Angel

Second Quarter 2026 Earnings Conference Call

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Important factors that could cause actual results to differ materially are described in the “Risk Factors” section of our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, the registration statements we file with the SEC, and in other documents we file from time to time with the SEC. Any forward-looking statement speaks only as of the date it is made, and we undertake no duty to update or revise any forward-looking statements to reflect events or circumstances after the date of this transcript, except as required by law. Readers are cautioned not to place undue reliance on forward-looking statements.

PRESENTATION

Operator

Good morning. At this time, I would like to welcome everyone to Angel's Q2 2026 earnings call. All lines have been placed on mute to prevent any background noise.

I would now like to turn the call over to Luk Janssens, Head of Investor Relations. You may begin your conference.

Luk Janssens

Hello, everyone. Welcome to Angel's second quarter 2026 earnings call.

Joining me are Angel's co-founder and CEO, Neal Harmon, and Angel's CFO, Scott Klossner.

Before we begin, I would like to remind everyone that certain statements made on today's call, including statements regarding future financial performance, are 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 assumptions and involve risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Information regarding these risks and uncertainties is included in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. These forward-looking statements represent our outlook only as of the date of this call, and we undertake no obligation to update any forward-looking statements except as required by applicable law.

During this call we may refer to certain non-GAAP financial measures; reconciliations of these measures to the most directly comparable GAAP measures are available in our earnings press release. These cautionary statements apply to all forward-looking statements wherever they appear in this call, including in the question-and-answer session.

Our earnings press release is available on our Investor Relations website at angx.com, where we also encourage you to sign up for our email alerts.

Neal and Scott will take approximately 20 minutes for their opening remarks, before we turn the call over to questions.

Thank you all for joining us. And now I'll pass the call over to Neal.

Neal Harmon

Thank you, Luk. Good morning, everyone, and thank you for joining us.

When we started 2026, we set out to accomplish two things. First, we wanted to continue growing the Guild, our community of paying members. Second, we wanted to show that as Angel grows, our business becomes more efficient and more valuable.

This quarter, we've made meaningful progress on both. Guild growth continues to exceed analyst expectations as our operating leverage improved, and we're reaffirming our commitment to limit our full-year Adjusted EBITDA loss to no more than $25 million.

When investors look at Angel, they usually ask four questions: What are you building? Why is it different? Is it working? And how big can it become? I'd like to answer those today.

First, what are we building?

Investors should think about Angel differently. We're not trying to build another streaming service. Or another studio. We're building a first-of-its-kind audience-driven entertainment platform.

Everything begins with the Angel Guild. The Guild helps us discover stories. It helps us understand what audiences want. It builds awareness for every title we release. It helps filmmakers improve their work before release. And increasingly, it helps us decide where to invest.

Every major decision starts with one simple question: Does it strengthen the Angel Guild community?

Because we've proved something that's become fundamental to how we think about Angel: Every new Guild member makes Angel better. Better for audiences. Better for filmmakers. And ultimately, better for investors.

That's the company we're building.

Now, why is it different from the rest of the industry?

Traditional entertainment companies start with a lot of capital. They invest billions making content. Then they spend billions more trying to find an audience for what they made.

We start with the audience.

Our community tells us which stories matter. It helps us improve the stories we choose to distribute. It builds awareness before release. It validates demand before we commit capital.

Traditional studios don't have a revenue problem; they have a cost problem. We use audiences to decide where to invest capital and do it far more efficiently.

That's a different way to build an entertainment company, one that's aligned with filmmakers, more capital efficient, and increasingly difficult to replicate as our community grows.

The next question investors ask: "Is it working?"

We very much believe the answer is yes. And this quarter gave us more evidence than ever before.

In three years, we've grown to more than 2.85 million paying Guild members. In Q2, Guild Sales & Marketing was reduced by over 26 percent over Q2 2025, from 71.6% of Guild revenue to just 52.8% of Guild revenue, even as we added almost 400,000 Guild members. That's exactly the type of operating leverage we hoped this model would create.

But what's encouraging is that we're seeing momentum across nearly every part of the business.

Take theatrical. People often ask how theatrical fits into Angel. We actually think they're asking the wrong question. We don't think of theatrical as a separate business. We think of it as part of the engine that strengthens the entire platform.

Young Washington is a great example. It delivered one of the strongest theatrical openings in Angel's history. But what was even more important and more exciting for us is what happened around it. It brought new audiences into the Guild with new talent. It will strengthen our streaming library. It has expanded awareness of Angel. It attracted new filmmakers. It demonstrated how our community can help build momentum long before opening weekend. And Guild members, I being one, were proud to be a part of the release of this great film on the 250th anniversary of America.

That's exactly how we designed the model to work.

Every successful release grows the Guild. A larger Guild attracts better filmmakers and better talent. Better filmmakers tell better stories, especially with early feedback from the Angel Guild. Better stories attract more Guild members.

That's what we call the Angel flywheel.

And we're excited about what's ahead. Six of our ten planned theatrical releases are still scheduled for the remaining half of this year. These are in-person, in-real-life experiences that build the Guild community and build the Angel brand.

We're also seeing that momentum in technology. Every team member at Angel now uses AI tools in their daily work. Over the last several quarters we've shared examples of how AI has helped us move faster, release more titles, and improve productivity across the company.

