
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): November 6, 2025

Direct Digital Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-41261
(Commission
File Number)

87-2306185
(IRS Employer
Identification No.)

1177 West Loop South, Suite 1310
Houston, Texas
(Address of principal executive offices)

77027
(Zip Code)

Registrant's telephone number, including area code: (832) 402-1051

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.001 per share	DRCT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act") (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On November 6, 2025, Direct Digital Holdings, Inc. (the “**Company**”) issued a press release announcing its financial results for the three and nine months ended September 30, 2025. A copy of the press release is furnished herewith as Exhibit 99.1 to this report and is incorporated herein by reference.

Also on November 6, 2025, the Company held its previously announced earnings call regarding its unaudited financial results for the three and nine months ended September 30, 2025. A transcript of the earnings call is furnished herewith as Exhibit 99.2 and is incorporated herein by reference.

The information provided in Item 2.02 of this report, including Exhibits 99.1 and 99.2, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by Direct Digital Holdings, Inc., dated November 6, 2025.
99.2	Transcript of earnings call held November 6, 2025.
104	Cover Page Interactive Data File (embedded within Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

November 14, 2025
(Date)

Direct Digital Holdings, Inc.
(Registrant)

/s/ DIANA P. DIAZ

Diana P. Diaz
Chief Financial Officer



Direct Digital Holdings Reports Third Quarter 2025 Financial Results

Buy-side Revenue Increased 7% in Q3 2025 Compared to Q3 2024

Consolidated Revenue Decreased 12% in Q3 2025 Compared to Q3 2024

Reduced Operating Expenses by 15% in Q3 2025 Compared to Q3 2024 and 20% for the First Nine Months of 2025 Compared to the Prior Year

Houston, TX, November 6, 2025 -- Direct Digital Holdings, Inc. (Nasdaq: DRCT) ("Direct Digital Holdings" or the "Company"), a leading advertising and marketing technology platform operating through its companies Colossus Media, LLC ("Colossus SSP") and Orange 142, LLC ("Orange 142"), today announced financial results for the third quarter ended September 30, 2025.

Mark D. Walker, Chairman and Chief Executive Officer, commented, "We focused more resources on our profitable buy-side segment, resulting in continued growth in this segment during the quarter, where revenue increased 7% over the prior year period to \$7.3 million and contributed the majority of consolidated revenue. Our efforts to improve operational efficiency and our cost savings initiatives implemented in 2024 have consistently resulted in meaningful expense reductions throughout 2025, totaling \$4.5 million of savings or an approximately 20% decrease in expenses year to date.

"On the sell side of our business, which we believe will take time to turnaround, revenue was impacted by lower than anticipated impression inventory and engagement levels. The third quarter brought fundamental changes to the supply side platform ("SSP") landscape, demanding greater adaptability in our rebuild strategy, which we are addressing.

"While this past year has presented significant challenges, it has also accelerated our efforts to evolve into an AI-first company — streamlining workflows, enhancing capabilities, and driving measurable improvements in cost, efficiency, and productivity. We're aggressively deploying AI across internal analytics, decision-making, and optimization, while developing new customer solutions including agentic features that leverage our 200 billion monthly impressions. Our priorities remain clear: build a more diversified and durable platform for long-term growth and deliver effective solutions to our underserved small and mid-sized partners," Mr. Walker continued.

Keith Smith, President, commented, "As we continue to re-align our business model, we remain agile in our approach to securing new partners and opportunities, while expanding our relationships with our existing client base. From a liquidity perspective, we continue to explore strategic opportunities to support key growth initiatives and drive long term value for our shareholders."

Third Quarter 2025 Highlights

- Processed approximately 192 billion average monthly impressions through the sell-side advertising segment.
- Number of sell-side advertisers increased over 5% compared to the third quarter of 2024.
- Buy-side advertising segment served about 220 customers in the third quarter of 2025.
- Buy-side advertising revenue for the third quarter of 2025 included \$2.1 million from customers in new verticals, reflecting the Company's ongoing expansion efforts.
- Continued to consider strategic opportunities to support key growth initiatives and drive long term value for shareholders.

