

**Digimarc Corporation**  
**Consolidated Income Statement Information**  
(in thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Revenue:</b>				
Subscription	\$ 6,380	\$ 4,678	\$ 12,142	\$ 8,563
Service	3,999	4,052	8,175	8,010
Total revenue	10,379	8,730	20,317	16,573
<b>Cost of revenue:</b>				
Subscription (1)	723	771	1,470	1,566
Service (1)	1,661	1,968	3,500	3,683
Amortization expense on acquired intangible assets	1,132	1,122	2,272	2,211
Total cost of revenue	3,516	3,861	7,242	7,460
<b>Gross profit</b>				
Subscription (1)	5,657	3,907	10,672	6,997
Service (1)	2,338	2,084	4,675	4,327
Amortization expense on acquired intangible assets	(1,132)	(1,122)	(2,272)	(2,211)
Total gross profit	6,863	4,869	13,075	9,113
<b>Gross profit margin:</b>				
Subscription (1)	89%	84%	88%	82%
Service (1)	58%	51%	57%	54%
Total	66%	56%	64%	55%
<b>Operating expenses:</b>				
Sales and marketing	5,616	5,106	11,152	11,404
Research, development and engineering	6,644	6,161	13,385	13,987
General and administrative	4,314	4,352	8,834	8,979
Amortization expense on acquired intangible assets	271	268	543	528
Impairment of lease right of use assets and leasehold improvements	—	250	—	250
Total operating expenses	16,845	16,137	33,914	35,148
Operating loss	(9,982)	(11,268)	(20,839)	(26,035)
Other income, net	723	647	1,251	1,392
Loss before income taxes	(9,259)	(10,621)	(19,588)	(24,643)
Provision for income taxes	(11)	(2)	(20)	(20)
Net loss	\$ (9,270)	\$ (10,623)	\$ (19,608)	\$ (24,663)
<b>Loss per share:</b>				
Loss per share — basic	\$ (0.43)	\$ (0.53)	\$ (0.93)	\$ (1.23)
Loss per share — diluted	\$ (0.43)	\$ (0.53)	\$ (0.93)	\$ (1.23)
Weighted average shares outstanding — basic	21,392	20,162	21,061	20,128
Weighted average shares outstanding — diluted	21,392	20,162	21,061	20,128

(1) Cost of revenue, Gross profit and Gross profit margin for Subscription and Service excludes amortization expense on acquired intangible assets.

**Digimarc Corporation**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
(in thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
GAAP gross profit	\$ 6,863	\$ 4,869	\$ 13,075	\$ 9,113
Amortization of acquired intangible assets	1,132	1,122	2,272	2,211
Amortization and write-off of other intangible assets	136	146	274	290
Stock-based compensation	156	318	409	556
Non-GAAP gross profit	\$ 8,287	\$ 6,455	\$ 16,030	\$ 12,170
Non-GAAP gross profit margin	80%	74%	79%	73%
GAAP operating expenses	\$ 16,845	\$ 16,137	\$ 33,914	\$ 35,148
Depreciation and write-off of property and equipment	(198)	(260)	(391)	(688)
Amortization of acquired intangible assets	(271)	(268)	(543)	(528)
Amortization and write-off of other intangible assets	(31)	(9)	(164)	(48)
Amortization of lease right of use assets under operating leases	(86)	(166)	(173)	(332)
Stock-based compensation	(2,250)	(2,260)	(4,828)	(4,898)
Impairment of lease right of use assets and leasehold improvements	—	(250)	—	(250)
Non-GAAP operating expenses	\$ 14,009	\$ 12,924	\$ 27,815	\$ 28,404
GAAP net loss	\$ (9,270)	\$ (10,623)	\$ (19,608)	\$ (24,663)
Total adjustments to gross profit	1,424	1,586	2,955	3,057
Total adjustments to operating expenses	2,836	3,213	6,099	6,744
Non-GAAP net loss	\$ (5,010)	\$ (5,824)	\$ (10,554)	\$ (14,862)
GAAP loss per share (diluted)	\$ (0.43)	\$ (0.53)	\$ (0.93)	\$ (1.23)
Non-GAAP net loss	\$ (5,010)	\$ (5,824)	\$ (10,554)	\$ (14,862)
Non-GAAP loss per share (diluted)	\$ (0.23)	\$ (0.29)	\$ (0.50)	\$ (0.74)

**Digimarc Corporation**  
**Consolidated Balance Sheet Information**  
(in thousands)  
(Unaudited)

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (1)	\$ 30,598	\$ 21,456
Marketable securities (1)	10,863	5,726
Trade accounts receivable, net	8,071	5,813
Other current assets	3,649	4,085
Total current assets	<u>53,181</u>	<u>37,080</u>
Property and equipment, net	1,259	1,570
Intangibles, net	25,261	28,458
Goodwill	8,587	8,641
Lease right of use assets	3,844	4,017
Other assets	1,238	786
Total assets	<u>\$ 93,370</u>	<u>\$ 80,552</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 5,689	\$ 6,672
Deferred revenue	4,806	5,853
Total current liabilities	<u>10,495</u>	<u>12,525</u>
Long-term lease liabilities	5,617	5,994
Other long-term liabilities	90	106
Total liabilities	<u>16,202</u>	<u>18,625</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	21	20
Additional paid-in capital	411,331	376,189
Accumulated deficit	(331,376)	(311,768)
Accumulated other comprehensive loss	(2,858)	(2,564)
Total shareholders' equity	<u>77,168</u>	<u>61,927</u>
Total liabilities and shareholders' equity	<u>\$ 93,370</u>	<u>\$ 80,552</u>

(1) Aggregate cash, cash equivalents, and marketable securities was \$41.5 million and \$27.2 million at June 30, 2024 and December 31, 2023, respectively.

**Digimarc Corporation**  
**Consolidated Cash Flow Information**  
(in thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (19,608)	\$ (24,663)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and write-off of property and equipment	391	688
Amortization of acquired intangible assets	2,815	2,739
Amortization and write-off of other intangible assets	438	338
Amortization of lease right of use assets under operating leases	173	332
Stock-based compensation	5,237	5,454
Impairment of lease right of use assets and leasehold improvements	—	250
Decrease in allowance for doubtful accounts	(17)	—
<b>Changes in operating assets and liabilities:</b>		
Trade accounts receivable	(2,236)	(6,492)
Other current assets	426	1,827
Other assets	(456)	(268)
Accounts payable and other accrued liabilities	(992)	(839)
Deferred revenue	(1,037)	4,106
Lease liability and other long-term liabilities	(386)	38
Net cash provided by (used in) operating activities	<u>(15,252)</u>	<u>(16,490)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(132)	(121)
Capitalized patent costs	(196)	(198)
Proceeds from maturities of marketable securities	9,623	19,984
Purchases of marketable securities	(14,753)	(8,664)
Net cash provided by (used in) investing activities	<u>(5,458)</u>	<u>11,001</u>
<b>Cash flows from financing activities:</b>		
Issuance of common stock, net of issuance costs	32,218	—
Purchase of common stock	(2,332)	(1,280)
Repayment of loans	(18)	(16)
Net cash provided by (used in) financing activities	<u>29,868</u>	<u>(1,296)</u>
Effect of exchange rate on cash	(16)	12
Net increase (decrease) in cash and cash equivalents <sup>(2)</sup>	<u>\$ 9,142</u>	<u>\$ (6,773)</u>
<b>Cash, cash equivalents and marketable securities at beginning of period</b>		
	27,182	52,542
<b>Cash, cash equivalents and marketable securities at end of period</b>		
	<u>41,461</u>	<u>34,542</u>
<sup>(2)</sup> Net (decrease) increase in cash, cash equivalents and marketable securities	<u>\$ 14,279</u>	<u>\$ (18,000)</u>

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