But I actually think the bigger story is what AI will do for the entire entertainment industry.

Every week we meet filmmakers using AI to dramatically reduce both the cost and time required to produce great films. As an example, Wonder Project, the company behind Young Washington, used AI to increase the production quality for theatres and reduce the cost of production. The Angel Guild cares about the quality and the values of the story, not whether it was produced with practical or AI effects.

However, we do believe AI will significantly increase the amount of film and television being created over the next decade.

If this is true, something very interesting happens. As the supply of films grows exponentially, curation becomes even more valuable. What do I watch with all the titles available?

That's exactly what our Guild does, curate. It's curation audiences trust because it represents them.

Our release cadence is accelerating as well. July was the biggest release month in Angel's history. We've added 115 films, 31 comedy specials, and 340 television episodes this year, including 18 new series—more than halfway toward our goal of 750 total releases in 2026. And that's on top of doubling our library last year.

We're also becoming more than a destination for Angel Originals. We're becoming a destination for a beautiful, values-driven library of great stories.

Industry data shows that nearly 90% of viewing happens on old catalog titles. People love discovering something new. But they also love returning to stories they already know.

That's why we've partnered with studios large and small to bring curated catalog titles onto Angel. Those partnerships make the platform more valuable for Guild members while also improving the economics of the business.

Supporting these partners required us to build enterprise-grade digital rights management, that is high-grade anti-piracy security for movies. We were told by a major studio that to upgrade to that level would take over a year. With our AI tools, our engineering team delivered it in under six weeks. That's another example of how Angel is operating at scale.

We're also making Angel available wherever audiences want to watch. During the quarter, we launched on Comcast's X1, Xfinity Flex, Xumo, and LG, significantly expanding our reach on improved economic terms.

Finally, our filmmaker ecosystem continues to strengthen. Filmmakers have now earned nearly $300 million through Angel. As our community grows, the value of building with Angel grows too. I remember when, many years into their story, YouTube announced a few creators getting paid over $100,000 in a single year, and that was a huge deal. Big news in the industry. Look where Angel has come in so little time. Filmmakers have earned $290 million.

When we step back and look across the business, we don't just see individual wins. We see multiple parts of the Angel platform reinforcing each other. The royalties, the filmmakers, the Guild.

Finally, how big can this become?

We believe we're still in the early innings.

Today, and as we stated in our earnings release, more than 90% of households subscribe to at least one streaming service. The average household in America pays for four streaming services. That's 117 million households, which is a huge domestic market.

And streaming isn't a winner-take-all business. Consumers already choose multiple streamers because each serves a different purpose. At Angel, we're not trying to replace or replicate major streaming platforms. Netflix. Disney. Prime Video.

Streamers primarily focus on persuading audiences to consume what a few gatekeepers decide to make. At Angel, millions of Guild members help filmmakers know what they would like to see made with their values, votes, and their wallets. Guild members are a part of a community with purpose, belonging and impact.

Again, 117 million households. And when we grow into the international market, the opportunity grows exponentially. That's such a huge opportunity.

As we look to the second half of the year, our priorities are clear.

First, we'll continue to grow the Guild because it's the foundation of everything we do.

Second, we'll continue demonstrating operating leverage as we scale, showing that growth and improving economics can go hand in hand.

Third, we'll continue to build Angel in a disciplined, cash- and capital-efficient way as we execute our long-term strategy.

These priorities position us well not only for the second half of this year, but for many years ahead.

Thank you, and now I'll turn it over to Scott.

Scott Klossner

Thanks, Neal, and good morning, everyone.

Angel operates a unique and straightforward business model. Q2 saw that model continue to reveal itself in building and sustaining future profitability.

Every facet of our business is directed toward growing the Angel Guild, our paying members. With each passing month, our results continue to demonstrate that the Guild's total addressable market is enormous. My job is, in part, to balance cash, adjusted EBITDA, and growth as we invest in sales and marketing to bring ever more paying members into our community.

But first let me start with our second quarter results for 2026.

Total revenue was $111.7 million in the second quarter of 2026, compared to $87.6 million in the second quarter of 2025, an increase of 28%. This increase is attributable to the growth in our core business, the Angel Guild, which achieved revenues of $90.7 million, an increase of 94% over last year's Q2 Guild revenue of $46.8 million.

Our Guild membership grew from 2.22 million in Q1 to 2.61 million members in Q2, representing 17.6% sequential growth and 99% year-over-year growth. As you may be aware, we began disclosing this key performance indicator publicly on angel.com/impact. As of July 31, 2026, 2.85 million members now choose and enjoy entertainment on our platform.

Trailing twelve months average revenue per member now stands at $13.63. This is down 6 cents from last quarter. Average Revenue Per Member was impacted by the size of our successful America 250 campaign, which brought in a significantly higher volume of Premium and Annual members which contributed to our Guild growth in Q2. As you are aware, customers get a discount by purchasing the annual membership, which puts some downward pressure on ARPM. But annual signups benefit our cash position. This is reflected in the growth of our deferred revenue on the balance sheet. This campaign was successful at acquiring members to the Guild in a cash-efficient manner. That small reduction in ARPM is an investment in the growth of our membership.

This growth now reflects a membership that represents approximately $466 million in annual recurring revenue. That is calculated by multiplying our 2.85 million Guild members, paying on average $13.63 per month, times twelve months. And this is reflective of a membership growing at an annualized rate of 60% through the first half of this year.