Third Quarter 2025 Financial Results

- Revenue of \$8.0 million decreased 12% compared to \$9.1 million in the third quarter of 2024.
 - Sell-side advertising segment revenue of \$0.6 million decreased as compared to \$2.2 million in the third quarter of 2024, primarily related to a decrease in impression inventory when compared to the third quarter of 2024.
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- Buy-side advertising segment revenue of \$7.3 million increased 7% compared to \$6.9 million in the third quarter of 2024.
- Gross profit was \$2.2 million, or 28% of revenue, compared to \$3.5 million, or 39% of revenue, in the third quarter of 2024.
- Operating expenses of \$6.1 million decreased approximately \$1.0 million, or 15%, compared with \$7.2 million in the same period of 2024.
- Operating loss was (\$3.9 million), compared to operating loss of (\$3.7 million) in the prior year period.
- Net loss improved to (\$5.0 million) or (\$0.24) per basic and diluted share compared to net loss of (\$6.4 million) or (\$0.71) per basic and diluted share in the third quarter of 2024.
- Adjusted EBITDA⁽¹⁾ loss was \$3.0 million in the third quarter of 2025 compared to a loss of \$2.9 million in the third quarter of 2024.
- As of September 30, 2025, the Company held cash and cash equivalents of \$0.9 million compared to \$1.4 million as of December 31, 2024.

Nine Months Ended September 30, 2025 Financial Results

- Revenue of \$26.3 million decreased 51% compared to \$53.2 million in the first nine months of 2024.
- Sell-side advertising segment revenue of \$5.2 million decreased 84% compared to \$33.0 million in the first nine months of 2024, primarily related to a decrease in impression inventory when compared to the prior year period.
- Buy-side advertising segment revenue of \$21.1 million increased 5% compared to \$20.2 million in the same period of 2024.
- Gross profit was \$8.2 million, or 31% of revenue, compared to \$14.4 million, or 27% of revenue, in the first nine months of 2024.
- Operating expenses of \$18.4 million decreased \$4.5 million, or 20%, compared with \$23.0 million in the same period of 2024.
- Operating loss was (\$10.3 million), compared to operating loss of (\$8.5 million) in the first nine months of the prior year.
- Net loss was (\$15.1 million) compared to net loss of (\$13.3 million) in the first nine months of 2024.
- Adjusted EBITDA loss was (\$7.4 million) in the first nine months of 2025 compared to a loss of (\$5.9 million) in the first nine months of 2024.

During the quarter, the Company announced the issuance of \$25 million of a new series of Series A Convertible Preferred Stock, at a premium conversion price of \$2.50 per share of Class A Common Stock. The investment was made through the conversion of a portion of existing debt into the new class of perpetual convertible preferred stock. The preferred stock is redeemable in whole or in part at the Company's direction, votes on an as-converted basis with the Class A common stock, and carries a 10% cumulative annual dividend payable if, as and when declared by the Company's board of directors.

On October 14, 2025, the Company issued an additional \$10 million of Series A Convertible Preferred Stock. At the end of October 2025, the Company expanded its Equity Reserve Facility by 50 million shares approved by stockholders to a total facility amount of \$100 million. Since November 2024 when the program launched through September 2025, the Company has raised \$8.9 million through the Equity Reserve Facility.

Diana Diaz, Chief Financial Officer, commented, "We are encouraged by the growth we are seeing from our buy-side business, particularly as we move into the fourth quarter which we expect to be stronger than the fourth quarter of last year. On the sell-side, we continue to face challenges but are focused on our efforts to rebuild to our prior levels, targeting new customers and developing new product offerings, including offerings that leverage both sides of our business and benefit our customers. Finally, we continue to demonstrate progress reducing operating expenses, creating a more efficient organization as we execute our strategy to return the business to growth and profitability."

Conference Call and Webcast Details

Direct Digital will host a conference call today, November 6, 2025, at 5:00 p.m. Eastern Time to discuss the Company's third quarter 2025 financial results. The live webcast and replay can be accessed at <https://ir.directdigitalholdings.com/news-events/ir-calendar>. Please access the website at least fifteen minutes prior to the call to register, download and install any necessary audio software. For those who cannot access the webcast, a replay will be available at <https://ir.directdigitalholdings.com/>.

Cautionary Note Regarding Forward Looking Statements

⁽¹⁾ "Adjusted EBITDA" is a non-GAAP financial measure. The section titled "Non-GAAP Financial Measures" below describes our usage of non-GAAP financial measures and provides reconciliations between historical GAAP and non-GAAP information contained in this press release.

This press release contains forward-looking statements within the meaning of federal securities laws that are subject to certain risks, trends and uncertainties. We use words such as “could,” “would,” “may,” “might,” “will,” “expect,” “likely,” “believe,” “continue,” “anticipate,” “estimate,” “intend,” “plan,” “project” and other similar expressions to identify forward-looking statements, but not all forward-looking statements include these words. All of our forward-looking statements involve estimates and uncertainties that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to the information described under the caption “Risk Factors” and elsewhere in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the “Form 10-K”) and subsequent periodic and or current reports filed with the Securities and Exchange Commission (the “SEC”).

