

1 During today's call, Jonathan Reich, Zedge's Chief  
2 Executive Officer, and Yi Tsai, Zedge's Chief Financial  
3 Officer, will discuss Zedge's financial and operational  
4 results that were reported today.

5

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

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13 These risks and uncertainties include - but are not  
14 limited to - specific risks and uncertainties disclosed in  
15 Zedge's periodic SEC filings.

16

17        Zedge assumes no obligation to update any forward-  
18    looking statements or to update the factors that may  
19    cause actual results to differ materially from those that  
20    they forecast.

21

22        Please note that our earnings release is available on  
23    the investor relations page of the Zedge website, and it has  
24    also been filed on Form 8-K with the SEC.

25

26        Finally, on this call we will refer to non-GAAP  
27    measures. Examples include Non-GAAP EPS, Non-GAAP  
28    Net Income, free cash flow and Adjusted EBITDA. Please  
29    see our earnings release for an explanation of our use of  
30    non-GAAP measures and reconciliations to GAAP  
31    measures.

32

33 Now, I would like to turn the conference over to  
34 Jonathan.

35 **Jonathan**

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

37 It has only been about six weeks since our last call, but we  
38 have continued to demonstrably execute against our  
39 stated priorities with discipline, focus and a strong sense  
40 of momentum. The themes we outlined last quarter  
41 remain the same ones guiding us today and form the  
42 strategic foundation for fiscal 2026. The early results this  
43 quarter reinforce that our approach is sound and that our  
44 operating model is gaining strength. Of course, we will  
45 modify our course if things change materially.

46

47 We delivered a solid start to fiscal 2026 with a return to  
48 mid-single digit revenue growth and continued progress

49 across our strategic priorities. What stands out to me this  
50 quarter is the quality of that growth for the Zedge  
51 Marketplace. Subscriptions remained a powerful engine  
52 with active subscriptions reaching a record 1.1 million, up  
53 more than 50% year over year. ARPMAU increased again,  
54 supported by healthy CPMs, higher value users and  
55 continued optimization and improvement in our ad and  
56 subscription stacks. This all happened while management  
57 was navigating through the anticipated declines at  
58 Emojipedia and GuruShots. The important takeaway is  
59 that strength across the rest of our ecosystem more than  
60 offset those headwinds. Our core business is healthy,  
61 resilient and strengthening.

62

63 I am encouraged by the traction we are seeing with  
64 DataSeeds. While the number of closed deals remains  
65 small, interest from world class companies is growing.

66 Recently, we received a second order from an existing  
67 customer -- a leader in the AI sector. The new order size  
68 was approximately 25X the value of the original order  
69 placed in Q4 FY '25. This follows the B2B playbook where  
70 the prospect places a modest initial order that is graded  
71 and accepted based on our ability to meet their technical  
72 specifications. Assuming we fulfill these requirements, the  
73 customer then scales order sizes, and we deliver custom,  
74 fully rights-cleared, image, video, and audio datasets at  
75 spec. Our pipeline is robust with dozens of prospective  
76 customers and order sizes that start at thousands of  
77 dollars and grow from there. Although it is early and we  
78 will not close every opportunity, the strength of  
79 engagement speaks to the confidence customers are  
80 developing in our ability to execute.

82 A key part of our value proposition is the DataSeeds  
83 Production Cloud, or DPC. This is a managed global  
84 network of professional photographers, videographers and  
85 graphic artists who produce high quality, purpose-built  
86 datasets on demand. Rather than relying solely on a static  
87 catalogue, we can fulfill bespoke customer briefs that  
88 require controlled and consistent inputs with precision.  
89 This asset allows us to deliver rights cleared, ethically  
90 sourced and consistent datasets, which are essential for  
91 training advanced AI models. The DPC gives us a  
92 capability that is difficult to replicate and becomes more  
93 valuable as customer requirements grow more  
94 specialized.

95

96 We are also seeing meaningful confirmation of the broader  
97 market opportunity. For example, Reddit recently  
98 announced significant licensing agreements that allow

99 major technology companies to use its content for AI  
100 model training. These deals demonstrate that enterprises  
101 are willing to pay for rights-cleared and high quality human  
102 generated data at scale. That trend reinforces the demand  
103 environment we are serving. While Reddit provides access  
104 to broad conversational data, DataSeeds is focused on  
105 producing custom and highly structured visual and audio  
106 datasets that align with each customer's exact technical  
107 needs. This positions us well as companies look for  
108 reliable and legally sound sources of training data.

109

110 Turning to Tapedeck, the pilot continues to progress and  
111 early artist feedback remains positive. Tapedeck is  
112 designed as a music service that gives independent artists  
113 a transparent and attractive economic model and the  
114 ability to earn more from their work than they would on  
115 traditional streaming platforms. The foundation of the

116 service is in place and our next steps focus on expanding  
117 the catalog, increasing listener engagement and refining  
118 the features that deepen the connection between artists  
119 and their audiences. As we evaluate performance metrics,  
120 we will determine the timing for expansion across Android  
121 and web. Our approach remains disciplined. We want to  
122 ensure that Tapedeck scales in a way that delivers value to  
123 artists and listeners while maintaining a clear path to  
124 financial return.

125

126 I also want to highlight continued progress from our  
127 Product Innovation Team. Our framework allows us to  
128 validate demand before writing code and then leverage AI  
129 driven development tools to accelerate build cycles.  
130 Syncat was the first example of this approach and we  
131 expect to introduce additional alpha products throughout  
132 fiscal 2026. Each concept is designed to be small,

133 focused and capable of scaling if it demonstrates early  
134 product market fit. More shots on goal with low initial  
135 investment gives us meaningful optionality while  
136 maintaining strong financial discipline. As I often remind  
137 our team and our investors, Rovio failed more than fifty  
138 times before launching the multi-billion Angry Birds  
139 franchise, so iteration and experimentation matter.

