

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Subscription	\$ 5,252	\$ 4,811	\$ 17,394	\$ 13,374
Service	4,191	4,183	12,366	12,193
Total revenue	9,443	8,994	29,760	25,567
Cost of revenue:				
Subscription ⁽¹⁾	735	698	2,205	2,264
Service ⁽¹⁾	1,638	1,938	5,138	5,621
Amortization expense on acquired intangible assets	1,173	1,135	3,445	3,346
Total cost of revenue	3,546	3,771	10,788	11,231
Gross profit				
Subscription ⁽¹⁾	4,517	4,113	15,189	11,110
Service ⁽¹⁾	2,553	2,245	7,228	6,572
Amortization expense on acquired intangible assets	(1,173)	(1,135)	(3,445)	(3,346)
Total gross profit	5,897	5,223	18,972	14,336
Gross profit margin:				
Subscription ⁽¹⁾	86%	85%	87%	83%
Service ⁽¹⁾	61%	54%	58%	54%
Total	62%	58%	64%	56%
Operating expenses:				
Sales and marketing	5,637	5,366	16,789	16,770
Research, development and engineering	6,488	6,308	19,873	20,295
General and administrative	4,861	4,433	13,695	13,412
Amortization expense on acquired intangible assets	280	272	823	800
Impairment of lease right of use assets and leasehold improvements	—	—	—	250
Total operating expenses	17,266	16,379	51,180	51,527
Operating loss	(11,369)	(11,156)	(32,208)	(37,191)
Other income, net	617	478	1,868	1,870
Loss before income taxes	(10,752)	(10,678)	(30,340)	(35,321)
Provision for income taxes	(2)	(45)	(22)	(65)
Net loss	<u>\$ (10,754)</u>	<u>\$ (10,723)</u>	<u>\$ (30,362)</u>	<u>\$ (35,386)</u>
Loss per share:				
Loss per share — basic	\$ (0.50)	\$ (0.53)	\$ (1.43)	\$ (1.76)
Loss per share — diluted	\$ (0.50)	\$ (0.53)	\$ (1.43)	\$ (1.76)
Weighted average shares outstanding — basic	21,435	20,217	21,187	20,158
Weighted average shares outstanding — diluted	21,435	20,217	21,187	20,158

⁽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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP gross profit	\$ 5,897	\$ 5,223	\$ 18,972	\$ 14,336
Amortization of acquired intangible assets	1,173	1,135	3,445	3,346
Amortization and write-off of other intangible assets	136	143	410	433
Stock-based compensation	154	310	563	866
Non-GAAP gross profit	\$ 7,360	\$ 6,811	\$ 23,390	\$ 18,981
Non-GAAP gross profit margin	78%	76%	79%	74%
GAAP operating expenses	\$ 17,266	\$ 16,379	\$ 51,180	\$ 51,527
Depreciation and write-off of property and equipment	(179)	(223)	(570)	(911)
Amortization of acquired intangible assets	(280)	(272)	(823)	(800)
Amortization and write-off of other intangible assets	(77)	(228)	(241)	(276)
Amortization of lease right of use assets under operating leases	(90)	(94)	(263)	(426)
Stock-based compensation	(2,548)	(2,382)	(7,376)	(7,280)
Impairment of lease right of use assets and leasehold improvements	—	—	—	(250)
Non-GAAP operating expenses	\$ 14,092	\$ 13,180	\$ 41,907	\$ 41,584
GAAP net loss	\$ (10,754)	\$ (10,723)	\$ (30,362)	\$ (35,386)
Total adjustments to gross profit	1,463	1,588	4,418	4,645
Total adjustments to operating expenses	3,174	3,199	9,273	9,943
Non-GAAP net loss	\$ (6,117)	\$ (5,936)	\$ (16,671)	\$ (20,798)
GAAP loss per share (diluted)	\$ (0.50)	\$ (0.53)	\$ (1.43)	\$ (1.76)
Non-GAAP net loss	\$ (6,117)	\$ (5,936)	\$ (16,671)	\$ (20,798)
Non-GAAP loss per share (diluted)	\$ (0.29)	\$ (0.29)	\$ (0.79)	\$ (1.03)

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

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 25,560	\$ 21,456
Marketable securities ⁽¹⁾	8,126	5,726
Trade accounts receivable, net	6,965	5,813
Other current assets	4,143	4,085
Total current assets	<u>44,794</u>	<u>37,080</u>
Property and equipment, net	1,159	1,570
Intangibles, net	24,834	28,458
Goodwill	9,030	8,641
Lease right of use assets	3,754	4,017
Other assets	1,453	786
Total assets	<u>\$ 85,024</u>	<u>\$ 80,552</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 5,973	\$ 6,672
Deferred revenue	3,409	5,853
Total current liabilities	<u>9,382</u>	<u>12,525</u>
Long-term lease liabilities	5,418	5,994
Other long-term liabilities	64	106
Total liabilities	<u>14,864</u>	<u>18,625</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	21	20
Additional paid-in capital	413,480	376,189
Accumulated deficit	(342,130)	(311,768)
Accumulated other comprehensive loss	(1,261)	(2,564)
Total shareholders' equity	<u>70,160</u>	<u>61,927</u>
Total liabilities and shareholders' equity	<u>\$ 85,024</u>	<u>\$ 80,552</u>

⁽¹⁾ Aggregate cash, cash equivalents, and marketable securities was \$33.7 million and \$27.2 million at September 30, 2024 and December 31, 2023, respectively.

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

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (30,362)	\$ (35,386)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	570	911
Amortization of acquired intangible assets	4,268	4,146
Amortization and write-off of other intangible assets	651	709
Amortization of lease right of use assets under operating leases	263	426
Stock-based compensation	7,939	8,146
Impairment of lease right of use assets and leasehold improvements	—	250
Increase (decrease) in allowance for doubtful accounts	96	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,321)	(1,581)
Other current assets	(9)	1,688
Other assets	(582)	279
Accounts payable and other accrued liabilities	(816)	299
Deferred revenue	(2,448)	3,298
Lease liability and other long-term liabilities	(586)	136
Net cash provided by (used in) operating activities	<u>(22,337)</u>	<u>(16,679)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(199)	(208)
Capitalized patent costs	(313)	(295)
Proceeds from maturities of marketable securities	16,978	26,696
Purchases of marketable securities	(19,376)	(8,664)
Net cash provided by (used in) investing activities	<u>(2,910)</u>	<u>17,529</u>
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	32,218	—
Purchase of common stock	(2,890)	(2,036)
Repayment of loans	(35)	(33)
Net cash provided by (used in) financing activities	<u>29,293</u>	<u>(2,069)</u>
Effect of exchange rate on cash	58	(44)
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ 4,104</u>	<u>\$ (1,263)</u>
Cash, cash equivalents and marketable securities at beginning of period		
	27,182	52,542
Cash, cash equivalents and marketable securities at end of period		
	<u>33,686</u>	<u>33,331</u>
(2) Net (decrease) increase in cash, cash equivalents and marketable securities	<u>\$ 6,504</u>	<u>\$ (19,211)</u>

###