The forward-looking statements contained in this press release are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this press release, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance expressed in or implied by the forward-looking statements. We believe these factors include, but are not limited to, the following: the restrictions and covenants imposed upon us by our credit facilities; the substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing; our ability to secure additional financing to meet our capital needs; our ineligibility to file short-form registration statements on Form S-3, which may impair our ability to raise capital; our failure to satisfy applicable listing standards of the Nasdaq Capital Market resulting in a potential delisting of our common stock; costs, risks and uncertainties related to restatement of certain prior period financial statements; any significant fluctuations caused by our high customer concentration; risks related to non-payment by our clients; reputational and other harms caused by our failure to detect advertising fraud; operational and performance issues with our platform, whether real or perceived, including a failure to respond to technological changes or to upgrade our technology systems; restrictions on the use of third-party “cookies,” mobile device IDs or other tracking technologies, which could diminish our platform’s effectiveness; unfavorable publicity and negative public perception about our industry, particularly concerns regarding data privacy and security relating to our industry’s technology and practices, and any perceived failure to comply with laws and industry self-regulation; our failure to manage our growth effectively; the difficulty in identifying and integrating any future acquisitions or strategic investments; any changes or developments in legislative, judicial, regulatory or cultural environments related to information collection, use and processing; challenges related to our buy-side clients that are destination marketing organizations and that operate as public/private partnerships; any strain on our resources or diversion of our management’s attention as a result of being a public company; the intense competition of the digital advertising industry and our ability to effectively compete against current and future competitors; any significant inadvertent disclosure or breach of confidential and/or personal information we hold, or of the security of our or our customers’, suppliers’ or other partners’ computer systems; as a holding company, we depend on distributions from Direct Digital Holdings, LLC (“DDH LLC”) to pay our taxes, expenses (including payments under the Tax Receivable Agreement) and any amount of any dividends we may pay to the holders of our common stock; the fact that DDH LLC is controlled by DDM, whose interest may differ from those of our public stockholders; any failure by us to maintain or implement effective internal controls or to detect fraud; and other factors and assumptions discussed in our Form 10-K and subsequent periodic and current reports we may file with the SEC.

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove to be incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this press release to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances, and we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. New factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them. Further, we cannot assess the impact of each currently known or new factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

About Direct Digital Holdings

Direct Digital Holdings (Nasdaq: DRCT) combines cutting-edge sell-side and buy-side advertising solutions, providing data-driven digital media strategies that enhance reach and performance for brands, agencies, and publishers of all sizes. Our sell-side platform, Colossus SSP, offers curated access to premium, growth-oriented media properties throughout the digital ecosystem. On the buy-side, Orange 142 delivers customized, audience-focused digital marketing and advertising solutions that enable mid-market and enterprise companies to achieve measurable results across a range of platforms,

including programmatic, search, social, CTV, and influencer marketing. With extensive expertise in high-growth sectors such as Energy, Healthcare, Travel & Tourism, and Financial Services, our teams deliver performance strategies that connect brands with their ideal audiences.

At Direct Digital Holdings, we prioritize personal relationships by humanizing technology, ensuring each client receives dedicated support and tailored digital marketing solutions regardless of company size. This empowers everyone to thrive by generating billions of monthly impressions across display, CTV, in-app, and emerging media channels through advanced targeting, comprehensive data insights, and cross-platform activation. DDH is "Digital advertising built for everyone."

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value amounts)

	September 30, 2025	December 31, 2024
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 871	\$ 1,445
Accounts receivable, net of provision for credit losses of \$934 and \$978, respectively	3,594	4,973
Prepaid expenses and other current assets	2,138	2,117
Total current assets	6,603	8,535
Property, equipment and software, net	164	341
Goodwill	6,520	6,520
Intangible assets, net	8,265	9,730
Operating lease right-of-use assets	749	832
Other long-term assets	234	48
Total assets	\$ 22,535	\$ 26,006
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 8,183	\$ 7,657
Accrued liabilities	1,888	1,257
Accrued liabilities - related party	1,875	—
Liability related to tax receivable agreement, current portion	41	41
Current maturities of long-term debt	—	3,700
Current maturities of long-term debt - related party	4,931	—
Deferred revenues	548	507
Operating lease liabilities, current portion	215	188
Income taxes payable	66	—
Total current liabilities	17,747	13,350
Long-term debt, net of current portion, deferred financing cost and debt discount	150	31,603
Long-term debt, net of current portion, deferred financing cost and debt discount - related party	10,667	—
Operating lease liabilities, net of current portion	666	783
Total liabilities	29,230	45,736
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Series A Convertible Preferred Stock, \$0.001 par value per share, 10,000,000 shares authorized, 25,000 and 0 shares issued and outstanding, respectively	—	—
Class A Common Stock, \$0.001 par value per share, 160,000,000 shares authorized, 16,675,005 and 5,450,554 shares issued and outstanding, respectively	17	6
Class B Common Stock, \$0.001 par value per share, 20,000,000 shares authorized, 9,575,500 and 10,868,000 shares issued and outstanding, respectively	10	11
Additional paid-in capital	14,862	3,769
Accumulated deficit	(16,058)	(8,774)
Noncontrolling interest	(5,526)	(14,742)
Total stockholders' deficit	(6,695)	(19,730)
Total liabilities and stockholders' deficit	\$ 22,535	\$ 26,006

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per-share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues				
Sell-side advertising	\$ 641	\$ 2,202	\$ 5,153	\$ 33,001
Buy-side advertising	7,343	6,873	21,133	20,204
Total revenues	7,984	9,075	26,286	53,205
Cost of revenues				
Sell-side advertising	1,457	2,654	6,946	30,670
Buy-side advertising	4,313	2,907	11,171	8,091
Total cost of revenues	5,770	5,561	18,117	38,761
Gross profit	2,214	3,514	8,169	14,444
Operating expenses				
Compensation, taxes and benefits	3,624	3,526	10,927	12,216
General and administrative	2,501	3,646	7,502	10,757
Total operating expenses	6,125	7,172	18,429	22,973
Loss from operations	(3,911)	(3,658)	(10,260)	(8,529)
Other income (expense)				
Other income	15	99	61	190
Expenses for Equity Reserve Facility	—	—	(198)	—
Interest expense	(1,104)	(1,413)	(4,739)	(4,068)
Total other expense, net	(1,089)	3,887	(4,876)	1,323
Loss before income taxes	(5,000)	229	(15,136)	(7,206)
Income tax benefit	—	6,606	—	6,132
Net loss	(5,000)	(6,377)	(15,136)	(13,338)
Net loss attributable to noncontrolling interest	(2,320)	(3,687)	(7,852)	(9,283)
Net loss attributable to Direct Digital Holdings, Inc.	<u>\$ (2,680)</u>	<u>\$ (2,690)</u>	<u>\$ (7,284)</u>	<u>\$ (4,055)</u>
Net loss per common share attributable to Direct Digital Holdings, Inc.:				
Basic	<u>\$ (0.24)</u>	<u>\$ (0.71)</u>	<u>\$ (0.78)</u>	<u>\$ (1.11)</u>
Diluted	<u>\$ (0.24)</u>	<u>\$ (0.71)</u>	<u>\$ (0.78)</u>	<u>\$ (1.11)</u>
Weighted-average number of shares of common stock outstanding:				
Basic	<u>12,867</u>	<u>3,793</u>	<u>9,855</u>	<u>3,667</u>
Diluted	<u>12,867</u>	<u>3,793</u>	<u>9,855</u>	<u>3,667</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	NineMonths Ended September 30,	
	2025	2024
Cash Flows Used In Operating Activities:		
Net loss	\$ (15,136)	\$ (13,338)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of deferred financing cost and debt discount	3,123	558
Amortization of intangible assets	1,465	1,465
Reduction in carrying amount of right-of-use assets	135	115
Depreciation and amortization of property, equipment and software	215	205
Stock-based compensation	1,079	811
Deferred income taxes	—	6,132
Derecognition of tax receivable agreement liability	—	(5,201)
Provision for credit losses/bad debt expense	6	36
Changes in operating assets and liabilities:		
Accounts receivable	1,373	30,884
Prepaid expenses and other assets	(878)	(394)
Accounts payable	639	(27,474)
Accrued liabilities and tax receivable agreement payable	978	(1,471)
Income taxes payable	66	65
Deferred revenues	41	595
Operating lease liability	(142)	(83)
Net cash used in operating activities	(7,036)	(7,095)
Cash Flows Used In Investing Activities:		
Cash paid for capitalized software and property and equipment	(38)	(17)
Net cash used in investing activities	(38)	(17)
Cash Flows Provided by Financing Activities:		
Proceeds from note payable	3,804	—
Payments on term loan	—	(373)
Proceeds from line of credit	—	6,700
Payments on shares withheld for taxes	—	(551)
Payment of expenses for Equity Reserve Facility	(198)	—
Proceeds from issuance of Class A Common Stock	6,708	—
Payments on line of credit	(3,700)	—
Payments on financed insurance premiums	(114)	—
Proceeds from options exercised	—	92
Proceeds from warrants exercised	—	215
Net cash provided by financing activities	6,500	6,083
Net increase (decrease) in cash and cash equivalents	(574)	(1,029)
Cash and cash equivalents, beginning of the period	1,445	5,116
Cash and cash equivalents, end of the period	\$ 871	\$ 4,087
Non-cash Financing Activities:		
Financed insurance premiums	\$ 291,000	\$ —
Common stock issued for subscription receivable	\$ 525,000	\$ —
Conversion of term loan into preferred stock net of premium	\$ 21,399,000	\$ —
Accrued term loan amendment closing fee	\$ 1,000	\$ —
Funding of interest reserve through debt	\$ 93,000	\$ —
Non-cash funding of debt issuance costs	\$ 78,000	\$ —

NON-GAAP FINANCIAL MEASURES

In addition to our results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), including, in particular operating income, net cash provided by operating activities, and net income, we believe that earnings before interest, taxes, depreciation and amortization, as adjusted for stock-based compensation, expenses for the Equity Reserve Facility and derecognition of tax receivable agreement liability (“Adjusted EBITDA”), a non-GAAP measure, is useful in evaluating our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net income.

In addition to operating income and net income, we use Adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to items such as depreciation and amortization, interest expense, provision for income taxes, stock-based compensation and certain one-time items such as acquisition transaction costs and costs for the Equity Reserve Facility that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Our use of this non-GAAP financial measure has limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our financial results as reported under GAAP. The following table presents a reconciliation of Adjusted EBITDA to net loss for each of the periods presented:

NON-GAAP FINANCIAL METRICS
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net loss	\$ (5,000)	\$ (6,377)	\$ (15,136)	\$ (13,338)
Add back (deduct):				
Interest expense	1,104	1,413	4,739	4,068
Amortization of intangible assets	488	488	1,465	1,465
Stock-based compensation	374	149	1,079	811
Depreciation and amortization of property, equipment and software	71	67	215	205
Expenses for Equity Reserve Facility	—	—	198	—
Income tax expense	—	6,606	—	6,132
Derecognition of tax receivable agreement liability	—	(5,201)	—	(5,201)
Adjusted EBITDA	<u>\$ (2,963)</u>	<u>\$ (2,855)</u>	<u>\$ (7,440)</u>	<u>\$ (5,858)</u>

Contacts:**Investors:**

IMS Investor Relations

Walter Frank/Jennifer Belodeau

(203) 972-9200

investors@directdigitalholdings.com



Direct Digital Holdings, Inc.

NasdaqCM:DRCT

Earnings Call

Thursday, November 6, 2025 10:00 PM GMT

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Call Participants

EXECUTIVES

Diana P. Diaz

Corporate Secretary & CFO

Mark D. Walker

CEO, Co-Founder & Chairman

Walter Frank ANALYSTS

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

Michael A. Kupinski *NOBLE Capital Markets, Inc., Research Division*

Presentation

Operator

Thank you for standing by. My name is Kayla, and I will be your conference operator today. At this time, I'd like to welcome everyone to the Direct Digital Holdings Third Quarter 2025 Earnings Call. [Operator Instructions] I would now like to turn the call over to Walter Frank, Investor Relations. You may begin.

Walter Frank

Thank you. Good afternoon, everyone, and welcome to Direct Digital Holdings Third Quarter 2025 Earnings Conference Call. On today's call are Direct Digital Holdings Chairman and Chief Executive Officer, Mark Walker; and Chief Financial Officer, Diana Diaz. Information discussed today is qualified in its entirety with the Form 8-K and accompanying earnings release which has been filed today by Direct Digital Holdings, which may be accessed at the SEC's website and the company's website. Today's call is also being webcast, and a replay will be posted to Direct Digital's Investor Relations website.

Immediately following the speaker's presentation, there will be a question-and-answer session. Please note that the statements made during the call, including financial projections or other statements that are not historical in nature, may constitute forward-looking statements. These statements are made on the basis of Direct Digital's views and assumptions regarding future events and business performance at the time they are made. We do not undertake any obligation to update these statements. Forward-looking statements are subject to risks, which could cause Direct Digital's actual results to differ from its historical results and forecasts, including those risks set forth in Direct Digital's filings at the SEC, and you should refer to those for more information. This cautionary statement applies to all forward-looking statements made during this call.

During this call, Direct Digital will be referring to non-GAAP financial measures. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. Reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is available in the earnings release that Direct Digital filed in its Form 8-K today. I will now hand the call over to Mark Walker, Chief Executive Officer. Please go ahead, Mark.

Mark D. Walker

CEO, Co-Founder & Chairman

Thanks, Walter, and thank you to everyone joining our call this evening. I'll start by reviewing some of the highlights of our operations and financial results during the third quarter before turning the call over to our CFO, Diana Diaz, for a more detailed look at our financial results. We'll conclude by opening the call for a brief Q&A. We saw another period of encouraging growth in our buy-side segment during the quarter, with buy-side revenue increasing 7% to \$7.3 million, which represented the majority of our consolidated revenue. Subsequent to the close of the quarter, we announced the first of its kind partnership between Orange 142, our buy-side subsidiary and ReachTV, an award-winning streaming network for live sports and lifestyle content reaching over 50 million travelers per month. This partnership combines the data-driven scale of ReachTV's travel media networks with Orange 142's media planning, buying and performance marketing expertise. Providing our buy-side business with new inventory and valuable data targeting segments.

Together, we're simplifying how brands reach the connected traveler through a scalable model that unites data, content and context to drive measurable results for travel and tourism marketers. During the third quarter, our sell-side revenue was negatively impacted by lower-than-anticipated impression inventory and engagement levels as we continue working to rebuild publisher relationships and onboard new customers.

However, we're taking a differentiated approach to this rebuild, one that leverages our unique position as one of the few companies operating at scale on both sides of the programmatic ecosystem. We're developing integrated solutions that combine our supply-side platform technology capabilities with Orange 142's demand-side marketing expertise, creating a full stack offering for clients.

This dual approach can deliver tangible cost savings to customers by streamlining the programmatic supply chain while also allowing us to capture incremental margin that wouldn't be possible with the single-sided model. We're currently in alpha testing with select clients generating revenue, which fueled our quarter-over-quarter increase in buy-side revenue and early feedback has been positive. We believe this strategy positions us to grow company revenue in a more sustainable and profitable way. As many of you already know, over the last year, we faced considerable external challenges related to our sell-side business, Colossus SSP that resulted in the restructuring of teams and rethinking how we operate.

A silver lining of this is that it accelerated our adoption of AI for the sell side of our business. Today, we're leveraging AI to drive innovation and agility to better position ourselves to win new opportunities. And though we're still in the very early stages, we're already seeing some encouraging results. Our overall feature set grew by nearly 40% this year, driven by the creation of 10-plus new AI modules that support both internal operations and clients. What once took months can now happen in days, projects that previously required 8 to 9 engineers and nearly a year to build now take a few weeks or less to reach testing.

We've achieved hundreds of thousands in annual savings through automation and streamlined infrastructure. These efficiencies allow us to reinvest more into innovation and client value. These results are driven by our phased approach to building smarter technology. Using AI and real-time analytics, we've optimized how ad requests flow through Colossus. Now we're taking that optimization a step further, moving it to the edge of our infrastructure where requests first enter the system. This shift allows us to eliminate nonperforming traffic before it even reaches our servers, dramatically improving efficiency and reducing costs.

Building on these breakthroughs, we're preparing a new suite of AI tools that will empower our existing clients in ways that weren't possible before while supporting new customers. These are just the first steps in our AI journey, and they've already shaped -- reshaped what's possible for our company. AI now touches every part of how we operate from development and analytics to decision-making and optimization.

Finally, we continue to drive improved operational efficiencies and cost savings. Year-to-date in 2025, we've delivered total reduced operating expenses by \$5.4 million or an approximately 20% decrease in expenses compared to the first 9 months of 2024. So we're seeing meaningful progress [Technical Difficulty] we recognize that this has been a challenging period for our business and our shareholders, and we remain steadfast in our stated goals and strategy to rebuild and grow our business back to the strong year-over-year revenue growth that we drove consistently from 2018 through 2023 prior to the short attack. I will now hand the call over to Diana Diaz, our CFO, who will walk through some of the financial highlights in further detail.

Diana P. Diaz

Corporate Secretary & CFO

Thank you, Mark, and good evening, everyone. I'll now provide a review of our third quarter results. Consolidated revenue in the third quarter of 2025 was \$8 million compared to revenue of \$9.1 million in the third quarter of 2024. Sell-side revenue was \$600,000 in the third quarter compared with \$2.2 million in the third quarter of 2024. The decrease in sell-side advertising revenue was primarily related to a decrease in impression inventory when compared to the third quarter of 2024. Buy-side revenue increased approximately 7% to \$7.3 million compared to buy-side revenue of \$6.8 million in the third quarter of 2024.

Gross margin for the third quarter of 2025 was 28% compared with 39% in the third quarter of 2024. Operating expenses in the third quarter of 2025 were \$6.1 million, a decrease of 25% or just over \$1 million compared with \$7.2 million in the same period of last year. The reduction is primarily related to a decrease in general and administrative costs. Expense reduction is a key strategic initiative for Direct Digital, and we're pleased with the progress that we've made so far. Our long-term goal is to efficiently minimize our cost structure while simultaneously driving growth across our business. Total operating loss for the third quarter was \$3.9 million compared to a loss of \$3.7 million in the same period of last year.

Net loss in the third quarter improved to \$5 million or \$0.24 per share compared to a net loss of \$6.4 million or a loss of \$0.71 per share in the third quarter of 2024. Adjusted EBITDA for the third quarter was a loss of \$3 million, essentially consistent with the adjusted EBITDA loss of \$2.9 million in the prior year period. Now turning to the balance sheet. We ended the quarter with cash and cash equivalents of \$900,000 compared to \$1.4 million as of December 31, 2024. Total cash plus accounts receivable balances as of September 30, 2025, was \$4.5 million compared to \$6.4 million at the end of 2024.

We remain focused on strengthening our capital structure through multiple financing pathways. During the third quarter, we successfully converted \$25 million of existing debt into Series A convertible preferred stock, substantially improving our shareholders' equity position and enhancing our financial flexibility.

This momentum continued after quarter end with an additional \$10 million debt-to-equity conversion completed on October 14, 2025.

We've also enhanced our capital access by expanding our equity line of credit facility to \$100 million, a \$50 million share increase in late October. Since the program's November 2024 inception, we've raised \$8.9 million through this facility and the expansion provides meaningful additional financing capacity to support our strategic objectives. Now I'd like to turn it back over to Mark for some closing comments.

Mark D. Walker

CEO, Co-Founder & Chairman

Thank you, Diana, and thank you to everyone for joining. We appreciate your interest in Direct Digital Holdings, and we would like to now open the call for questions. Operator, please open the line.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Dan Kurnos with Benchmark Company.

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

Mark, obviously, not the sell-side result you were looking for. We had talked about direct integration. There's a lot of noise in DSP [land] right now with Trade Desk basically prioritizing OpenPath, and they're obviously a big DSP partner could be. Do you think Amazon is making a bunch of noise? How do we think about your willingness to kind of pursue the historical business model in direct connect and drive volume from the DSP universe through Colossus. And then subsequently, you talked about this platform approach. Obviously, Orange 142 linking up and keeping everything sort of in the ecosystem makes a lot of sense, but you have to be able to drive both advertiser demand and publisher access and inventory to make the ecosystem grow. So just help us get a little bit more clarity on the thought process there.

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. No, good question, Dan. So we see it as a combination of both. So we think the traditional business model of working directly with DSPs, we still see that as a viable path. We think that some of the Tier 2 DSP partners that are out there are still interested in partnering. And then some of the Tier 1s are still interested in partnering and see that as a viable option. However, for the company and the way that we're viewing our go-forward strategy, more of the ecosystem platform play, we're making more investments going down that path. And that's where we have already started testing and starting to see favorable results and favorable feedback from our clients and doing some level of cost savings that we're able to provide to them. So we think that, that it's going to be for us, multiple revenue streams into the SSP for the go forward, and we're looking for more opportunities and exploring different ways to continue to drive revenue through the SSP that we actually have autonomy to control.

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

And do you have the -- on the -- from the buy-side perspective, we've talked about category expansion, vertical expansion. As you kind of go through this platform approach evolution, it change your go-to-market? Does it change your ability to reach out to the buy side and suggest, hey, you can get better SPO, you can get better yields, you can get better return, ROAS effectively for the buy side anyway by running this platform approach? And how receptive have advertisers been to the new go-to-market?

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. So far, the advertisers have been -- the ones that we're in alpha testing with have been pretty favorable with that approach. And then the test that we've run, they've seen the benefit from a performance perspective and also from a ROAS perspective. So the way that we're viewing it, we've -- it's one side of our business that we've been very strong on, and that is really the revenue generation side for our buy-side business. And so we're going to continue to push towards that where we see the top of the funnel to run more dollars in revenue to the bottom of the funnel. And then for us, maintaining the publisher relationships is important. So we're continuing to focus on that as well.

Daniel Louis Kurnos

The Benchmark Company, LLC, Research Division

And just any color -- additional color you can give us on the Orange 142 and ReachTV partnership. You flagged it. I think it's interesting. It's kind of an adjacent into travel, which you guys already have some tourism there. So I don't know if you would consider that sort of an add-on to where you already are or

if we should be looking for more of these kinds of partnerships in the future where you guys get creative with your platform?

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. The ReachTV partnership, we view that as being strategic in nature. We have roughly about [70] partners that are in the DMO advertising space. And so having a ReachTV with the data platform that they have and also, I would say, the RTM component that they actually have in many of the different airports across the United States and specifically concert that they have, we saw that as being strategic in nature and a real complement to the advertisers that are already buying with us already. So yes, we are planning on continuing to find opportunistic opportunities like ReachTV, but we felt like this one was definitely important for our platform.

Operator

And your next question comes from the line of Michael Kupinski with NOBLE Capital Markets.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

Just a couple of questions. You indicated that there was \$2.1 million in revenue from new verticals in the buy-side in the latest quarter. And if I just extract that revenue out in the quarter, it seems like there's quite a bit of attrition. And I was just wondering if you can maybe provide a little color on where we saw the weakness. Was it particular customers, verticals? Maybe just add some color there.

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. So for us, the way that we viewed it, we definitely are going after new verticals. We're taking a strategy of going after larger customers and purposely avoiding customers that might be a little bit smaller in nature just due to the churn and internal resources that's required to manage. So strategically, we saw it as being valuable to go after different industries and different verticals and go after larger customers in those industries.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

And did those larger customers then have higher margin, I would assume? Or maybe can you give us a flavor on what those larger customers brought to the table?

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. They bring more stability as they are performance-based customers. And so therefore, it's tied directly to results and then we like holding ourselves accountable to deliver on performance. So be a performance-based marketing and be a performance-based clients, we view those as being stickier in the long run.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

Got you. And then in terms of -- obviously, you guys have been aggressively rightsizing the business and focusing on your higher-margin buy-side business. I was just wondering if you can kind of give us your thoughts of when you might see the inflection point towards positive cash flow?

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. Yes. We believe 2026 is going to be a positive cash flow year for us. We continue to find optimization opportunities to reduce costs, specifically around the sell-side. We want to rightsize that business to be

able to baseline it and then return to growth, if you will for that business -- I mean, I'm sorry, for the sell-side. Buy-side business is quite profitable for us and continues to be -- maintain that profitability. And so we believe really, we could keep streamlining the sell-side business as well as work on top line performance and more of this ecosystem approach, which we saw favorable results in Q3, we believe that 2026 will be a cash flow positive year for us.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

I was curious, given the fact that your buy-side business carries much improved margins that -- and that with the results that you saw in this quarter, particularly the number of customers you say increased 5%, but yet revenues declined 70%. Why wouldn't you just concentrate most of your effort on the buy-side instead of trying to rebuild and put so much effort into the sell-side?

Mark D. Walker

CEO, Co-Founder & Chairman

Yes. I think what you're pointing to is just the revenue issue with the sell-side of our business. The reason we like the sell-side of the business is because once you get past the breakeven point, the operating leverage is actually quite favorable, where every incremental 20% actually falls to the bottom line. So for us, being able to figure out how to get back to profitability on the sell-side business helps the overall profitability of the entire entity, and that's really what we're going for.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

And then final question. I'm sorry.

Diana P. Diaz

Corporate Secretary & CFO

Michael, a lot of the things that we've been doing with AI are allowing us to grow on the sell side without significantly increasing our fixed cost to meet that capacity. So that's the positive part of being able to generate higher revenue on the sell-side.

Michael A. Kupinski

NOBLE Capital Markets, Inc., Research Division

Fair enough. And then obviously, you made -- mention and did a lot of financings and a lot of opportunities to raise equity and so forth. Can you just kind of give us some thought about with the recent financings and so forth, where does the company stand? Are you at positive shareholder equity at this point? Or can you kind of just give us your thoughts on where you stand at this point?

Diana P. Diaz

Corporate Secretary & CFO

Yes. So we completed another conversion of debt to preferred after the end of the quarter of \$10 million. So we believe we're definitely positive after the end of the quarter.

Operator

And there are no further questions at this time. Mark Walker, I turn the call back over to you.

Mark D. Walker

CEO, Co-Founder & Chairman

Thank you. And if there's no further questions, that concludes our conference for today. Thank you for participating. You may now disconnect.

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