Studios. We announced this after we last spoke in May and then announced it in June, timed to the start of the Cannes Lions Festival I just mentioned. We built Graviteur with our partners at KYNETIC Media Ventures, which is run by David Freeman, someone Dolphin and myself have been doing business with for over 15 years. David ran the digital division of CAA since its inception. When he left at the start of the year to start KYNETIC, we developed together the idea of a production studio for leading creators and influencers, many of whom he signed at CAA.

Both KYNETIC and Dolphin believe that audiences will follow creators across platforms, and we certainly witnessed that with the box office success of two movies directed by creators this spring. In fact, the name of our studio is a portmanteau of gravity and auteur, signaling that these creators are auteurs in their own right and that they wield gravitational pull on their audiences who follow them.

We believe we can help produce, distribute, and market creator-led content across streaming platforms, television networks, and theatrical releases. It's a natural extension of everything we've learned running a marketing consortium sitting inside pop culture for years. We know these audiences, we know these creators, and now we have a vehicle to actually build and own something with them. We're early days here, but we think this could become a meaningful part of the story over the next few years, and we'll keep you posted as it develops.

Now, let's talk about the bottom-line, because the numbers this quarter need just a couple of notes of context. Two things to note, in fact: one, we had about $360,000 of one-time retention bonuses land in the second quarter across a few of our subsidiaries; and two, legal and professional fees related to our litigation ran about another $360,000 in the quarter. We believe this number will come down to normal levels in Q3 and going forward, and the underlying business held up just fine anyway. We expect a real step up in profitability in the third quarter as these 2 items roll-off.

Here's how we think about the bigger picture. The core engine of this business is already pointed toward meaningfully better free cash flow, independent of anything new we do. Our bank debt matures in just over 2 years, actually 2 years from next month, freeing up almost $2.2 million a year in principal and interest payments. Our large New York and Los Angeles leases roll-off in the back half of next year, which we believe will lead to savings of another roughly $1 million a year. With approximately $127 million of NOLs on the balance sheet, almost all of those savings will flow straight to the bottom-line. That's the base case, and it doesn't require anything new to go right, just running the businesses we already have.

Finally, with insiders holding a substantial stake in the company, management remains deeply aligned with shareholders in the pursuit of long-term value. In fact, under the 10(b)(5) buying plan currently in place for myself, I expect to own over 5% of the DLPN common stock in the next week or 2. What DealMaker and Graviteur Studios represent is optionality on top of that.

With respect to DealMaker, our strategic partnership began in February, and we used the rest of Q1 and Q2 to put together our respective teams and processes and to evaluate a pipeline of potential deals. We believe we're getting closer to having our first deal and to creating a steady flow of deals coming to market after that. We both like a couple of the names we're evaluating, and we still expect to have our first deal in the market before the end of the year. Between that, Graviteur, and our other ventures, we feel we have got real upside sitting on top of a business that is already heading towards strong free cash flow on its own.

So with that, I will turn the call over to Mirta Negrini, our Chief Financial Officer, to walk through the numbers in more detail. Mirta?

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

Thank you, Bill, and good afternoon, everyone. I will now review our 2026 second quarter financial results. Total revenue for the 3 months ended June 30, 2026 was $14.4 million, an increase of 2.5% from $14.1 million in the same quarter of prior year. For the 6 months ended June 30, 2026, total revenue was $27.2 million, an increase of 3.8% from $26.3 million in the same period in prior year. Our operating loss was $1 million for the second quarter of 2026, compared to an operating loss of approximately $100,000 for the same period in 2025.

Operating expenses for Q2 2026 were $15.5 million. As Bill noted, this included approximately $400,000 of non-recurring retention bonuses for certain employees, which will not be included in Q3 of 2026 or Q2 of next year. In addition, we had approximately $400,000 of legal and professional fees related to our litigation that we are working to reduce going forward. This compares to operating expenses of $14.1 million in Q2 of 2025.

