

1           **Operator's opening script:**

2           “Good afternoon and welcome to Zedge’s earnings  
3 conference call for the second fiscal quarter 2024 results.  
4 During management’s prepared remarks, all participants  
5 will be in listen-only mode. Should you need assistance,  
6 please signal a Conference Specialist by pressing the star  
7 key followed by Zero. After today’s presentation by  
8 Zedge’s management, there will be an opportunity to ask  
9 questions. To ask a question please press \* then 1 on  
10 your touch-tone phone. To withdraw your question,  
11 please press \*2.

12  
13           I will now turn the call over to Brian Siegel....”

14  
15           Thank you, Operator.

16  
17           During today’s call, Jonathan Reich, Zedge’s Chief  
18 Executive Officer, and Yi Tsai, Zedge’s Chief Financial

19 Officer, will discuss Zedge's financial and operational  
20 results that were reported today.

21

22 Any forward-looking statements made during this  
23 conference call during the prepared remarks or in the  
24 question-and-answer session - whether general or  
25 specific in nature - are subject to risks and uncertainties  
26 that may cause actual results in the future to differ  
27 materially from those discussed on today's call.

28

29 These risks and uncertainties include - but are not  
30 limited to - specific risks and uncertainties disclosed in  
31 the reports that Zedge periodically files with the SEC.

32

33 Zedge assumes no obligation to update any forward-  
34 looking statements or to update the factors that may  
35 cause actual results to differ materially from those that  
36 they forecast.

37

38       Please note that our earnings release is available on  
39 the investor relations page of the Zedge website. The  
40 earnings release has also been filed on Form 8-K with the  
41 SEC.

42

43       I would now like to turn the conference over to  
44 Jonathan.

45 **JONATHAN**

46 Good morning. Thank you, Brian. And thank you all  
47 for joining us today.

48 I will begin by briefly reviewing our second quarter  
49 results, demonstrating how our fiscal year 2023  
50 investments have positioned us for sustainable, long-  
51 term growth.

52 Q2 revenue increased 11% from last year as we  
53 continued managing the geopolitical, macroeconomic,  
54 and industry-specific challenges spanning the landscape.  
55 One of the big stories this past quarter was continued  
56 momentum at the Zedge Marketplace. Ad revenue was  
57 up 18% from last year. Zedge+, our marketplace  
58 subscription offering, delivered exciting results, with  
59 revenue increasing 24% from last year with small net  
60 subscriber gains sequentially and less than 1% net

61 subscriber loss year over year. And Zedge Premium  
62 revenue, driven by several improvements to content,  
63 monetization, and other back and front-end items, was  
64 up 21%. These factors fueled a 37% increase in the  
65 average revenue per monthly active user, or ARPMAU, to  
66 a record 7.2 cents. And this strength was not just on  
67 Android, as iOS revenue for the Zedge Marketplace was  
68 up an impressive 46% sequentially. I should add that  
69 many of these trends are holding up at the halfway point  
70 of our fiscal third quarter.

71  
72 At the beginning of this fiscal year, we said building a  
73 full-stack marketing team would be our key corporate-  
74 wide initiative, similar to what we accomplished with  
75 data and analytics in fiscal 2023. We're well on our way  
76 here, and our efforts are starting to bear fruit, especially  
77 for the Zedge Marketplace. Another important story this  
78 quarter relates to maturing our product development

79 organization to drive innovation, accelerate product  
80 diversification and consolidate resources to ensure long-  
81 term success. To that end, we have assembled an all-star  
82 team of seasoned gaming experts who are alumni of  
83 leading mobile gaming publishers and have turned them  
84 loose on GuruShots. Their mandate is to unleash the  
85 growth that was core to our investment thesis at the  
86 time of the acquisition. The team is already sprinting,  
87 having overhauled the product roadmap with four major  
88 focus areas.

89  
90 The first is feature development, which hasn't been  
91 given the attention it deserves since the acquisition. In  
92 the past, successful new features would yield a 10-30%  
93 jump in revenues with little or no downside when they  
94 didn't take hold. The updated product roadmap is full of  
95 new features designed to drive revenue and make  
96 GuruShots more accessible to an even broader audience.

97

98       Next, our decision to focus on innovation will allow  
99 us to drive user growth by investing our marketing  
100 dollars more efficiently. Specifically, we will better couple  
101 GuruShots' UA spend with feature releases.

102

103       In January, we introduced "Turbo;" a feature that  
104 expands the gameplay and improves game resource  
105 consumption. To date, it has yielded a 15% increase in  
106 average daily revenue, giving me confidence that we are  
107 on the right track. Additionally, we are about to release  
108 another new feature, "Flash Challenges," a short-  
109 duration photo challenge that limits the number of  
110 participants per challenge and provides even more  
111 opportunities for users to win. We believe that this  
112 dynamic will drive up engagement and make GuruShots  
113 more accessible to a broader set of players, both existing  
114 and new.

115

116       In parallel, the team is reinventing the game  
117 economy by converting to a coin-based economy  
118 supporting multiple currencies and foregoing the existing  
119 economy, which we believe is too rigid and limited in  
120 terms of the number of ways players can earn and spend  
121 in-game resources. This change will open an array of  
122 customer value adds. For example, we will be able to  
123 reward all players with game currency and manage  
124 resource consumption in a fashion that optimizes further  
125 coin purchases.

126

127       Creating a comprehensive and inviting onboarding  
128 funnel is also a key focus area for the GuruShots game. In  
129 short, onboarding will enable newbies to immediately  
130 experience gameplay in a simplified manner with a  
131 limited number of competitors, increasing the chances of  
132 winning. The funnel will allow players to progress with



133 more features and increased complexity based on  
134 individual performance, enabling skill-based user  
135 segmentation – which will be a win for the userbase.

136

137 I want to add that we believe these efforts, taken in  
138 concert with one another, will help us deliver growth –  
139 which was one of the key theses of the acquisition.

140 GuruShots is the leading photo competition game, and  
141 more than 150 million photos have been used to play the  
142 game. Photography continues growing exponentially due  
143 to the ubiquity of mobile phones, and with the advent of  
144 AI enhancement, high-quality pictures are within  
145 everyone's reach. The gameplay is fun, and it touches on  
146 the human inner psyche where people like to have fun,  
147 compete, and win. With all the opportunities we have in  
148 the pipeline, I think we are at a turning point, and I look  
149 forward to sharing details as they unfold.

150

151 Moving to the Zedge Marketplace, our success in  
152 growing advertising revenue in recent quarters stems  
153 from our continuous optimization efforts, combined with  
154 highly effective paid UA programs driving positive ROAS  
155 in 90 days or less. Additionally, over the past two  
156 quarters, we began improving our iOS monetization stack  
157 by optimizing ads and rolling out Zedge+ for iOS, which,  
158 along with pAInt, contributed to strong iOS revenue  
159 growth. Overall, the iOS ecosystem remains a largely  
160 untapped opportunity for us, and we continuously look  
161 at ways, most recently AI, to unlock it and capitalize on  
162 our brand to drive growth.

163  
164 Emojipedia had another good quarter. Our previous  
165 investments in website redesign, localization, and  
166 technology upgrades continue to pay off and lay the  
167 foundation for the next phase of growth, with new

168 features and content expected to be rolled out in the  
169 quarters to come.

170

171       Taken together, we continue to believe that we have  
172 NEVER been in a better position to create sustainable,  
173 long-term, profitable growth given the combination of  
174 market opportunity, our current product portfolio and  
175 road map, our marketing prowess, data capabilities, tech  
176 stack, and most importantly, our team. Furthermore, we  
177 are not just TALKING about AI. We have already  
178 integrated it throughout our business, including product,  
179 technology, and marketing.