Our gross margin came in at 54% in Q2. This compares to 69% in the prior-year period. The predominant cause of the difference is a shift in revenue mix: Q2 2025 included a heavy concentration of theatrical and distribution revenue at 45% of total revenue, mostly from the box office success of the film The King of Kings. Distribution revenue has structurally higher gross margins as a percent of revenue than Guild revenue. This year in Q2 the bulk of our revenue, 84%, came from our core growing Guild business, and Theatrical & Distribution accounted for only 16%.

Now, total operating expenses, excluding the cost of sales, were $78.5 million in the second quarter of 2026, compared to $81.7 million in the second quarter of 2025. Sales and marketing expense in Q2 of 2026 was essentially flat at $61.1 million versus $61.5 million last year—but against a significantly higher revenue base. In Q2 we added 390 thousand Guild members versus only 230 thousand that we added in Q2 of 2025. We accelerated growth and did so more efficiently.

On an annual basis, in 2025 we spent 78% of Guild revenues on Guild Sales & Marketing and we got the return on that spend, we nearly quadrupled our paying Guild members that year. But we always knew that as we scale, that spending intensity as a percentage of revenue would ease. Through 2026, we've brought Guild Sales & Marketing expenses down to 48 percent of Guild revenue, a significant year-over-year improvement, while still growing paying Guild members this year by over 600,000 through June, or 60 percent on an annualized basis.

Net income loss was approximately $23.8 million in the second quarter of 2026, compared to a net loss of $15.7 million in the second quarter of 2025. Net loss per share was 12.9 cents, compared to 10.6 cents per share in the second quarter of 2025.

Neal made clear in his opening remarks, we're reaffirming our commitment to limit our full-year adjusted EBITDA loss to no more than $25 million. For the first six months of 2026, we show a net Adjusted EBITDA loss for the year to date at $7.7 million. That compares to a loss of $46.2 million in the first half of last year and a loss of $94.6 million in the second half of last year.

We stated in our Q1 call that due to seasonality in the streaming business by quarter, the timing of theatrical releases, and the GAAP revenue and expense recognition in both businesses, there will be quarter-over-quarter movements in Adjusted EBITDA, but we are still on track to remain below an Adjusted EBITDA loss guidance of $25 million for 2026.

Moving on to the balance sheet, we ended the quarter with cash and cash equivalents of $48 million, compared to $39 million at the end of Q1.

Now, we are delivering record-breaking Guild membership and improving efficiency, while we also deliver on growth. Let me mention how the teams are managing that.

We have real-time coordination and feedback processes between the Guild acquisition and marketing team and the finance team, measuring and directing spend for the best outcome. This playbook assures that these teams are in alignment with financial investment, profitability, cash flow, etcetera.

They are hyper-focused on multiple metric goals like Guild acquisition, CAC, and same-day return on advertising spend, this manages acquisition cash flow, and other key metrics while growing Guild membership. It's hard science, and it's executed by really brilliant people.

These metrics are targeted and aligned in coordination with our financial goals on a daily basis. It is not by accident that we've seen these results. The takeaway here is that this real-time feedback loop enables the finance team and Guild acquisition and marketing team to focus our growth while staying in alignment with our adjusted EBITDA goal. We drive the greatest financial returns possible while maximizing our key KPI, namely paying Guild membership growth.

Some of this is exhibited on our balance sheet with cash and deferred revenues. Total deferred revenue at the end of June 2026 was $83 million; six months prior to that it was $67 million, and a year ago it was $40 million.

So, I will end where I started.

Angel operates a unique and straightforward business model. Q2 saw that model continue to reveal itself in building and sustaining future profitability.

Every facet of our business is directed toward growing and retaining the Angel Guild, our paying members.

Our in-real-life experiences, theatrical releases, premieres, and a growing library of values-driven films and shows drive more paying members to the Guild. The enhanced quality and quantity of our library reflects how filmmakers are attracted to our unique revenue sharing model, which in turn drives more paying members to the Guild, which then increases the royalty pool, enhancing filmmaker returns and so on.

The Angel flywheel for future growth is spinning, producing results, strengthening our balance sheet and growing our community, the Angel Guild.

Thank you, and I'll turn it over to the operator for questions.

Operator

We'll now be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. One moment please while we poll for questions.

Your first question comes from Eric Handler with Roth Capital. Please state your question.

Eric Handler

Good morning, and thanks for the question. One, if you could talk a little bit about your sort of marketing patterns. I mean, there's nothing linear about it, but trying to understand the ebbs and flows, when you push with marketing and when you sort of pull back. It seems like there's a focus around the theatrical releases, but can you give some color about how you think about those patterns?

Neal Harmon

Well, since Scott's been here, he's really worked with the acquisition and marketing team on this. I'll let him speak to that.

Scott Klossner

So as we spoke about in prior calls, Eric—and thanks for the question, because it's really pertinent to this Q2, to the Q2 results, when we market, we are specifically looking towards three things.

One is that we're able to grow effectively, meaning we want that number to grow. And we had amazing results in terms of growth in Q2, and we're really excited about that. Number two is we want to do it at a specific cost. Now that cost is a multiple of our ARPM. So, if you will, we added 175,000 members or so more in Q2 than we anticipated, or at least than the consensus anticipated, I should say. And with that comes a cost, which we recognized in Q2 as well. So it has a short-term push down on our profitability, but with the long-term benefit.