Net loss for Q2 of 2026 was $1.6 million, compared to a net loss of $1.4 million in Q2 2025. Basic and diluted loss per share for Q2 2026 was $0.13, based on approximately

12.8 million weighted average shares outstanding, compared to basic and diluted loss per share of $0.13 in Q2 2025, based on approximately 11.2 million weighted average shares outstanding.

Turning to adjusted EBITDA. After adding back non-cash and other one-time items, our adjusted EBITDA for the second quarter of 2026 was approximately $243,000, compared to approximately $628,000 in the second quarter of 2025. As Bill discussed, the year-over-year change is driven almost entirely by the retention bonus times and the elevated litigation costs. For the 6 months ended June 30, 2026, adjusted EBITDA loss was approximately $224,000, compared to a loss of approximately $82,000 in the prior year period, reflecting the same factors.

This quarter, we have introduced adjusted earnings per share. Adjusted EBITDA basic and diluted earnings per share for Q2 2026 was $0.02, based on approximately 12.8 million weighted average shares outstanding, compared to $0.06 basic earnings per share for Q2 2025, based on approximately 11.2 million weighted average shares outstanding, and $0.04 fully diluted earnings per share for Q2 2025, based on 17.4 million weighted average shares outstanding. We think this gives you another way to track our progress on a per share basis, and we plan to continue reporting it alongside adjusted EBITDA for future quarters. Our cash and cash equivalents as of June 30, 2026, were $7.7 million, compared to $8.8 million as of December 31, 2025.

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

Operator
Certainly. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Your first question today is coming from Derek Greenberg from Maxim. Derek, your line is live.

Q: Hi. I wanted to ask about the Graviteur Studios project. Maybe if you could just explain the structure of that a little bit more in terms of how much you own versus KYNETIC, how much financing you provide creators, and just the overall economics of that project?

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Sure. Hi, Derek. Thank you for the question. Yeah, Graviteur is something that was a natural for us and David. As I say, we go back 15 years with David, who ran the creator division, the digital division of CAA. Why? Because we're used to structuring films and TV shows and streaming series we've done that for 30 years, right? And then, using creators as either talent in front of the camera or talent as directors is certainly something that all of Hollywood has shown an interest in the last 3 or 4 months. I'm proud to say we were building this at the start of the year before it became in vogue. Mostly because we know that the people who follow these influencers will look for their content across platforms.

We see in the world, seeing popular people that do short-form video on TikTok are creating long-form videos on YouTube, and they're creating quite a following. And if anything was proven by a couple of the films that were released theatrically in May, they were wild successes. These movies, Backrooms and Obsession, highest grossing films in their distributors' histories, is saying something. And they were each with creator directors who had built a following online and then made their first feature film, or second feature film in one case. They don't need big budgets. Obsession was made for $750,000, and it's done over $200 million at the box office. So it gives you a sense of just how successful I was referencing, the level of success I was referencing.

In terms of financing, we'll look to finance those movies how we would if they were part of Dolphin Films. Oftentimes, we lay off the risk. When we can, occasionally, something like a Blue Angels that worked out very well for us, we might split the cost with a distributor like IMAX in that case. In other cases, we may be able to lay it off entirely, as we did for the most part with Youngblood, right? The budgets will be a little smaller than the other projects, I would think, on average. Again, because with some of these projects, you can make them for even less than $1 million or around $1 million. So it wouldn't be a big capital investment anyway, but most of the time, we'll try and lay them off , if that is helpful.

Q: Okay. Got it. Well, I was wondering if you could possibly unpack how to think about the performance of the business across all your divisions. If you're seeing like relative outperformance in certain areas versus others, specifically maybe within The Digital Dept., I was wondering how growth is there and how that segment is performing.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Yeah. The Digital Dept., it's definitely the subsidiary that we believe will have tremendous mid and long-term growth potential for us. We are happy with how the first half of the year went. Also, we have some visibility going into their prime season of the second half of the year. So much of their success in any given 12-month period depends on the time period between back to school and the holidays, and especially the holidays. So you generally, you don't need to wait till November and December for that. You'll get a really strong indication by September, because the brands will start reaching out to talent, the influencers in this case, to contract for brand campaigns that will be running in November and December. They'll need to start contracting in September and October.