140

141 Before I turn the call over to Yi, I want to address free cash  
142 flow because several expected factors influenced our  
143 results this quarter. Free cash flow this quarter reflected  
144 the timing of restructuring-related compensation tax  
145 payments, which have now largely been completed. We  
146 also reinvested part of our restructuring savings into high  
147 potential initiatives including DataSeeds, Tapedeck and  
148 our innovation pipeline. In addition, we experienced some  
149 quarter-specific movements in receivables and payables.

150 These items created temporary pressure, but they do not  
151 change our expectation for strong cash generation across  
152 the remainder of fiscal 2026. This is fully aligned with the  
153 operating framework we discussed last quarter and the  
154 restructuring actions we executed earlier this year.

155

156 Stepping back, we entered fiscal 2026 with a leaner cost  
157 structure, a more efficient operating model and multiple  
158 growth vectors that span both consumer and enterprise  
159 markets. We have a strengthening Marketplace, with a  
160 subscription engine that continues to scale, an emerging  
161 enterprise business with DataSeeds and a pipeline of new  
162 products designed to broaden our reach. We also  
163 maintained our disciplined approach to capital allocation.  
164 During the quarter, we repurchased 240,000 Class B  
165 shares and paid our first quarterly dividend, which reflects

166 our confidence in the long term value creation potential of  
167 the company.

168

169 We are executing from a position of confidence, discipline  
170 and momentum. Our focus remains simple. Build  
171 products people love, scale the ones that perform and  
172 allocate capital in a way that expands long term  
173 shareholder value. With the foundation we have in place,  
174 we believe fiscal 2026 will be a year defined by growth,  
175 innovation and expanding operating leverage.

176

177 Wishing all a wonderful holiday season. Thank you for your  
178 continued support and we look forward to sharing our  
179 progress in 2026.

180

181 Now I will turn the call over to Yi

182

183 Thank you, Jonathan.

184 Total revenue for the first quarter was 7.6 million dollars,

185 up 5.8% from last year. There were a couple of items to

186 note here. First, Zedge Marketplace revenue was up nicely

187 from last year, driven by strong advertising CPMs and

188 subscription revenues. Also, offsetting growth at Zedge

189 marketplace was a meaningful decline at Emojipedia,

190 consistent with Jonathan's comments earlier and on our

191 last call, as well as the expected year-over-year drop at

192 GuruShots, although sequentially, the business, was

193 effectively flat, showing stabilization.

194 Advertising revenue was up 6% for the quarter, as strong

195 growth in the Zedge Marketplace was offset by lower ad

196 revenue at Emojipedia. Zedge Plus Subscription revenue

197 increased 29 percent year over year, and our net active

198 subscriber base grew 54 percent, reaching nearly 1.1  
199 million subscribers. We continue to optimize our  
200 subscription plans and are seeing the benefits of those  
201 changes.

202

203 Deferred revenue, which primarily represents  
204 subscription-related revenue, reached 5.7 million dollars,  
205 up 7 percent sequentially and 55 percent year over year.  
206 This is an important metric, as it reflects future revenue  
207 that carries essentially a 100 percent gross margin.

208 Zedge Premium G T V was down 3.7 percent from the  
209 year-ago quarter, and Average Revenue Per Monthly Active  
210 User increased 29.2 percent, continuing the shift toward  
211 higher-value users and improved monetization efficiency.

212 This quarter, note that our “digital goods and services  
213 revenue,” includes both GuruShots and DataSeeds, with  
214 the vast majority being GuruShots at this stage as we

215 recognized very little DataSeeds revenue in the quarter.

216 We expect to begin lapping some of these weaker

217 GuruShots comparisons in fiscal 2026.

218 Cost of revenue was 7.3% percent, which was up from

219 6.4% last year due to the reduction in partner discounts

220 from Google Cloud Services as well as the introduction of

221 Tapedeck licensing fees and DataSeeds production costs.

222 SG&A decreased about 13 percent to 5.9 million dollars

223 for the quarter. This reflects the net savings from our

224 restructuring partially offset by investment in ramping

225 DataSeeds and Tapedeck.

226 GAAP income from operations was 0.9 million dollars,

227 compared to a loss of 0.5 million dollars last year,

228 primarily due to the restructuring savings we are seeing

229 this year.

230 GAAP net income and EPS were 0.8 million dollars and 6  
231 cents, compared to losses of \$0.3 million and negative 2  
232 cents last year, respectively.

233 On a non-GAAP basis, net income was 0.9 million dollars  
234 and EPS was 7 cents, compared to break-even last year.

235 Cash flow from operations was 0.8 million dollars, and  
236 free cash flow was 0.6 million dollars for the quarter. Free  
237 cash flow was negatively impacted by approximately \$350  
238 thousand dollars cash outflows for tax withholding  
239 payments related to compensation associated with the  
240 restructuring that are not expected to repeat going  
241 forward, as well as the timing of certain accounts  
242 receivable and accounts payable.

243

244 Adjusted EBITDA for the quarter was 1.2 million dollars  
245 versus 0.3 million last year.

246 From a liquidity perspective, we ended the quarter with  
247 18.5 million dollars in cash and cash equivalents and no  
248 debt. The sequential decrease includes our repurchase of  
249 approximately 240 thousand shares during the quarter  
250 and, as of October, about 600 thousand dollars remains  
251 available under our current buyback authorization.

252 Thank you for listening to our first quarter earnings call. We  
253 look forward to updating you again soon when we report  
254 results for the second quarter of fiscal 2026.

255 Operator, please open the line for questions.