But what we do is we actually buy into those numbers, meaning that if a particular campaign or a particular seasonality may be occurring, you know, there are different seasonalities, both in cost of advertising and in terms of response. And as our awareness grows and we start to acquire different sorts of genres, and the different things within the company grow, and the changing demographics out there, if we're buying into those specific numbers, you may see that number adjust. So if we're seeing great conversion on a campaign, we're going to spend more heavily into that, which will increase our growth, but do so at a good cost from a GAAP perspective and in a cash-efficient manner. Both of those things have to be true for us to continue to spend hard. And if they are, you'll see the ebbs and flows as they go.

We may see, you know, August, Q3, is a little bit of a slower quarter for us. So if we're not converting, we may pull back on our spend some, which will slow our growth. But as long as we can efficiently convert, we will continue to do so.

Neal, did you want to add something?

Neal Harmon

Well, I think you've done a great job with the team as far as having discipline in the costs, but also prioritizing, drawing into our huge total addressable market.

I wanted to just talk about two things, Eric, from a big picture standpoint that were breakthroughs for us this quarter. So one is that we developed internally our own system, we call it the ad factory, and another one called the creative studio, that has enabled a new level of scale for our marketing efforts and more granularity, by using AI tools to help us launch and iterate on ads for this growing number of titles. You saw how much we're ahead of schedule on the number of titles for this year that we've released, and that's been made possible, and we're able to take advantage of those opportunities, because of this new technology that we've developed here internally. So that's been a big breakthrough for us.

The second thing is that we've tracked through a third party a question about basically aided awareness: which of these streaming services do you recognize, with Angel's name included in that question. And we've gone from around 8% a year ago to 14.9% in our last survey. So the overall awareness of Angel is growing. Our marketing becomes more effective as people become aware of Angel, and that Angel actually has a streaming service as part of the platform. The community, the streaming service, the theatrical campaigns are all part of the Angel platform that are helping grow our mission. But those kinds of breakthroughs, where we have that kind of basic awareness here in the U.S. double in a year, it's a pretty big deal for us. And I just wanted to talk about those things from a big picture standpoint.

Eric Handler

That's very helpful. And then secondly, the last two quarters you've seen some nice upside from the content licensing line. Now, it's a bit small, but can you talk about what sort of triggers the content licensing deals for AVOD? Is it licensing out content to other streamers? What goes into that?

Neal Harmon

That's a great question. So if you look through the life cycle of an Angel original like Young Washington, which had a great release, it goes to theaters in the first place. After theaters it becomes available for Angel Guild members, and it becomes available for premium video on demand, where we have direct relationships with Amazon, Apple, Fandango and other providers, where people can essentially rent or buy the title to watch at home while it's in theaters for, you know, 24 or 25 bucks or something like that. And that goes into the content licensing category.

There was a recent announcement, we're trying to grow the notoriety of the David IP, and we licensed the title to Netflix, which hit number one on Netflix, and which was very, very exciting, because there are tens of millions that are now being exposed to the David intellectual property. That also falls into content licensing. We've done deals with Prime and with Peacock, and Solo Mio was just released on Hulu, we licensed that to Disney. And so all of these fall in the content licensing category.

Eric Handler

Thank you.

Operator

Thanks, Eric. Your next question comes from Drew Crum with B. Riley. Please state your question.

Drew Crum

Okay, thanks. Good morning, everyone. Scott, the business has demonstrated some nice year-to-date gains on adjusted EBITDA, and I guess in order to achieve your annual guidance, you need to increase the year-on-year improvement more substantially relative to the first half. So can you address what the swing factors are in the second half to delivering that target?

Neal Harmon

Can I just interject real quick before Scott jumps into the answer, and Scott's the right one to answer that, but I just want to reiterate something from the big picture. So when it comes to adjusted EBITDA, and this is what Scott talked about: we have a customer lifetime value, and then we have a customer acquisition cost, and then we have a monthly average Guild member revenue. Angel is in growth mode today. We have a large total addressable market and we are growing as fast as possible in a cash-efficient manner, where we can control our own destiny. The size of the market is so large that we are very focused at the company on just reaching a larger and larger and larger section of that market. And then I'll let Scott speak to the specifics of the financials.

Scott Klossner

So keep in mind, we added approximately 600,000 members to our ranks in the first half of the year, and we did so at a negative 7.7 adjusted EBITDA number. And if you look at the current number that we post, it's approximately 2.85 or 2.86—2.88, rather.

Right now, as we continue to buy into that growth, we're not anticipating, for example, we could stop growing right now and we would massively change our adjusted EBITDA guidance. But because we are in this growth mode and we continue to spend into that number, we anticipate for the rest of the year to be at a slightly negative adjusted EBITDA number based on the growth expectation we're having. If we don't, if we were to stop at 2.88 where we're at today, and at the end of the year we would be at a, you know, from a profitability standpoint, we'd look far, far better. And you'd be asking us why we didn't take advantage of growth in the second half.

And so the reality is that we are going to continue to grow as long as we can do so at the numbers that we're experiencing at this time, which, according to our calculations, would put us still south of a negative 25, meaning less than negative 25 adjusted EBITDA. And if it's better than that, one of two things happens. One is that we slowed growth because we weren't seeing the numbers coming back to us in terms of targeting efficiency on a cash basis. And or, secondly, we're starting to see things like a massive theatrical hit that may make a difference to some degree, or we get a great downstream deal we weren't anticipating.