We certainly don't have a reason to believe that the business won't grow from last year when it really had a great second half of the year. We believe that'll happen again this year. We're seeing encouraging signs on that already here in the first half of August. A couple of our companies are so seasonal, I should say, like The Digital Dept. that the first half of the year numbers, while very comparable to last year, revenue's up a little, some core operating income metrics might be down a couple hundred thousand, but it really comes down to the second half of the year for us and what our success will look like as we continue to grow the companies.

Q: Okay. Thank you. And then on the Youngblood movie, I was wondering, I think last call, you said there is still potential for an international distribution agreement, possibly streaming distribution agreement. I was wondering if there's any updates on those two items.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
No, the streaming's a little disappointing to us. We had thought that we would have a streaming deal by about now. International will often take through the international sales markets, which in the second half of the year have not occurred yet. That's often Toronto Film Festival, which is the week after Labor Day, and the American Film Market, which is in Los Angeles in November, the first week of November. So we might need those two markets to start firming up some of our international sales on Youngblood. But we're working with our domestic distributor, Well Go, to really make a stronger push to get a streaming sale in the U.S. certainly here in the second half of the year, but it would be great if we could see what we can do here in Q3. But it has not occurred yet.

Q: Okay. Got it. And then on another initiative that was fairly new, the Dolphin Intelligence marketing capabilities for AI. I was wondering just how that's progressing, what you're seeing there.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
I would say we have a couple of big calls coming up here in the next 2 weeks, and many clients have expressed an interest in it, but what we're seeing in the early days is we're folding it into existing PR contracts, or it's being layered on top of existing PR contracts. What we're going to try and do is break out the service to be more of a standalone, because we think it's valuable in its own right, and we haven't had the signature client yet that would take it and say, "Look, we've signed up blank for this service." I think that's a mission for us here in the second half of the year, just because it's all upside to us. If we get it, there's no additional cost to us to service or provide the service from what we've already invested in. And so, it's something that – we're excited about because it's a great return on investment from this point forward, right?

I think that one is something we're looking to accomplish before the end of the year. And I think definitely, speaking of upside, the first of the DealMaker ventures to enter the market will be the poster child for upside for Dolphin as we put a pipeline together, as I mentioned in my prepared remarks with DealMaker, to be able to do ventures together with consistency. But just to remind everyone, what qualifies as a venture, I should say, would be something that a startup or an existing company that's starting a new product line or a venture of some sort, which would pay Dolphin through its subsidiaries cash marketing fees, that we would get paid to market the venture, but we would also receive an ownership stake in the venture as well. That is the perfect combination of equity upside with cash contracts. We're not trading our work for equity. We're actually getting both.

With DealMaker being a tool in our tool belt together with the venture to go raise capital, then it won't be for lack of funds that someone could actually then hire Dolphin and its subsidiaries to market the product. It's a pretty interesting one-two punch of you get the best-in-class marketing companies with access to capital that DealMaker provides. So I would say that's our biggest focus as management is to get the first deal in market before the end of the year. And then maybe even, how close can we be to announcing a second venture by the end of the year as well? That's where our focus is.

Q: Yeah. Great. That's super helpful. Maybe just on DealMaker, just maybe if you could talk about the pipeline a little bit more. I mean you just said that you could possibly have another deal right after. I was wondering the cadence of how many deals per year, kind of the timing from here.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Yeah. It's a little bit like starting up Graviteur, right, or a film slate. You need a few months or whatever period of time, depending on what you're starting, right, to build the deal flow or have the pipeline. No different here. We announced this project at the end of February, or second half of February, I believe, and worked with DealMaker to evaluate opportunities. We set out that we would give each other 3 months, I think I even said that maybe on the last quarterly earnings call, and evaluate deals together and then pick the first one we'd go out with. We have two deals we like quite a bit. We both would look to proceed, and we're in the process of seeing if we can close on them to then take them to market.

I think we were hoping to do at least one by the end of the year. I feel very confident we'll be able to do that, and hopefully another one, like I said. And I think I mentioned we would be comfortable saying we could do two next year if we did one this year. But, obviously, we're going to shoot to get to the point where we could do three to four a year with pretty steady regularity. That's our hope. And then, since they can span all types of industries and/or categories, some might be consumer products, some might be live events, something unique that's not in one of those two categories. It allows us to both create a variety in our slate, as well as put different subsidiaries of ours as kind of like the lead marketing agency.

It won't be six straight ventures that all need one agency to market a particular consumer product that they have an expertise in. We would be spreading it out, and that allows us to create a pretty robust and steady pipeline. And then, we just imagine the day in 3 years' time, and we've got half a dozen to a dozen of these in market in 3 or 4 years, and you've got these lottery tickets, upside catalysts, whatever it may be, that any one of them, we would hope, would have exit values to us in the certainly eight figures and hopefully even higher. So that's what makes it a venture versus just a joint project of a couple of our companies. So that's what we're building, and we're pretty excited about it.

Q: Yeah, that makes a lot of sense. Last one for me, just on the Copper Books partnership, just maybe you could talk about how that's going.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Sure. One other thought I had just as I wrapped that last one, I should point out again with the DealMaker partnership, those ventures I was mentioning require zero capital of Dolphin. So each of that slate, those projects we envision having in 3 to 4 years that are growing in the market, we hope to an eventual exit, they required zero capital off our balance sheet. So that's why we went looking for a partnership. That's why DealMaker was so strategic to us. As a matter of fact, in each of those ventures, we imagine we're getting paid to market them. So that's the upside for us.

In terms of Copper Books, yeah, a lot of our publicists, a lot of our PR agencies in general, are excited about having this partnership. We have many of our clients who either want to write books or have already written books. So having that partnership that gives us national distribution and in many cases, global distribution through Simon & Schuster, is really a great asset. We're fans of Allie Trowbridge, who started Copper Books and is the CEO, and she's very tight with many of the members of our senior management. We're excited.

It'll take us time, just like with Graviteur and just like with DealMaker, to build up a pipeline of things that would otherwise go through this partnership. A book that's already been written and finished in the last 6 months already has a distribution partner, so it'll take a little bit of time to get the water through the pipes, so to speak. But it's a great tool for us to have. It's something different from any competitor in the PR space or the influencer space that we know of. It could become a nice little resource for us, too, to who knows, identify new clients that we can offer this to, that sways them to hire our marketing firms for it because, of course, we'd be marketing those books as well.

It might take a minute, maybe we'd have something to say in Q3. I would imagine by the time we get to the 10-K next year, we'll be able to talk about it more in depth. But that's another of the three announcements we made in the first half of the year that speak to the upside potential of having built this group, DealMaker, Copper Books, and Graviteur. That's how we see all of them. They're great in their own right, and they're additionally great at business development for us because they're differentiated. No one competitor of any of our companies has any of those three capabilities. We're pretty excited for all three.

Q: Okay. Makes a lot of sense. All right. Well, thank you for taking my questions.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Yeah. Thank you for asking them, Derek.

Operator
Thank you. There were no other questions in queue at this time. I would now like to hand the call back to Bill O'Dowd for closing remarks.

Bill O'Dowd - Chairman & Chief Executive Officer, Dolphin Entertainment, Inc.
Well, thank you, everybody, for listening. We're continuing to build, as you heard, and every quarter is 3 months closer to the happy days of the free cash flow from the leases that expire in the second half of the year now, next year. One year after that, we're finished paying off our bank loan that was used to make those acquisitions that built this super group. Brick by brick, as they say. We're entering our fun season.

The second half of the year is always better for us than the first half of the year. Many of our companies surge, as I said, between September and December. TDD, The Digital Dept., is certainly one of them. 42West is another. Of course, those two are our biggest revenue companies. When they swing up, the whole company swings up. Many of our companies are having a great start to the second half of the year. Shore Fire is doing very well, to name a leader for us. We're excited to report our numbers in November.

With that said, I'll look forward to speaking to everybody again then. Thank you very much for your time.

Operator
Thank you. This does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.