

Zedge, Inc. (ZDGE)

Third Quarter Fiscal 2026 Earnings Conference Call

June 11, 2026

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Thank you, operator. During today's call, Jonathan Reich, Zedge's Chief Executive Officer, and Yi Tsai, Zedge's Chief Financial Officer, will discuss Zedge's operational and financial results that were reported today.

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

These risks and uncertainties include, but are not limited to, specific risks and uncertainties disclosed in Zedge's periodic SEC filings. Zedge assumes no obligation to update any forward-looking statements or to update the factors that may cause actual results to differ materially from those that they forecast.

21 Please note that our earnings release is available on the
22 Investor Relations page of the Zedge website and has also
23 been filed on Form 8-K with the SEC. Finally, on this call, we
24 will use non-GAAP measures. Examples include non-GAAP
25 EPS, non-GAAP net income and adjusted EBITDA and other
26 KPIs. Please see our earnings release for an explanation of
27 our use of these non-GAAP measures.

28 Now I would like to turn the call over to Jonathan.

29

30 Thank you, Brian, and good afternoon, everyone.

31 Let me start with what stood out to me this quarter. We
32 continued to demonstrate that the core Zedge Marketplace
33 business is resilient. This was a GAAP profitable quarter,
34 which I think is worth noting, and the underlying monetization
35 trends remain strong.

36 Subscription revenue grew 32% year over year as active
37 subscriptions reached nearly 1.3 million, up 41%, marking 9
38 consecutive quarters of year over year growth, while Zedge
39 Premium GTV increased 17%. This contributed to our record

40 quarterly ARPMAU of nearly 12 cents. What those numbers
41 collectively tell me is that our ongoing investment in
42 acquiring and retaining higher-value users continues to pay
43 off. Even though overall MAU declined, the quality of
44 engagement and the revenue we generate per user
45 improved.

46 Additionally, while Advertising revenue declined slightly, the
47 drop was entirely attributable to Emojipedia, which is being
48 managed for profitability and cash generation in light of the
49 structural changes Google made to its search results page.
50 Within the Zedge Marketplace itself, advertising revenue was
51 essentially flat year over year, and I would characterize that
52 as a resilient result, particularly given that the prior year
53 benefited from a one-time integration bonus from an ad
54 platform partner.

55 Within the Zedge Marketplace, I want to highlight one data
56 point that I think reinforces our message about monetization
57 quality. iOS revenue grew 35% year over year and now
58 represents 6.5% of total Zedge Marketplace revenue, up
59 from 5.1% a year ago. iOS users are among our highest-
60 value users, and that trend is moving in the right direction.

61 Turning to DataSeeds. This was a meaningful quarter for the
62 business. We fulfilled our first six-figure order, stemming
63 from an existing customer, a leading technology company.
64 Successfully delivering a project of this size, on spec within
65 tight timeframes, is a meaningful milestone, validating our
66 ability to secure larger, more complex orders, especially from
67 existing customers.

68 At the same time, our prospect pipeline is also growing. We
69 are generating interest from leads interested in ethically
70 sourced images, video and audio datasets. Our ability to tap
71 into our deep experience in creating and operating consumer
72 mobile apps and repurposing this knowledge for managed,
73 crowd sourced content creation that complies with regulatory
74 frameworks, is unique. We have said consistently that
75 revenue will remain lumpy as we mature our offering, but
76 each successful delivery strengthens our credibility in the
77 enterprise market, and that is what builds toward larger and
78 more consistent deal flow over time.

79

80 Turning to Tapedeck, our marketplace for independent
81 music where artists earn royalties directly from their fans.

82 We have been focusing on expanding the music catalog,
83 and I am excited to share that we recently signed Cinq
84 Music, Tuff Gong Distribution and the BWL Entertainment
85 catalog. Cinq's roster includes artists like Jason Derulo and
86 T.I. Tuff Gong was originally established by Bob and Rita
87 Marley as a home for their own music and fellow
88 independent artists. And BWL manages the estate of Betty
89 Wright, a soul pioneer and the first woman to have a gold LP
90 on an independent label. These are exactly the types of
91 artists Tapedeck was designed to serve, and this progress
92 increases our confidence in the direction of the catalog.

93 Next, our Product Innovation Team released an additional
94 two alpha products this quarter - we now have four live and
95 remain on track to achieve our goal of six alpha launches
96 this fiscal year. That will be 0 to 6 in less than 12 months.

97 What I want to emphasize about our framework is that it is
98 designed to be highly efficient at scaling winners and killing
99 losers. We pre-validate before writing code. Build fast.

100 Measure against clear KPIs. Invest in the winners and cut
101 the losers. Each new launch compounds from prior releases
102 by utilizing some of the development work, which shortens
103 our time-to-market with every iteration. We are attached to

104 the framework, not to any single product. That discipline is
105 what allows us to take multiple shots on goal without putting
106 meaningful pressure on the balance sheet.

107 From a financial standpoint, free cash flow increased 55%
108 year over year to \$1.2 million, and is up 10% year to date.
109 Cash and cash equivalents strengthened to \$19.7 million,
110 and we continue to carry no debt.

111 During the quarter, we increased our quarterly dividend by
112 25% to \$0.02 per share, reflecting our confidence in the
113 business and our ongoing free cash flow generation. We
114 also opportunistically repurchased shares when market
115 conditions warranted and continued to invest in DataSeeds
116 and our innovation pipeline. All capital allocation priorities
117 are being pursued concurrently, and none of them is coming
118 at the expense of the others or of the balance sheet.

119 Stepping back, our priorities for the remainder of fiscal 2026
120 are straightforward: continue strengthening monetization in
121 the Zedge Marketplace, build DataSeeds deliberately and
122 execute well on the opportunities we elect to pursue, and
123 advance our innovation pipeline in a disciplined way.

124 With that, I will turn it over to Yi.

125 Thank you, Jonathan.

126

127 Total revenue for the third quarter was \$8.0 million, up 3.0%
128 from last year. Remember, historically, Q3 is our seasonally
129 weakest quarter.

130

131 There are a couple of items of note in the quarter. Consistent
132 with Jonathan's comments, Emojipedia was a drag on
133 overall top line growth rate. That said, Zedge Marketplace
134 revenue continued to perform well given last year our
135 advertising revenue benefited from a one-time \$450,000
136 bonus from an ad partner. As a result of these two items,
137 advertising revenue was down 4.0% for the quarter.

138

139 Zedge Plus subscription revenue increased 31.9% year over
140 year, and our net active subscriber base grew 40.6%,
141 reaching nearly 1.3 million subscribers. We continue to
142 optimize our subscription plans and are seeing the benefits
143 of those changes.

144

145 Deferred revenue, which primarily represents subscription-
146 related revenue, reached \$6.2 million, up 26% year over
147 year. This is an important metric as it reflects future revenue
148 that essentially carries a 100% gross margin. Zedge
149 Premium GTV was up 16.6% from the year-ago quarter and
150 ARPMAU increased 21.2% to \$0.119, continuing the shift
151 toward higher-value users and improved monetization
152 efficiency.

153

154 Regarding digital goods and services revenue, this line
155 includes contributions from both GuruShots and DataSeeds,
156 with the majority still being generated by GuruShots at this
157 stage, although this quarter DataSeeds benefitted from the
158 fulfillment of the 6-figure order Jonathan mentioned.

159

160 SG&A was \$6.2 million for the quarter, down 1.7% from last
161 year.

162

163 GAAP operating income was \$1.1 million, compared to \$0.2
164 million last year. GAAP net income and diluted EPS were

165 \$0.9 million and \$0.07, compared to \$0.2 million and \$0.01,
166 respectively.

167

168 On a non-GAAP basis, net income was \$1.0 million and EPS
169 was \$0.07, compared to \$0.9 million and \$0.06, respectively.

170

171 Free cash flow was \$1.2 million for the quarter, up 55% from
172 last year. Adjusted EBITDA was \$1.3 million, up 1% from
173 last year.

174

175 From a liquidity perspective, we ended the quarter with
176 \$19.7 million in cash and cash equivalents and no debt.

177

178 After quarter's end, our board added \$2 million to our
179 existing \$5 million share repurchase authorization, which
180 now has a total available capacity of approximately \$2.2
181 million. To date, we've repurchased about 1.5 million shares
182 for roughly \$4.8 million on the existing authorization.

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184 Thank you for listening to our third quarter earnings call. We
185 look forward to updating you again when we report results
186 for the fourth quarter of fiscal 2026.

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188 Operator, please open the line for questions.