But the business is fairly scientific. As long as we're growing and we can do so at the numbers we're looking at right now, and we keep literally on a daily basis adjusting one way or another. We've got this massive TAM we're going after and we're going to grow as quickly as we can with our current balance sheet. We're not expecting to raise cash to do this. We believe we can grow now. Down the road, we may say, hey, we can bring an even greater result if we have some more cash, and we might say let's go ahead and raise some funds next year or the year after, sometime down the road. But right now, based on our current balance sheet and our current growth expectations, we're continuing to spend into that.

The only real swings, I would say, that would occur, like I said, would be that for some reason growth were to slow, which we don't anticipate; and or, secondly, that there is another revenue stream that came on that we weren't expecting that was higher than what we were expecting, like a box office hit of some sort. Otherwise, I would say we added 600,000 members with a negative 7.7 million adjusted EBITDA. If that were to happen again in the second half, I think everybody would be really pleased.

Neal Harmon

Yeah. And we've got the balance sheet to exceed consensus expectations for Angel, for sure.

Drew Crum

Okay. And then maybe a follow-up, Neal. As you think about extending into new genres to pursue breakout hits, Obsession and Backrooms, that were spawned through popular YouTubers and that seem to appeal to younger audiences, for your business, do you see that as a white space opportunity? Thanks.

Neal Harmon

Yes, that's a great question. And those were perhaps not Angel's titles, but they were good examples of community getting behind a particular launch of a film for a specific YouTuber and kickstarting the release of those films.

What's powerful about Angel's model is that rather than being based on a YouTuber or a specific film or brand, it's based on the trust of the community for the Angel brand, because all Angel titles are selected by the Angel Guild members. And as people grow to trust the brand and our Guild grows in size, our releases will get bigger and bigger and bigger. So we think those are great examples of the anatomy of a successful release. It's just that we've built an economic model that takes advantage of that.

It's one thing to go and have a flash in the pan box office, and then when you're done, you have to start over again and release another title with another YouTuber. But with Angel, we have this defensible community that gets increasingly difficult to replicate, where we're able to deliver those kinds of results over and over and over again. And occasionally we'll have a title that, once it gets kickstarted by the community, it'll catch fire in the greater market and it'll do something like what David or The King of Kings or Young Washington or Sound of Freedom did. And that's great. That helps us reach new audiences and build the size of that community to a larger community.

Now, when it comes to actually working with YouTubers, we do have some specific efforts and projects and technologies we've been developing to make it easier for people who have YouTube followings to get involved at Angel. And we think that's going to be an important part of the future.

Drew Crum

Okay, all right. Thanks, guys.

Operator

Thanks, Drew. Your next question comes from Thomas Forte with Maxim Group. Please state your question.

Thomas Forte

Okay, all right. So Neal, Scott, congratulations on the quarter. I have a statement and then a long two-part question, and I'll say it all at once. So, first off

Neal Harmon

Objection, compound question. No, just kidding.

Thomas Forte

First off, it was an honor and pleasure to watch Young Washington in the movie theater with my family on the 4th of July to celebrate America's 250th. So thank you for that.

And then second, Neal, you discussed this in your prepared remarks, but I wanted to ask the following. I think there's a lack of understanding by investors on how Angel Studios makes money, including a misunderstanding of the role theatrical releases play in the strategy. I think investors believe Angel Studios is trying to make money on its theatrical releases, otherwise, why else would you spend the time and effort to do that? I think you're clear in communicating that the theatrical releases are a means to market your subscription video on demand service and increase your membership. But I think investors still expect you to at least try to make money on the theatrical releases. So I'd appreciate your thoughts on that.

And then lastly, I think there's a structural challenge for the company to overcome, and I would appreciate your thoughts on the following. I think most investors think theaters and theatrical releases are going the way of the dinosaur. So why do you feel differently? Okay, I want you to start answering with my first one, Neal.

Neal Harmon

Okay. These are great questions, both around theatrical, and give me an opportunity to speak to those points.

So, of course, Angel is going to execute on every single theatrical release with the utmost marketing efficiency and with the intent that they will hit their marks and become profitable ventures. And we've had that happen a number of times, where films have made a profit in the box office. And we celebrate those films when they give a return in the box office. That's a great, great success.

But building a business model around that is like going to Vegas to try to make money, you've got to be at the table over and over and over again for a long time to be able to make money. And we just don't want to operate with our livelihood dependent upon that business alone. Now, that said, we do it really, really well. The Media Odyssey podcast said that for 2023 through 2025, we were the highest average per-title box office of all distributors of independent films. So our model is working; we're becoming more and more successful at the box office, and we intend to do so moving forward.

The box office has a couple of other unique things about it. We've got a younger generation who's growing up and they're kind of sick of living on their phones. I mean, some people are addicted to their phones, but they are hungry for in-person experiences. They're hungry to meet new people. And so we are very intentional at Angel about building the brand around being together in person. So we have Guild premieres, we have Guild screenings, we have these large theatrical events. And we actually show, when people are checking out with their seats, where Guild members could be sitting, so they can sit next to a Guild member and get to know somebody new. And that's community. The strongest brands in our world today are built on a mixture of digital and physical experiences. And so that's going to be really important.

And the numbers bear this out. When I was on a panel, I mentioned this before, but I was on a panel with the IMAX CMO and I think the CFO of Cinemark. The IMAX CMO said that their biggest demographic and fastest growing is Gen Alpha,and then the Cinemamark CFO said Gen Z is the fastest growing among the theatrical population. So those are the young people. And they go to movies more, and increasingly more than other people do. And so this story that cinema is dying doesn't bear out in the numbers. Young people are going, which is the future of the cinema. And people are increasingly wanting that in-person experience.

And so at Angel we're leaning in for the long term, because it's such a growth driver for the Guild community. And then I'll just add that really great talent wants to be on the silver screen. And so we're able to get talent to participate in Angel's ecosystem that wouldn't otherwise do so.

So thanks for those questions, Tom. Do you have any follow-up?

Scott Klossner

Can I just make one point? I think it's really important. So, Tom, we read your guys' analytics reports around the theater chains, the IMAXes, Cinemarks, etcetera. And as I look at them, it looks like those that are doing it right are seeing growth in their returns. It's a different world and you have to address it differently. And I think what you're seeing is an evolution, perhaps, of the way that the theaters present their value proposition to their customers. And it's going to change, but I don't believe it's going away.

You know, malls did the same thing back in the day, they had to adjust and there was consolidation. But at the same time, in some places retail is still a real thing. It's not going away. We believe that theaters are still going to continue to thrive. It may be a little bit differently. Maybe there will be consolidation. But we believe in the fact that people are searching for great storytelling and they like it in different modes. And I think they will continue to see them in theaters. They're going to continue to stream. They're going to, you know, who knows what's next. All we know is that it's all about giving value to that customer at the end of the day.

Thomas Forte

Awesome. Thank you, Neal. Thank you, Scott, for taking my questions.

Operator

Your next question comes from Jason Helfstein with Oppenheimer. Please state your question.

Jason Helfstein

Hey, everybody. A few questions. The first: if I'm doing the math right, I think your Guild contribution margin in the first half was something like 38%, which is obviously positive and meaningfully better than last year. I guess as you think about the seasonality between the first half and the second half, how do you generally think about that marketing efficiency? How does it move? Do you generally have higher or lower contribution margins in the first half versus the second half? And I've got a few more.

Scott Klossner

Generally speaking, it's not going to change too dramatically. You do see some things happening in Q4 in particular, for example, advertising CPMs go up, which makes it more difficult to be as efficient on your marketing spend. At the same time, you have more customers out there looking for entertainment. And so you get a little bit of the benefit of both worlds. So there may be a slight tweak from one period, the first half, to the second half. But if I were to say, it would probably slightly go down in the second half because of the cost of marketing. I don't think you'll see it that dramatically.

Remember, we have a base that we've already acquired and they're the largest component of that revenue number. So that will continue to go forward and you'll just see it in the growth. In terms of contribution margin, our pricing is not really changing. You may see some discounting occasionally for a sale that might go on at Black Friday or something, which could have a temporary impact on it, but nothing dramatic, I would say, in the second half. And then, of course, we've got seven theatrical releases in the second half of the year and three in the first half, which those tend to change the margins.

Jason Helfstein

Yeah, that mix is probably the biggest component of the overall contribution, right? And then just help us to that point: on the theatrical revenue side, it's very hard to predict, so how do those seven movies allocate between Q3 and Q4?

Scott Klossner

Well, we got one released, right? We released Young Washington. It's about $46, $47 million. And so the majority of that, I mean, the theatrical for that is going to be recognized in Q3. And then we should, you know, we'll have The Brink of War and Runner for this quarter, and then the next quarter we've got Hershey and Angel And The Badman and Drummer Boy, that will come out early enough to start recognizing revenue. And then Zero A.D. is going to mostly get pushed, well, it is December 11. So Q4 should be pretty strong, assuming that we have some good releases. But both quarters, we're going to have a lot stronger theatrical revenues than we did in Q2. Q2 is a bit of an anomaly.

Jason Helfstein

And then, I don't think anyone's talking about it, but the transfer of the 10 million super-voting shares to the Angel Machine, maybe talk a bit about that and how public investors should think about how it impacts them. And then I've got one last technical follow-up.

Neal Harmon

It's been kind of fun, because we're releasing the movie Hershey. At the same time, we learned about Milton Hershey setting up a trust for the Hershey Company, and the trade-offs for a company whose voting is controlled by a trust in the public markets. But the Hershey Company has replaced their board and management team twice, it is our understanding, because they got off mission, or tried to sell the company, or do something that was not in line with their original mission. But the interesting thing, from a public investor's side, is if you go compare Hershey to other companies from that era, they've outperformed the rest of the market. So being mission-driven can also have great returns.

And our goal for this was, you know, we loved the Disney brothers growing up. My mom read us stories about them, and we went through a big lawsuit with the Disney company. And it just felt like the company lost its way after the founders were gone. So we studied as much as we could about companies like Patagonia, Hershey, Rolex and others, talked to a lot of people to figure out how to do this and try to maintain the mission of Angel beyond our tenure. And our hope is that we've got this set up as wisely as possible and that it bodes well for the future returns of the company by staying true to the original mission of Angel.

Jason Helfstein

I am just glad you got to the merger that I think have to be consummated by October 31st of this year, the two mergers: Wingfeather Saga and Tuttle Twins. So can you just remind us the impact on the balance sheet, cash flow statement, etcetera? Thanks.

Scott Klossner

Yeah. So there's multiple impacts from them. So there are approximately ten-ish million shares that are being issued, maybe a little less, that will be issued in conjunction with those acquisitions. They are two of our biggest performing titles we have on the platform, and some of the highest royalties that come from Angel. So we've done a really intensive sort of analysis of the benefit to our bottom line by acquiring them. And we think that they're both accretive to the company in terms of the bottom line, vis-à-vis what the cost of the acquisitions can be for the company. So yeah, we've got both of those in play and they should be, you know, like you said, we've got a timeline to get those done as soon as possible at this point in time. But we're excited about that opportunity and what that's going to do for the bottom line at Angel.

Jason Helfstein

Appreciate all the color.

Scott Klossner

You bet, Jason. Thank you.

Operator

Your next question comes from Eric Wold with Texas Capital. Please state your question.

Eric Wold

Thanks. Good morning. Just a couple of questions. I guess, one, any additional insight into the theatrical slate for '27? I know you've announced a handful of titles confirmed already, so I'm not necessarily asking for title names, but just maybe talk about the pipeline that you have that you're working through for '27. And would you expect a similar number of titles next year as this year, with the cadence being similarly back-weighted next year? Or do you think it'd be more even, based on what you can tell at this point? And then one more question.

Neal Harmon

Yeah. So, 2027 theatrical titles: we would expect to have a similar release quantity in 2027 as we had in 2026. There may be opportunities where we decide to take it to a release a month, but we haven't made that decision yet. In terms of timing, I wouldn't want to speak to whether we're going to weight it as heavily on the back end until we actually make the announcements.

Eric Wold

Got it. Understood. And then, what are the benefits you talked about with the growth in the content library this year? The content library has obviously been making the value proposition for a new member that much higher, in terms of why they'd want to become a member and subscriber. I know churn is not something you gave, but is there any way to kind of frame, as generally as you've laid out, how you've seen your churn hopefully improve, and how that's going to change throughout the year as the content libraries increase? It's such that the need to grow the subscriber base at this growth rate is not as dependent on new subscribers as that churn number gets better.

Neal Harmon

Yeah. So this back catalog strategy has some real benefits to Angel on an economic level and from a Guild member value proposition. But we've also developed, I mentioned the ad factory and the creative studio, and those things are helping us scale up marketing around these titles in a way that hasn't been possible before. So we're not only getting watch time and some retention benefits from these titles, but we're actually finding back catalog titles that are little gems that didn't get a proper marketing push in the day, didn't find the right audience for them. And we're finding that audience. So this is really a scalable value proposition for us from a retention side and an acquisition side.

We are seeing improvements in retention from cohort to cohort year over year. And we're learning the seasonality of retention, and we're learning the strength of our people who have been with us over a year. And it's very exciting.

Scott Klossner

I would just add one more thing: this is almost like our acquisition strategy on a daily basis. We are constantly testing and tweaking different things to help with our retention numbers, and many of them are the ones which Neal just mentioned. Even though we're not necessarily giving out churn numbers or retention numbers at this point in time, we can tell you that they're improving. The metrics that enhance retention are improving. We've seen watch times continue to go up, especially as we add more titles and continue to create more variety within our offering. And at this point in time, we're learning a lot about what retains the customer, and it's hard to point to one thing and say it's because of this or it's because of that. But we are doing constant testing and we're seeing the fruits of that effort.

Neal Harmon

There is one thing that we consistently see, and we've mentioned it on previous calls: if we can get the right first title to the viewer and the right second title to the viewer, those are the largest predictors of high retention. And I think it's since the last call, we've built our entire Discovery team and hired an expert in machine learning to help us with that. And we've seen gains across the board, particularly because we brought in some new genre titles and new audience titles that might not be traditional for Angel. And then we were able to quickly, with these technologies, find the titles in our library that will then be the next best titles for somebody to watch. And as our library grows, this data opportunity is growing as well. So think of it as just more data points, more opportunities to merchandise great stories to an increasingly diverse set of audiences, that is enabled by this back catalog license strategy.

Operator

Your next question comes from Ryan Meyers with Lake Street Capital. Please state your question.

Ryan Meyers

Yeah, just as a follow-up to the last question, just want to make sure I understand it correctly. Scott, you said you guys are still not giving the membership retention numbers, but they are, in fact, improving. Just really any detail that you can provide us with on that, year-over-year improvement, what exactly is improving, and how we should think about that?

Scott Klossner

So we've seen significant improvement in the points that Neal brought up, we know some of the things that improve retention. So we're seeing greater watch time, longer watch times, more engagement by our audience. And we are seeing voting. We are making adjustments in the way we vote. We've seen adjustments in the way that we discover and deliver the different things to the customer, and seeing how they're responding to them.

So, I mean, we're not currently, like we said, giving those numbers out at this point in time, in large part because we're in a growing phase of the company and those numbers may gyrate a little bit from one quarter to the next. And there is some seasonality in terms of retention that occurs. And the older your customer base, not meaning age-wise, but in terms of how long they've been with the company, as that continues to expand: we're now three years that we've had the platform streaming in the way that it is, with the Guild growing. And as the Guild grows over three, five, six, seven and eight years, when you have a customer that stays with you, one of the things that is for sure is that if your customer stays with you over a year, or nine months, that is sort of where the real dropoff or the real boon takes place, they just don't ever leave you. They stay. They bought into what you're offering. They like it. They're part of your customer base, your membership, your community. And we'll see that continue to grow.

So the more of these customers or Guild members that we can push into the nine-month or beyond, we keep them there. We're testing that. We're seeing that number also improve. So those things are improving over time and we'll continue to see that going forward. As we get bigger, it's such a key metric. Again, one of the things that you would see is that if it went the other direction, you would see a lack of efficiency in the way that we're acquiring members, because it would become more and more difficult just to replace those. So it's a large component of the efficiency at which we're growing the membership right now.

Ryan Meyers

Got it. And then lastly, just wondering if you can kind of help bridge the gap between Guild membership quarter over quarter and Guild revenue quarter over quarter. Looks like the actual membership base increased 18% or so, and then the actual Guild revenue I think was around 9%. Can you just walk us through, was it just timing, pricing, different promotions? Just kind of help us understand the difference there between the two.

Neal Harmon

Yeah. So one of the exciting things we did last quarter was we started getting really transparent about the Guild membership and reporting on a regular basis. So if you've been following that, or anyone who has been following that has seen, a lot of our growth in Q2 came in the latter part of Q2. And so while we grew 99, almost 100% year over year in Q2, we grew 94% in revenue. And that's just because if you back-weight some of the growth to the end of the quarter, then you only have so many days to recognize revenue. So the revenue growth, for all that growth, you will lag a little bit just based on the timing at which they join during the quarter.

And I forgot the second part of the question. What was the second part of the question, Ryan?

Ryan Meyers

No, Neal, that helps. It really just comes down to timing. So I think you answered it adequately. So thank you for that.

Scott Klossner

Revenue recognition requires us to recognize the revenue based on how many days they were with us in the quarter. And so if they're with us one day, we'd get one day's worth of benefit for them, even though they're paying for a monthly membership. So in the next month you'll see the full benefit. So because we had it back-weighted, as Neal said, we had real heavy growth in the last half of the quarter.

Neal Harmon

I remember you made a little comment about promotion. We did, we did the America 250 promotion, and Scott spoke to that on the call. So that was the largest contributor to the six-cent drop in average revenue per Guild member.

Scott Klossner

Yeah. So, definitely worth the investment to take advantage of that opportunity. And as I mentioned earlier, it was also a huge benefit to annual memberships. We had a big spike in annual memberships, which pushes that ARPM number down as well slightly. And annual memberships do really well on retention, too.

Ryan Meyers

Got it. Makes sense.

Operator

Your next question comes from Michael Grondahl with Northland Securities. Please state your question.

Michael Rekor

Hey, this is Michael Rekor filling in for Mike Grondahl. Congrats on a great quarter. Just wanted to ask: with about 2.8 million members today, what does the path to five or 10 million look like? Is this going to be primarily through theatrical releases, or are you considering new channels and potentially international exposure? Thanks.

Neal Harmon

Yes, yes, I mean, that's the short answer. We're at 2.88 million Guild members today, which is surpassing what consensus expected for this year. And we did that with only negative 7.7 million in adjusted EBITDA. That's a huge win. It took a couple of breakthroughs around the ad factory, awareness and promotion in order for us to get there. And we're optimistic about the second half of the year, but also realistic that that is going to require some innovation to keep that up this year.

But 5 million Guild members, we're thinking in the tens of millions of Guild members when we're thinking about attacking this TAM. As soon as we're profitable or free cash flow positive, we'll be leaning into a couple of international markets. And that's around the corner for us.

So, huge TAM. Getting to 5 million members, we're thinking more about how do we get to the tens of millions of members right now, and what kind of breakthroughs we're going to have. Like, 5 million members is just a given. We're just on that trajectory, just by keeping the cost controls in place. Everything's just going to happen. We're not giving guidance on when it's going to happen, but we're optimistic. And because we're seeing the scale of what Angel is creating right now, you know, a lot of people see us as niche. And I think the markets are going to start understanding that Angel is a lot broader than they were expecting.

Scott Klossner

Yeah, I would add, this is really important. We have a path to 5 million with our current balance sheet based on the returns that we're seeing currently on our marketing spend. And so if we stayed on the current trajectory, we would get to 5 million without adding additional revenue streams, and without necessarily going international at some point in time, which all those things are a ways away. I would say when you think about international, I would think far beyond 5 million. And as you think about, if we do end up doing some live, in-person activities, if different revenue streams become available that we embrace, I would find those as being additive to our number.

Operator

Thank you. And those are all the questions we have from the line. Now I'd like to send it back to Neal Harmon for closing remarks.

Neal Harmon

The most important thing we demonstrated this quarter wasn't simply that Angel can grow, or that we are growing more efficiently. It's that growth makes Angel better.

Not just bigger. Better. More efficient. More valuable. More difficult to replicate.

That's what great platforms do. They don't simply add customers. Every new customer makes the platform stronger.

We believe that's exactly what we're building. And that's why we're excited about what the second half of this year can bring, and even more excited about where Angel can be a decade from now.

Thank you for joining us on the journey.

Operator

That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation.