USA TODAY CO.

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PRESENTATION

Matthew Esposito

Thank you. Good morning everyone and thank you for joining our call today to discuss USA TODAY Company's second quarter 2026 financial results. Presenting on today's call will be:

a. Mike Reed, Chairman and Chief Executive Officer
b. Trisha Gosser, Chief Financial Officer, and
c. Kristin Roberts, President of USA TODAY Media

If you navigate to our website, you will find that we have posted an earnings supplement in addition to our earlier press release. We will be referencing it today on the call, as it provides you with additional detail on this quarter's performance.

Before we begin, please let me remind you that this call is being recorded. In addition, certain statements made during this call are, or may be deemed to be forward-looking statements, as defined under the U.S. federal securities laws, including those with respect to future results and events, and are based upon current expectations. These statements involve risks and uncertainties that may cause actual results and events to differ materially from those discussed today. We encourage you to read the cautionary statement regarding forward-looking statements in the earnings supplement as well as the risk factors described in our filings made with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to publicly update or correct any of the forward-looking statements made during this call.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted. In addition, we will be discussing non-GAAP financial information during the call, including same store revenues, free cash flow, Total Adjusted EBITDA, Total Adjusted EBITDA margin, Segment Adjusted EBITDA, Segment Adjusted EBITDA margin and Adjusted Net Income attributable to USA TODAY Co. You can find reconciliations of our non-GAAP measures to the most comparable U.S. GAAP measures in the earnings supplement.

Lastly, I would like to remind you that nothing on this call constitutes an offer to sell, or solicitation of an offer to purchase, any USA TODAY Co. securities. The webcast and audiocast are copyrighted material of USA TODAY Co. and may not be duplicated, reproduced, or rebroadcasted without our prior written consent.

With that, I would like to turn the call over to Mike Reed - Chairman and CEO of USA TODAY Co.

Mike Reed

Thank you, Matt. Good morning and thanks to all of you for joining our second quarter earnings call.

The second quarter reflects continued progress against our long-term strategy and strengthens my confidence in reaffirming our full year outlook. Today, we'll highlight the operational progress driving that confidence, the momentum we continue to see across our key growth areas, such as digital-only subscription revenues and digital other revenues, as well as the strategic initiatives underway to further accelerate that progress. One example I'd like to highlight is our work with Palantir, which we expect to strengthen how we collect, connect and activate audience data to drive more effective and faster monetization across our platform.

As we mentioned back in the spring, 2026 would be a year with real momentum, but also real variability, particularly in our content licensing business, where the delivery of revenue from those agreements can differ meaningfully from one quarter to the next. We saw some of that lumpiness in the second quarter, alongside the continued shift in consumer behavior away from traditional search. It's important to note, this is a shift we have been preparing for and one that has guided our investments for some time now.

We have been focused on building more direct relationships with audiences through newsletters, social platforms and producing more video content, and those investments are driving strong growth across each of those channels, and position us to better offset the changes in audience behavior. At the same time, audiences are increasingly discovering content through AI systems that answer questions directly for consumers. What that means is we are now effectively serving two audiences, human readers, and the AI platforms that surface our work to them. And it isn't only the consumer platforms that surface our work, a far broader universe of crawlers and scrapers seek to ingest our content. However, as you know, we continue to leverage technology to block those crawlers and scrapers who don't have licensing agreements with us. We are also building our products and our strategy to provide essential content for our users and machine-readable formats that let us expand current licensing structures. We recognize that we have to create and format content for humans and for machines. And while we see a change in search-driven behavior, we also see entirely new ways to license, distribute, and monetize the trusted content we produce every day.

Now with that framing, I'll walk through some of the key financial highlights for the second quarter.

- We generated approximately $20 million of free cash flow, an increase of 11% year-over-year.
- We also delivered our second consecutive quarter of positive net income.
- We continued to pay down debt and maintain a solid cash position.
- And our digital-only subscription business and digital other business, which we believe are two important engines for sustainable growth, continued to post strong performance in the quarter.
- For example, in our digital-only subscription business, volumes are stabilizing and digital-only ARPU reached another record high, driving digital-only subscription revenue to growth year-over-year for the second consecutive quarter.
- Digital other also grew year-over-year in the quarter, driven by continued strength in our syndication and licensing agreements, as well as our commerce business. We expect this revenue stream to expand throughout the year as we broaden our portfolio of content licensing partners and further grow our commerce opportunities; and finally
- Some of the key metrics in our LocaliQ segment continue to move in the right direction. We delivered sequential growth in our core platform revenue, our core platform average customer count, and core platform ARPU reached another record high, supporting more meaningful revenue opportunities in the back half of the year.

We have consistently said that this transformation would not be linear, and Q2 reflects that. While quarterly results will fluctuate as we execute on our strategy, we believe our long-term direction remains unchanged. As we look across the business, we see continued strategic progress, a strong operating foundation, and growing confidence that the actions we're taking are positioning us for sustainable long-term value creation.

- Our industry-leading scale at both the national and local levels, our highly diversified digital portfolio, and vast collection of trusted, real-time content that audiences value and AI platforms need, serve as strong drivers for the growth we expect to capture over time.
- As mentioned, we are reaffirming our full year outlook. We expect revenue trends to improve as the year goes on and believe the inflection point remains firmly in sight. We also expect to grow Adjusted EBITDA, expand margins, improve net income, and deliver a fourth consecutive year of free cash flow growth.
- And in the background, we remain optimistic about the outcomes of the pending litigation against Google, as well as the opportunity to enter into more AI licensing agreements in the future.

Now with that, I would like to discuss some of the key operational highlights from the second quarter in a little bit more detail.

And I'll start with, our diversified digital revenue strategy, which is rooted in having an audience at scale, with improving engagement, to provide a foundation for sustainable growth. In the second quarter, we continued to serve one of the largest digital audiences in the media industry, and the opportunity moving forward, is to better understand that audience and put the data behind it to work. Every visit, every session, and every moment of attention creates a signal, and when we connect those signals, they become actionable intelligence that allows us to engage users more effectively and monetize those relationships faster and at much greater value.

The work our team is doing with Palantir is a direct extension of this strategy. We are applying Palantir's AI-powered platform to one of the largest opportunities in front of us, converting the sheer scale of our audience into known, orchestrated, first party relationships, because that is what turns our reach into sustainable, higher value revenue. We believe the work to build a common intelligence layer that connects our audience, content, and first-party data to better understand our users and translate those insights into stronger engagement and monetization across our platform, can be a meaningful driver of ARPU across subscriptions, advertising and e-commerce.

We view the evolving search dynamics as an opportunity to build a healthier and more resilient business, and a business that is less dependent on any single platform. We experienced the risks of that dependence firsthand in early 2025, when Google's manual actions delayed the growth we expected from several content partnerships. As a result, reducing that reliance has been a key focus of ours for several quarters, and it's something we have consistently discussed with you. It is how we gain greater control over the growth drivers in our business. It also reflects the same approach we successfully applied in 2025 to our digital-only subscription business, where we moved away from volume that didn't create long-term value. That transition required patience and discipline, but it has produced a healthier, more durable business, with consistent growth across key metrics, some of which include:

- Our digital-only subscription revenue grew year-over-year for the second consecutive quarter, giving us increased confidence that revenue will grow over the next several quarters and beyond.
- Our digital-only ARPU reached another record high in the quarter, increasing 34% year-over-year, and
- Our start-to-stop ratio grew sequentially, reflecting further volume stabilization, and bringing us closer to sequential volume growth.

We are applying that same discipline to our broader audience strategy by prioritizing the quality of engagement over the sheer volume of traffic. To support that strategy, our focus is shifting away from one-and-done traffic, because even though it contributes to our unique visitor count, it is ultimately our least valuable and least monetizable audience. Instead, we are investing in new channels that allow us to build direct, ongoing relationships with consumers. That includes expanding how audiences discover our content off platform through channels like social media, where we continue to see meaningful growth and where we see significant potential to unlock greater value from those audiences. We also see social media, along with vehicles like personalized newsletters, as important pathways to bring audiences back to our platform where we can deepen that engagement through immersive video experiences. And as those relationships deepen, so does our understanding of our audience, allowing us to deliver greater value to advertisers and drive higher CPMs, while also connecting consumers with the right commerce opportunities at the right time. We believe this is the right long-term tradeoff because replacing lower-value traffic with deeper audience relationships creates a stronger foundation for predictable and repeatable revenue growth, and in turn, long-term value creation.

Now with that, I'd like to hand the call over to Kristin to discuss these initiatives in more detail, as well as the continued momentum we are seeing in our digital-only subscription business.

Kristin,

Kristin Roberts

Thank you, Mike.

Audience growth has been central to our transformation, and over the past three years that strategy has helped us build one of the largest digital audiences among content creators in America.

As Mike noted, consumers are changing how they find and consume content, and we're meeting them where they are. We are doing that from a position of real strength through the scale, trusted brands, and loyal audiences that we have already built, which we believe will provide a foundation that very few others in the industry can match.

As consumer behavior shifts, we're putting focus on platforms such as YouTube, TikTok, and Instagram, as well as leveraging creators, personalities, podcasts, and video-first experiences. Social, video, and newsletters are becoming primary engines of discovery, and the early results speak for themselves. In the first half of this year, we generated 3.0 billion off-platform video views, putting us on pace to more than double last year's total. Within that, TikTok alone surpassed 1.0 billion views. These channels are still small relative to our overall traffic, but that's exactly what makes the opportunity so compelling. We see significant runway ahead, and these numbers tell a bigger story than audience growth alone, they reinforce that our content continues to find audiences as consumer discovery evolves.

Importantly, we continue to see strong search performance in the categories where we have a clear right to win, including breaking news, sports, and entertainment. The World Cup is an excellent example. Coverage across the USA TODAY Network generated 97 million pageviews, with search driving nearly 65% of that traffic. That reinforces an important point - when content meets a real and urgent need - search still delivers. But we are not building our future on search, even in our strongest categories. Great content still finds an audience, and our opportunity moving forward, is to ensure that our distribution tactics keep pace with the way readers and viewers want to consume content in digital spaces.

As we continue to strengthen how audiences discover and engage with our content, we are also expanding the ways we generate revenue from those relationships. Commerce is one of the clearest examples, and we believe our work with Palantir has the potential to accelerate that opportunity. Historically, much of our commerce business has relied on manual processes to connect affiliate opportunities with our content. Our work with Palantir changes that by matching affiliate products and offers to relevant content at scale, which will allow us to monetize significantly more of our sports, entertainment, dining and other relevant content categories in real time. And the opportunity extends well beyond commerce. By connecting audience signals across our platform, we can create a unified understanding of our users that simply didn't exist before. That enables more personalized experiences, increases our base of known users, and strengthens our first-party intelligence, which is expected to significantly increase the value of our audience over time. In other words, we are not working to simply monetize more of our content, but to better understand, engage, and unlock greater value from every audience relationship we create.

Together, expanding our discovery and growing our base of known users, fuels growth in digital advertising and we believe this positions us to generate materially higher revenue from our audience than we have in the past. Known users simply monetize at higher rates, and as they become a larger share of our audience, the value of every impression we sell rises with them. This shift in audience mix doesn't happen overnight, but the investments we have made are already improving that mix, and we're encouraged by the progress we are seeing. We've done this before with our digital-only subscription business, where we absorbed short-term pressure in exchange for a healthier, more durable model. And today, we are capturing the benefits of that discipline. We believe digital advertising can follow the same path. The playbook is proven and we are ready to run it again.

On that note, we're encouraged by the strong performance of digital-only subscription revenue. Our approach has not changed, we are deliberately trading a measure of raw pageviews for stronger engagement metrics, as well as higher-value subscription revenue. We're continuing to build out our Stacked Products model, and this quarter, we added Marvel Comics to the PLAY platform, which is an important step in extending the experience beyond puzzles and games. Since launch, the audience engaging with Marvel content has been overwhelmingly new to us. That's a signal we take seriously. We believe it reinforces both the demand for premium entertainment experiences and our ability to bring entirely new audiences into our portfolio. It also supports PLAY's broader role in differentiating our product offering to drive long-term subscription growth.

On the subscription front, we continued to build momentum in the second quarter. Our progress reflects solid improvement across key drivers of the business, including churn, our start-to-stop ratio, and paywall encounters. Those improvements reinforce our confidence that we are building sustainable momentum and position us well for sequential growth over the coming quarters.

To recap, the work is far from complete, but we are confident in the direction we are heading. We have anticipated these changes for some time, and the strategy we are executing is designed to build a broader, more engaged audience that delivers predictable and repeatable revenue.

Back to you, Mike.

Mike Reed

Thanks, Kristin. I'd like to reinforce a few of the points you just made because they get to the heart of the confidence we have in our path forward. We have significant scale and we have made deliberate investments over the past few years to engage directly with that audience. Most importantly - as Kristin put it - great content still finds an audience. Our job now is to meet that audience wherever they choose to be, and from there, keep them engaged.

That heightened focus on engagement is central to how we are using AI on our platforms. DeeperDive, our generative AI answer engine, is a great example of this. Since launching in September of last year, readers have asked more than 50 million questions, with average daily activity now exceeding 390 thousand interactions. But the real story is not the volume. It's the value of that engagement. When we tested pages with DeeperDive against pages without it, the difference was clear. DeeperDive generated longer time on site, higher advertising revenue per session, and stronger subscription intent. These results reinforce what we already know, the engagement of our audience matters more than the raw traffic alone. And DeeperDive is another way we are deepening that engagement and translating it into greater monetization. As DeeperDive usage grows beyond just USA TODAY, we see a significant opportunity to replicate this engagement across the entire network. We are also one of the first publishers in the U.S. to adopt this kind of AI answer engine, and as advertiser demand moves quickly towards this type of experience, we believe our position as an early innovator, combined with our scale, creates additional opportunities to unlock value across our advertising business.

Overall, we navigated the quarter well, and we feel good about the momentum we are carrying into the second half of the year.

Now, I'd like to turn the call over to Trisha to provide additional details and color around our 2026 second quarter financials.

Trisha,

Trisha Gosser

Thank you, Mike. Good morning, everyone.

Please keep in mind all comparisons are on a year-over-year basis unless otherwise noted.

As Mike mentioned, we expected variability in our quarterly results this year and the second quarter was consistent with that expectation. While performance varied across the portfolio, we managed the business well through it - we held the line on costs, we delivered solid profitability, and we grew free cash flow. We continued to see encouraging trends in several key areas of the business, reinforcing our confidence in our strategy and the opportunities ahead. Let me walk you through the numbers.

In the second quarter, total revenues were $536.3 million, a decrease of 8.3%, or 6.1% on a same-store basis. Let me bridge this performance to the first quarter, because the drivers are specific and, in large part, expected. First, we are lapping an outsized content licensing contribution in Q1, while still driving strong year-over-year digital other growth in Q2. Second, digital advertising softened a bit as we adapt to the shift in audience behavior. We expected variability across quarters given the shift in revenue mix - but overall - we feel positive about the collective direction of the business over the first half of the year.

Total Adjusted EBITDA was $56.9 million in the second quarter, representing a margin of 10.6%. While Total Adjusted EBITDA decreased compared to the prior year period, we continue to expect year-over-year growth for the full year. Expense management remains a top priority, and in Q2, operating expenses decreased 7.8% compared to the prior year. In the back half of the year, we will continue to align our expense base with our revenue trends, while protecting the investments that drive our growth.

Continued operational discipline made our net income more consistent, and we reported net income of $9.1 million in the second quarter, marking our second consecutive quarter of positive net income. On an adjusted basis, adjusted net income attributable to USA TODAY Co. was $11.0 million.

Total Digital revenues in the second quarter were $254.3 million, a decrease of 4.2%, or 3.6% on a same-store basis, and represented 47.4% of total revenues. Digital advertising revenues decreased 9.2%, reflecting lower pageviews and the loss of a programmatic partner, creating pressure on programmatic advertising. Given the focus on audience engagement, we are expecting improved advertising trends in the back half of the year.

Within digital, the underlying growth engines continue to perform.
Digital-only subscription revenues totaled $45.6 million, increasing 6.8% year-over-year. Digital-only ARPU also reached a record high of $10.47 in the second quarter, increasing 34.4% year-over-year. Volume decreases moderated further during the quarter, while our start-to-stop ratio improved sequentially, reinforcing our confidence in the path toward renewed subscriber growth.

In the second quarter, our Digital other revenues, which include revenues from our AI partnerships, content licensing agreements and syndication, grew 20.2% year-over-year to $20.4 million and we expect ongoing growth in this category this year as we further expand this revenue stream and our suite of licensing agreements.

Turning to the USA TODAY Media segment, Segment Adjusted EBITDA totaled $42.0 million, representing a margin of 10.6%. Second-quarter revenue trends were primarily affected by the performance in digital advertising.

Turning to the Newsquest segment, Segment Adjusted EBITDA totaled $14.3 million, reflecting a margin of 24.2%. Revenue trends were impacted by the expected timing shift of a revenue generating conference but reflect strong ongoing digital growth.

In our LocaliQ segment, revenue remained lower year-over-year, but Q2 reflected sequential growth in both core platform revenue and Segment Adjusted EBITDA. We are pleased with the sequential momentum from Q1 to Q2, which is reflected in the following key areas:

- Total core platform revenue was $106.3 million, up 7.0%.
- Segment Adjusted EBITDA totaled $13.2 million, while margins expanded 560 basis points to 12.4%.
- Core platform average customer count increased by 300, or 2.8%; and
- Core platform ARPU increased 4.1% to a record quarterly high of $2,908.

Let's now turn to the balance sheet.

At the end of the second quarter, our cash balance was $86.7 million, and net debt decreased to $883.8 million. In Q2, free cash flow totaled $19.6 million, an increase of 11.2%, while cash provided by operating activities grew 8.6% to $35.4 million. We ended Q2 with $970.5 million of total debt, reflecting $17.7 million of total debt paydown in the quarter.

Now let me turn to our outlook. We are reaffirming our full year 2026 business outlook. We continue to expect meaningful improvement in same store revenue trends as compared to 2025, driven by the strength of our digital-only subscription and digital other businesses, and improving digital advertising trends. We expect Adjusted EBITDA to grow over the prior year and solid net income growth, along with double digit free cash flow growth. Our second half reflects a shift away from search and the mitigating actions underway across content distribution, licensing, and known user monetization. In short, we view the second quarter as a period of expected variability within a year that we still expect to be a strong one for the company.

As we look ahead, we remain encouraged by the direction of the business. This is a dynamic environment and results may continue to vary quarter to quarter, but we believe the strategic foundation – following our audience, growing our data and known audience capabilities, expanding our licensing capabilities and footprint, and staying disciplined on costs – will lead to long-term growth and shareholder value creation.

I will now hand it back to the operator for questions and then we will go back to Mike for some closing thoughts.

Operator

Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions]. One moment, please, while we poll for questions. Your first question for today is from Giuliano Bologna with Compass Point.

Giuliano Bologna

Good morning. Great to see the results. As a first question, you referenced your work with Palantir several times during the call. Can you elaborate on that and what the opportunity looks like?

Mike Reed

Yes. Hey, Giuliano. Good to talk to you. Yeah, we did reference it a couple of times. We're really excited about this opportunity and what it could do for the trajectory of our business transformation. We have really a tremendous amount of data on consumers on our platform today. This work with Palantir is really going to allow us to connect that audience behavior, content engagement, and first-party data in a way that allows us to monetize each consumer on the platform at a much higher rate.

The easiest way to think about it is taking this first-party data, everything's a signal, and turning it into actionable intelligence in a real-time and fast way where we can deliver the right content to consumers while they're on our platform, the right advertisement to consumers while they're on our platform, the right commerce opportunity embedded into that content, and the right time and the right price for a subscription offer. It really allows us to take this wealth of data we have and turn it into actionable intelligence in real time. That gives us a lot of optimism on how fast we can move and how big the opportunity can be.

I think this partnership with Palantir, Giuliano, is exciting to us too because what may take us a considerable amount of time to build internally, we can do in a matter of weeks or months with Palantir. You're talking about taking a best-in-the-world AI and software platform with Palantir and applying it to actions on our platform. It's important to note all of our data remains our data. It's our data. The actions and the intelligence that we utilize takes place on our platform. It's our IP, it's our outcomes. We're not replacing any technology. It's really just leveraging this incredible AI and software that Palantir has to allow us to move so much faster and to be so much smarter with the data we have today.

The other thing it's really going to help us do, which is really important to us, is take a lot of the anonymous interactions we have today and turn those into known relationships. That's going to just increase the amount of data we have. The more known relationships we have, the more data we create, the more signals we create, the more actionable intelligence we have. We'll evaluate this work. We're in it now.

We'll look at conversion, retention, engagement, and revenue per user. We hope over the next quarter and actually the next two quarters, we're going to be able to really start to talk more specifically about the financial upside here. When we talk to Palantir, they're very bold about the predictions of the financial upside.

It's too early for us to do that yet, but we do believe the scale of our data, coupled with this best-in-class technology, has the potential to really create a powerful uplift in the trajectory of our business. We're excited to be working with them and think it's going to have a near-term and meaningful uplift to our business.

Giuliano Bologna

That's helpful. As a next question, you mentioned the large audience you're building on social media platforms. Is that a potential new revenue stream?

Kristin Roberts

The answer to the question about whether this is a potential new revenue stream is yes, absolutely. For us, social and video are increasingly becoming primary discovery channels, and that's where consumers are choosing to engage with the content. As we said a couple of minutes ago, we generated more than 3 billion off-platform video views just in the first half of the year. All of that reinforces for us the fact that our journalism continues to reach audiences really at significant scale, even as those audiences are changing the way they discover that content. Some of that audience, Giuliano, will monetize directly through platform revenue sharing, also through sponsorships, also through branded content. Another opportunity here is using those platforms to begin to build the direct relationship with consumers.

From there, what we're seeing is that we can bring a portion of these users back on our platform, and then coupled with our data, we can deepen that engagement and then create those higher value opportunities that hit advertising, it hits commerce, it hits subscriptions. In this way, these off-platform moments become a new on-ramp that drives frequency and habits, and then ultimately that leads to paid relationships. We don't view social as separate from our business. We view it as an increasingly important part of how we build and engage and monetize the audience over a long-term period. I hope that helps.

Giuliano Bologna

That's very helpful. The next one, do you see any more licensing deals coming this year? Just kind of thinking about the AI front and other deals around that.

Mike Reed

Yes. The short answer is yes, we do see more AI licensing deals coming this year. To expanding on that, we do continue to believe that the demand for trusted and real-time content will grow as all of the various AI platforms expand their products and their services. It's still really an evolving business landscape there. The other thing that we're doing now, which I think is going to be really important to our future licensing opportunities, is reformatting our content to be machine-readable. We have historically always created content for humans. In AI machines, certain things are more important. Reformatting our content to be machine-readable is going to be really important, not only for future deals, but also to unlock more value in our current deals. Yes, we're actively engaged in discussions.

I don't want to get into specifics until we have announcements, we do expect more deals. Our objective here is not just to sign more agreements, but it's really to build recurring long-term relationships where we get proper recognition of the value that we bring with this trusted real-time content. We continue to block the scrapers, and we are reformatting our content. We're working on that by the hour now to reformat content to make it machine-readable.

As the ecosystem evolves, as an industry leader in terms of scale and the amount of great content, we expect to be at the table with new deals as well as expanding current deals. This opportunity really is still in front of us. Even though we've had revenue and we've had nice growth from it, almost all of this opportunity remains in front of us. We're pretty excited about it.

Giuliano Bologna

That's very helpful. A couple of your second quarter revenue trends were softer than Q1. Is that a setback or did you expect some of that variability? Do things still remain on track at this point?

Trisha Gosser

Hey, Giuliano. This is Trisha. Yeah, I'll take this. I absolutely don't view Q2 as a setback. I think we really remain on track with the strategy that we've outlined, and I think it's really important to separate the quarterly variability that we saw from the underlying trajectory of the business. We discussed earlier this year, we expected 2026 to include both meaningful progress, but also quarterly variability, particularly around that content licensing that Mike was just talking about. That's absolutely still a growth engine for us. I think we've also been talking about the changes in consumer behavior and the work we're doing to create a more direct engagement with our audience. If you couple that with the loss of a programmatic partner in the quarter, we did start to experience some pressure in digital advertising.

I'd say at the same time, the businesses that we think are most important for long-term growth continued to perform extremely well. Our digital-only subscription revenue grew again for the second consecutive quarter. Our digital other revenue grew by more than 20% year-over-year, all this translated into really good free cash flow growth, solid net income.

We're also starting to see those underlying fundamentals of the LocaliQ business stabilize, improve, and we think that leads to improving revenue trends. Certainly some of the revenue categories were softer in the quarter than Q1, we're seeing really encouraging progress in the areas that we think are most important to the long-term success of the business. We're seeing the work that we're doing on the audience and the data really start to scale more meaningfully.

All of that led us to reaffirming our full-year outlook. We have a lot of confidence in where we are and where we're going.

Giuliano Bologna

Got it. That's helpful. Then a last one for me. Is there anything to update on the Google litigation?

Mike Reed

Well, nothing specific since our last earnings call, but it's worth reiterating that we remain very optimistic about our position in that case. Just also reiterating the next big milestones are, number one is we do expect the remedies ruling in the DOJ Google case to be out in the market anytime. We've kind of expected it for the last few months. So that we think is coming sometime in the near future. Then we also expect a ruling on Google's summary judgment filing and motion in our case, specifically that Google filed earlier in the year. We expect a ruling from the judge in our favor in that case, in that motion, probably September-ish. We'll disclose any material developments as they occur.

I think one other important point to make on this topic is in our outlook for 2026, as we think about not only 2026, but 2027, we've not built into our outlook any specific upside that we would see from a more open and transparent advertising ecosystem that may evolve from the DOJ remedies. We reaffirmed guidance today, and that's without any benefit from the potential upside that we could get from the DOJ remedies case or, in fact, our specific litigation against Google. That's all upside for us in the future, whether it's this year or next year.

Matt Condon

Thank you so much for taking my questions. My first one here is just Google accelerated its push into AI search this quarter. A lot of other open web companies have been calling that out. Is there any way that you can size that impact on the business in 2Q? Then have you seen search trends stabilize at all more recently?

Kristin Roberts

I'll circle back to you and to Trisha. I would say, Matt, the way that we look at this is that the direct and engaged and identifiable audience is going to produce better economics and a more reliable business than maximizing that low-value anonymous traffic from any one platform. What our strategy has been for many quarters now, and you can see that in Q2, is to diversify how the audiences are finding us, how they're discovering the content, and then converting more of those interactions into those direct and known relationships, right? Social and video, as we talked about, are expanding discovery. Obviously, newsletters create habit. Registration and subscriptions allow us to better understand and then to monetize.

That, in my view, creates value across multiple revenue lines, not just the key revenue line that has been most impacted by the change in search, which is programmatic. Some of those channels are monetizing directly today. Others are creating a path back to owned platforms. What we can see is that the value of the audience we already have is actually paying out in those different revenue lines. There is a bit of a lag between audience growth in these channels and the full revenue benefit of our multi-point monetization. Trisha, do you want to add anything here?

Trisha Gosser

Sure. The one thing I would say is that our digital advertising performance in the quarter was really driven by three main things, I think. One is what we've been talking about, the impact of search on our business. Second, we mentioned that we saw the loss of a programmatic partner in the quarter. Third, we saw a platform policy change that impacted one of our sponsored link partners. I would say each one of those is fairly equal in size on the impact year-over-year. That helps give a little bit of color.

I will also say, though, that one thing that we're encouraged by is the fact that our premium sales on our platform did grow year-over-year. Our RPMs continued to improve throughout the quarter. I think the things that we are able to control, we are moving in the right direction.

Matt Condon

Great. That's super helpful. Another question, just Mike, some other people, and you have talked about potentially shutting Google off as far as their crawlers. Obviously, that would very much impact search for you guys, that would give you more negotiating leverage as bringing them to the table for AI licensing deals. Can you just talk about philosophically whether this would be something you'd be interested in? At what point could you feasibly do that? Meaning, did search become a low enough part of your business at some point that this would make sense?

Mike Reed

Yes, Matt, I think the answer is yes. We're not there yet, we still, as Kristin noted in our remarks on the call this morning, there are still some areas where we have great content, it's unique, we have a right to win, Search still performs in some of those categories like the FIFA World Cup for us this year. We're not prepared to do it today. However, search revenue on our platform today is pretty small, the traffic that we're getting from search, as I mentioned in my remarks, a lot of that's one and done, it's not really meaningful traffic to us in the long term. It's less monetizable. I think the short answer is yes, I can see a day where we turn off scraping or making our content available for the links.

I think that that day is getting much sooner now than it was a while back. I don't know if it's nine months, 12 months, 15 months, definitely there's a line of sight there. We're actually more hopeful that we can be proactive with Google in negotiating a fair licensing deal. That would be our preferred path, to have our content appear both in traditional search as well as in AI summaries. That's obviously the preferred path. If we have to cut them off and block them in order to get to a deal, we'll do that for sure. We're getting closer to that day today.

Matt Condon

That's super helpful. A last one from me, just on the subscription business, the underlying trends continue to improve there. As you look forward, just what are the key areas that you can continue to drive growth? Just how much of a lever is pricing still from here? Thank you so much.

Kristin Roberts

Yes, Mike, I'll be happy to. I think, first of all, I love this question. The most important point, in my view, coming out of Q2, is that our digital-only subscription revenue is continuing to grow, and it's now grown year-over-year for two consecutive quarters. The ARPU increase is an important piece of that, the ARPU increase is not solely sort of the result of broad price increases. It reflects, Matt, a better mix of subscribers.

It reflects more consistent offers, less reliance on deep discounting, and importantly, I think the removal of lower value subs that just did not generate attractive lifetime economics. The actions that we took to improve subscriber quality and economics really are working here. We would not extrapolate a 34% ARPU growth rate indefinitely, right? We continue to see opportunity. We continue to see it through pricing and packaging and stacked products. The other thing I would note is volume trends also are stabilizing. The sequential decline moderated again in the quarter, and the start-to-stop ratio improved during the quarter. What we're committing to is ongoing growth in digital subscription revenue, and as we get closer to volume growth, we will have more levers to pull to make the growth more meaningful.

Matt, I guess I would sum up by saying our objective really remains to grow subscription revenue and lifetime value, not to pursue subscriber volume at uneconomic price points.

Mike Reed

Yep. Matt, what I would add to Kristin's remarks is we're not at the end of the runway in terms of ARPU growth. We do expect to be able to lift subscription revenue for many quarters to come from ARPU. Really importantly, as Kristin mentioned, we've seen volumes stabilize. When we look out not just several quarters but several years, we see meaningful growth in subscription revenue that's really driven by the return of volume growth.

A really important piece of that is the work we're starting to do now with Palantir, which I think will allow us to deliver an even better content experience to consumers and deliver a subscription offering at the right price at the right time. We see runway ahead of us driven by ARPU growth, certainly over the next several quarters or year, but out longer than that by the return of volume growth. We're really excited about the digital subscription category, and its performance over the next few years.

Barton Crockett

Okay. Thanks for taking the question. I guess one thing I was wondering about on just numbers. You guys report this monthly unique visitors and I think it was down to a number that was substantially lower than it was in the first quarter and in the year ago. I was wondering if you could talk about what's driving that.

Kristin Roberts

Sure. Barton, nice to hear from you. A couple things are true here. First, we still maintain one of the largest digital audiences among content creators, I think there's value in that scale. As you've heard from us, the way that the consumers are discovering the content is changing. What that means is that the quality of our audience is becoming increasingly more important than simply maximizing anonymous uniques. The decline in uniques that you are noting and that we all are seeing during the quarter, it does not reflect lower demand for the content. What it reflects is lower referrals from traditional search because of those consumer discovery changes that we're seeing and witnessing. Our reach is extending right now well beyond our owned and operated properties today.

The audiences are discovering the content through social, through video, we're generating those views in those spaces. Just in the first half of this year alone, that's putting us on a trajectory to do extremely well this year in that category to grow those on-ramps, if you will. Those audiences might not be reflected in traditional unique visitor metrics, but they do demonstrate that our content is reaching consumers at scale. Our strategy is to meet the audiences where they are then use registration and use subscriptions and use the first-party data capabilities, some of which are coming from Palantir in combination with the efforts that we're doing internally to build those direct relationships.

Ultimately, the way that we think about this is that we would rather have a larger share of known, highly engaged users than maximize one-time anonymous visits, because those users are generating greater value across multiple revenue lines: advertising, subscriptions, commerce, content licensing, because they engage more deeply, they are returning more frequently, they allow us to better personalize both the content and the monetization.

Yes, unique visitors remain an important measure of reach. We increasingly are evaluating the health of the business by the strength of engagement, by the growth of our known users, then in turn, our ability to increase the lifetime value of every one of those relationships.

Mike Reed

Barton, I would add to that. A good example to look at is, we mentioned this on the call today, is what we did with the subscription business a little bit over a year ago, a year and a half ago. You're seeing the fruits of that labor today. We have fewer subscribers today than we had in the first quarter of 2025, we're growing our revenue. It's about getting to the right subscriber base. It's about getting to the right unique visitor base that we can then increase ARPU per user on the platform. I'm just being vague here, whether it's 180 million uniques or 150 or 140, what really matters is ARPU per unique.

If we can do a much higher ARPU per unique visitor at 140 or 150 million and then grow from there, that's a great place to be. That's what we're really hyper-focused on now, especially as the search dynamics change.

Barton Crockett

Okay. Extending on that, kind of related to the goal for you guys to be a majority digital at some point this year. This quarter slightly ticked down, I think 47.4% from 47.8% or something like that of revenues first to second quarter. Part of that may be that ad revenue kind of accelerated down. What gets you to that majority digital? I mean, is ad revenue kind of turnaround or does something else happen? Just get us the road to kind of get you there.

Trisha Gosser

Absolutely. First, I do think that our advertising revenue trends improve. We alluded to that into the call that we think that our advertising revenue trends will improve in the back half of the year as we start to see that work that we've done on audience and on data start to be more meaningfully reflected in our revenue. I think there's a lot of other growth drivers as well. Our AI licensing, we expect that to continue to grow.

Mike mentioned that we expect new licensing deals and the work that we're doing to make our content both suitable for humans and machine-readable should really unlock more value and additional AI licensing deals throughout the back half of the year and going forward as well. We feel really happy about the underlying drivers that we've talked about on our digital-only subscription business.

We talked a little bit about the indicators in our LocaliQ business, the ARPU growth, the customer count growth, the core platform growth. We saw a nice uptick in EBITDA even in the quarter. Our LocaliQ trends are also improving. Absolutely, we're going to have a little bit of quarter-to-quarter variability. We alluded to that last quarter. You saw it in Q2.

When you see the way that our subscription business is moving and growing, the opportunity that we have ahead of us in licensing, the way that we intend to put our audience and our data to use, and the way that the LocaliQ business is starting to improve, I think that really gives us a lot of confidence in getting to that majority digital in the back half of the year and getting to revenue growth.

Operator

We have reached the end of the question-and-answer session, and I will now turn the call over to Mike for closing remarks.

Mike Reed

Thank you. Thanks for everybody for joining today. Just a couple of things I want to reiterate and just to kind of close out the remarks for the day, and I want to recap a few really important points from today's call. First of all, we will have variability from quarter-to-quarter. As we said, it's not linear, it's not a straight line up, but overall, the first half of 2026 was actually very good. We've improved overall revenue trends and we're moving toward our inflection point. We grew EBITDA in the first half of the year. In the second quarter, we grew free cash flow double digits over the prior year, and we posted another quarter of positive net income.

We feel really good about the second half of 2026, and that led us to reiterate our full-year guidance, which calls for significantly improved same-store revenue trends this year versus the last couple of years. EBITDA growth over the prior year, double-digit free cash flow growth, and the fourth consecutive year of free cash flow growth and positive net income for the full-year.

We talked a little bit on the call and in Q&A about how excited we are about the Palantir relationship and believe that will work to position us to turn up large amounts of first-party data that we have more actionable intelligence on. None of that is in our forecast for the year. We think there's upside from the work we're doing from Palantir both this year and in years to come. We're really excited about the digital other category.

The last question we just got from Barton. That digital other category is going to be a big driver of what leads us to having more than 50% of our revenue coming from digital later this year. In addition to what Trisha just mentioned, we also are seeing really nice double-digit growth in our commerce and affiliate revenue categories. We do see the ability to continue to grow there.

Our off-platform revenue that Kristin mentioned through our social media channels, and then our newsletter and video strategies are all potential digital revenue upsides in the back half of the year. We have a lot of good initiatives in the works, and we're actually starting to see those hit the P&L. All the work we're doing is leading us to building in a more engaged and recurring audience. It's really important.

That leads to signals and intelligence we can use to grow repeatable revenue across our various digital streams. We're really excited about the work we're doing. We're excited about the second half of the year and look forward to really getting back to you guys in the third quarter to update you on the progress that we're continuing to make. With that, we'll end the call today. Enjoy the rest of the summer, and we look forward to talking to you again to update you on our Q3 progress. Thanks, everyone.