180

181       Now, I would like to turn the call over to Yi, who will  
182 review our financial results. Yi?

183 **Yi**

184 Thank you, Jonathan!

185

186 As you saw in our earnings release, GAAP required  
187 us to take a one-time, \$11.X million, non-cash write-  
188 down of GuruShots' intangible assets. It's important to  
189 underscore that this was a non-cash event dictated by  
190 timing, as current performance did not align with the  
191 carrying value on our books. As Jonathan indicated, we  
192 still believe that, with time, we will unlock growth and  
193 achieve the strategic goals that we envisioned when we  
194 acquired GuruShots. Additionally, this write-down does  
195 not reflect the valuable gamification experience we  
196 secured, benefiting the rest of our business. As a result of  
197 the swings related to valuation over the past year, we've  
198 added non-GAAP net income and non-GAAP diluted EPS  
199 as new metrics that we plan to report going forward. The

reconciliation for GAAP to Non-GAAP is available in our earnings release from this morning.

Monthly active users, or MAU, for the Zedge Marketplace decreased 10.7% from a year ago to 28.8 million. MAU in well-developed markets and emerging markets were down 15.6% and 9%, respectively.

Total revenue in the fourth quarter was 7.8 million dollars, up 11% from last year.

Digital goods and services, which encompasses revenue from GuruShots, came in at 0.9 million dollars, down 26% from last year. Similar to Q1, GuruShots' revenue was again negatively impacted by Apple's ATT framework, macroeconomic issues, and the geopolitical situation.

217

218       Subscription revenue for the quarter was up 24%  
219 versus last year. Additionally, this metric was up  
220 sequentially for the third straight quarter as our net  
221 active subscriber trends improved and higher value iOS  
222 subscriptions and our new value-added Zedge+ offering  
223 for Android replaced lower-cost legacy subscriptions,  
224 which only removed ads.

225

226       Zedge Premium's Gross Transaction Value, or GTV,  
227 grew 23% from last year to a record 540 thousand  
228 dollars, reflecting incremental revenue generated from  
229 pAInt, which offset modest declines in other content  
230 sales.

231

232       ARPM AU was a record 7.2 cents – up 37% year over  
233 year, reflecting stability in ad pricing and the positive

234 impact of our new iOS and Android subscriptions.

235  
236 Cost of revenue declined by 13% and was 5.9% of  
237 revenue. SG&A increased by 1.3% to \$6.5 million.

238  
239 GAAP loss from operations, including the impact of  
240 the \$11.X million write-off, was \$10.8 million versus  
241 income from operations of \$1.5 million last year.

242  
243 GAAP Net loss and loss per share for Q2 were \$8.3  
244 million and 59 cents, versus net income and EPS of \$1.6  
245 million and 11 cents, respectively in the prior year. This  
246 quarter, FX and income tax expense swings negatively  
247 impacted GAAP net income by 143 thousand dollars and  
248 271 thousand dollars, respectively, versus last year.

249  
250 Non-GAAP net income and Non-GAAP diluted EPS

for the quarter were \$0.5 million and \$0.04 versus \$0.8 million and \$0.05 in the prior year, respectively.

Adjusted EBITDA was 1.6 million dollars versus 1.4 million dollars in the prior year.

From a liquidity standpoint, we remained in a strong cash position with over 18.1 million dollars in cash and cash equivalents. Note that we paid down the \$2 million in outstanding bank loans during the quarter.

Thank you for listening to our second-quarter earnings call, and I look forward to speaking with you again on the next call in mid-June.

Operator, back to you for Q&A.



268 **Operator script before Q&A:**

269 “We will now begin the question-and-answer session.

270 To ask a question you may press \* then 1 on your touch-

271 tone phone. If you are using a speakerphone, please

272 pick up your handset before pressing the keys. To

273 withdraw your question please press \*2. At this time,

274 we will pause momentarily to assemble our roster.”

275

276 **Taking First Question:**

277 “The first question comes from: