Exhibit 99.1

DIGIMARC

Digimarc Reports Second Quarter 2024 Financial Results

Annual Recurring Revenue(1) Increases 44%

Subscription Gross Profit Margin(2) Expands to 89%

Beaverton, Ore. – **August 13, 2024** – Digimarc Corporation (NASDAQ: DMRC) reported financial results for the second quarter ended June 30, 2024.

“Digimarc made significant progress on multiple fronts in Q2, highlighted by three exciting developments likely to have a profound impact on the second half of this year and beyond,” said Digimarc CEO Riley McCormack. “This progress provides further evidence that we believe Digimarc will not only unlock the massive total addressable markets (“TAMs”) on which we are focused today, but also that new TAMs can develop incredibly rapidly based on our ability to identify and authenticate physical and digital assets where other means of identification and authentication don’t work well, or don’t work at all.”

Second Quarter Financial Results

Annual recurring revenue(1) as of June 30, 2024 increased to $23.9 million compared to $16.7 million as of June 30, 2023.

Subscription revenue for the second quarter of 2024 increased to $6.4 million compared to $4.7 million for the second quarter of 2023, primarily reflecting higher subscription revenue from new and existing commercial contracts.

Service revenue for the second quarter of 2024 decreased to $4.0 million compared to $4.1 million for the second quarter of 2023, primarily reflecting lower service revenue from commercial customers.

Total revenue for the second quarter of 2024 increased to $10.4 million compared to $8.7 million for the second quarter of 2023.

Gross profit margin for the second quarter of 2024 increased to 66% compared to 56% for the second quarter of 2023. Excluding amortization expense on acquired intangible assets, subscription gross profit margin increased to 89% from 84% and service gross profit margin increased to 58% from 51% for the second quarter of 2024 compared to the second quarter of 2023.

Non-GAAP gross profit margin for the second quarter of 2024 increased to 80% compared to 74% for the second quarter of 2023.

Operating expenses for the second quarter of 2024 increased to $16.8 million compared to $16.1 million for the second quarter of 2023.

Non-GAAP operating expenses for the second quarter of 2024 increased to $14.0 million compared to $12.9 million for the second quarter of 2023.

Net loss for the second quarter of 2024 was $9.3 million or ($0.43) per share compared to $10.6 million or ($0.53) per share for the second quarter of 2023.

Non-GAAP net loss for the second quarter of 2024 was $5.0 million or ($0.23) per share compared to $5.8 million or ($0.29) per share for the second quarter of 2023.

At June 30, 2024, cash, cash equivalents and marketable securities totaled $41.5 million compared to $27.2 million at December 31, 2023.

(1) Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all of our commercial contracts as of the measurement date.
(2) Subscription Gross Profit Margin excludes amortization expense on acquired intangible assets.

Conference Call

Digimarc will hold a conference call today (Tuesday, August 13, 2024) to discuss these financial results and to provide a business update. CEO Riley McCormack, CFO Charles Beck, and CLO George Karamanos will host the call starting at 5:00 p.m. Eastern time (2:00 p.m. Pacific time). A question and answer session will follow management's prepared remarks.

The conference call will be broadcast live and available for replay here and in the investor section of the company's website. The conference call script will also be posted to the company's website shortly before the call.

For those who wish to call in via telephone to ask a question, please dial the number below at least five minutes before the scheduled start time:

Toll Free number: 877-407-0832

International number: 201-689-8433

Conference ID number: 13743903

Company Contact:
Charles Beck
Chief Financial Officer
Charles.Beck@digimarc.com
+1 503-469-4721

###

About Digimarc

Digimarc Corporation (NASDAQ: DMRC) is the pioneer and global leader in digital watermarking technologies. For nearly 30 years, Digimarc innovations and intellectual property in digital watermarking have been deployed at massive scale for the identification and the authentication of physical and digital items. A notable example of this is our partnership with a consortium of the world's central banks to deter counterfeiting of global currency. Digimarc is also instrumental in supporting global industry standards efforts spanning both the physical and digital worlds. In 2023, Digimarc was named to the Fortune 2023 Change the World list and honored as a 2023 Fast Company World Changing Ideas finalist. Learn more at Digimarc.com.

Forward-Looking Statements

Except for historical information contained in this release, the matters described in this release contain various "forward-looking statements." These forward-looking statements include statements identified by terminology such as "will," "should," "expects," "estimates," "predicts" and "continue" or other derivations of these or other comparable terms. These forward-looking statements are statements of management's opinion and are subject to various assumptions, risks, uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied from the statements in this release as a result of changes in economic, business and regulatory factors. More detailed information about risk factors that may affect actual results are outlined in the company's Form 10-K for the year ended December 31, 2023, and in subsequent periodic reports filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this release. Except as required by law, Digimarc undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this release.

Non-GAAP Financial Measures

This release contains the following non-GAAP financial measures: Non-GAAP gross profit, Non-GAAP gross profit margin, Non-GAAP operating expenses, Non-GAAP net loss, and Non-GAAP loss per share (diluted). See below for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. These non-GAAP financial measures are an important measure of our operating performance because they allow management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing non-cash and non-recurring activities that affect comparability. Our management uses these non-GAAP financial measures in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparisons.

Digimarc believes that providing these non-GAAP financial measures, together with the reconciliation to GAAP, helps management and investors make comparisons between us and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding GAAP measures provided by each company under applicable SEC rules. These non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP. In order to facilitate a clear understanding of its consolidated historical operating results, investors should examine Digimarc's non-GAAP financial measures in conjunction with its historical GAAP financial information, and investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to, GAAP financial measures. Non-GAAP financial measures may not be indicative of the historical operating results of the Company nor are they intended to be predictive of potential future results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenue:				
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
Cost of revenue:				
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
Gross profit				
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
Gross profit margin:				
Subscription [1]	89%	84%	88%	82%
Service [1]	58%	51%	57%	54%
Total	66%	56%	64%	55%
Operating expenses:				
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)
Loss per share:				
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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
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)

		June 30, 2024		December 31, 2023
ASSETS				
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		53,181		37,080
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	$	93,370	$	80,552
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and other accrued liabilities	$	5,689	$	6,672
Deferred revenue		4,806		5,853
Total current liabilities		10,495		12,525
Long-term lease liabilities		5,617		5,994
Other long-term liabilities		90		106
Total liabilities		16,202		18,625
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		77,168		61,927
Total liabilities and shareholders' equity	$	93,370	$	80,552

[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)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net loss	$ (19,608)	$ (24,663)
Adjustments to reconcile net loss to net cash used in operating activities:		
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)	—
Changes in operating assets and liabilities:		
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	(15,252)	(16,490)
Cash flows from investing activities:		
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	(5,458)	11,001
Cash flows from financing activities:		
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	29,868	(1,296)
Effect of exchange rate on cash	(16)	12
Net increase (decrease) in cash and cash equivalents [2]	$ 9,142	$ (6,773)
Cash, cash equivalents and marketable securities at beginning of period	27,182	52,542
Cash, cash equivalents and marketable securities at end of period	41,461	34,542
[2] Net (decrease) increase in cash, cash equivalents and marketable securities	$ 14,279	$ (18,000)

###

DIGIMARC

Digimarc Corporation (DMRC) Conference Call

Second Quarter 2024 Financial Results

August 13, 2024

Welcome [George Karamanos]

Welcome to our Q2 conference call. Riley McCormack, our CEO, and Charles Beck, our CFO, are with me on the call. On the call today, we will provide a business update and discuss Q2 financial results. This will be followed by a question and answer forum. We have posted our prepared remarks and our Quarterly Earnings Snapshot in the investor relations section of our website and will archive this webcast there.

Safe Harbor Statement

Before we begin, let me remind everyone that today's discussion contains forward-looking statements that have risks and uncertainties. Please refer to our press release for more information on the specific risk factors that could cause actual results to differ materially.

Riley will now provide a business update.

Business Update [Riley McCormack]

Thank you, George, and hello everyone.

I want to begin this call by reiterating the core tenets of our strategy. When we get to the subsequent discussion of Q2, I encourage you to examine our progress with these core tenets in mind. Doing so will help frame the accomplishments we achieved in the quarter, and more importantly, provide context as to where we're going from here.

As our world becomes increasingly digital and companies progress their digital transformation journeys, Digimarc maximizes the ways in which products and multimedia can digitally interact with the various systems that surround them. We excel at the identification and authentication of physical goods and digital assets, often at massive scale, and often where other means of identification or authentication don't work well…or don't work at all.

Our focus is on converting this large Total Addressable Market (TAM) into substantial free cash flow by positioning ourselves to deliver high and long-lasting top-line growth at world-class operating margins. This starts with our being easy to begin doing business with and excellent at guiding customers along their Digimarc journey, and is aided by four key tailwinds we have been very intentional to create:

1. Our incredibly deep and wide moats allow us to offer differentiated products. In turn, our differentiated products enable us to create new markets and disrupt existing ones.

2. The need to identify or authenticate physical goods and digital assets is universal, meaning almost every entity in the world is a potential Digimarc customer. Additionally, because our technology enables us to identify and authenticate things where other solutions don't work well or don't work at all, our ecosystem consists of companies incentivized to partner with us rather than posing a competitive risk.

3. There are many use cases that require companies to identify or authenticate their physical items and digital assets, and there are many ways we can configure our technology to achieve these goals. Therefore, our ability to productize new functionality is open-ended. This means our already large TAM will continue to grow as we either launch new products or add opportunity-unlocking functionality to existing ones.

4. We engineer our products to be accretive, meaning the more Digimarc products a customer buys, the more value each product delivers. This positions us to harvest the low-hanging and highly profitable fruit of cross-sells and upsells for years to come.

Turning now to Q2, we made significant progress on multiple fronts, highlighted by three developments likely to have a profound impact on the second half of this year and beyond. Before providing these important updates, I want to reiterate two points.

First, because we are early in the journey to our ultimate and massive scale, our net Annual Recurring Revenue (ARR) growth can be lumpy when looked at on a quarterly basis.

As a reminder, quarterly net ARR growth is the output of gross addition to ARR minus churn. In Q2, churn almost entirely offset our gross add. A significant driver of this dynamic was the transition of our preferred partner engagement model to our new Center of Expertise (CoE) program. While this transition results in less upfront ARR, it leads to two significant benefits that should payoff for years: greater ARR upside over time, and more focused, repeatable, scalable, and profitable growth. Two things to note on this transition and its impact on our quarterly net ARR results, both in Q2 and beyond. First, even with the headwind of lower upfront ARR, we slightly exceeded the Q2 gross add target set in our

2024 budget. Second, as of the end of Q2, the partners that remain in our historic partner program are not candidates to transition to our CoE program.

On our February call we discussed the reasons why we believe so strongly in the CoE program, and in a June press release, we announced the program's founding members. Over the past few months, we have become even more convinced of the power of this new program, and beyond the positive impact it is already having on our sales pipeline, I am thrilled to announce we closed our first CoE-sourced contract during the quarter—a multi-year Digimarc Validate deal.

Second, and as evidenced by our historic results, while this lumpiness will lead to quarters like Q2 where quarterly net ARR growth is below trend, it will also lead to quarters where quarterly growth is significantly above trend. When we say we expect our business to be lumpy until we reach a larger scale, we use that term as it is truly intended, not as a euphemism for "weak." This is why we prefer to measure our ARR over one-year and three-year horizons, as we do in the Quarterly Earnings Snapshot George referenced in his opening remarks. Focusing on the forest, not the trees, provides a better measure of our business's true growth.

Moreover, *our* focus extends beyond any single quarter and, as I mentioned at the beginning of this call, is centered on converting our large Total Addressable Markets (TAMs) into substantial free cash flow. To that end, I want to use the rest of this call to update you on key developments in two of our Ecosystem Driven Opportunities and preview a new market opportunity that presents a TAM as large as, if not larger than, any other opportunity we are pursuing.

As a reminder, we view our business as having three pillars of shareholder value.

The first pillar is our long-standing relationship with the world's central banks.

Beyond the meaningful cash flow this 26-year relationship provides, our work with the central banks also acts as a source of intellectual property generation for our commercial business, gives us invaluable credibility as a trustworthy supplier, and demonstrates our ability to scale.

The second pillar comprises our SaaS and PaaS products that follow a more traditional software Go-To-Market (GTM) model in areas such as deal size, sales cycle, and lack of ecosystem dependencies. I touched briefly on the progress in our CoE program earlier. For additional important updates from Q2 related to this pillar, I again encourage everyone to review our Quarterly Earnings Snapshot.

The third pillar consists of our Ecosystem Driven Opportunities. These opportunities encompass industry-wide or country-wide initiatives that, once in motion, have powerful flywheels that should drive quick, broad, and sticky adoption, but also have ecosystem dependencies that makes timing unpredictable as it is predominantly outside of our direct control. Before I provide an update on our progress in two of these opportunities, namely Digimarc Retail Experience and Digimarc Recycle, I again want to point everyone to our Quarterly Earnings Snapshot for an update on our third Ecosystem Driven Opportunity, Digimarc Validate (Media), which we continue to believe can deliver the safer, fairer, and more authentic internet we all deserve.

Turning to the update on Digimarc Retail Experience, recall this offering is a “razor/razor blade” product. The “razor” involves licensing our Digimarc Illuminate platform to retailers who use its capabilities to build out the points of detection required to enable next-generation in-store operations. The “razor blades” are provided by our licensing Digimarc Retail Experience to the brands whose products are carried by that retailer (including the retailer’s private label brands), allowing their products to interact with these points of detection.

As stated on a prior call, we believe the TAM of licensing our platform to enable next-generation in-store operations is well into nine figures of ARR. We believe the TAM of Digimarc Retail Experience is multiples larger still.

But beyond these incredibly large TAMs, Digimarc Retail Experience is also an easy way for these national brands to begin their Digimarc journey en masse. Once their products are digitized, we will have the opportunity to be excellent at guiding these brands along their journey of solving additional problems through the adoption of other Digimarc solutions. Moreover, the more national brand items digitized using our technology, the easier it is for additional retailers to license our platform to build out their own points of detection while in parallel adopting Digimarc Retail Experience for their private label items.

We expect most retailers will use our platform to build points of detection that utilize other means of product identification beyond the 1D, 2D, and digital watermarking signals that our platform supports. In Q2, we provided our largest commercial customer with demonstrable proof that our technology can carry a very heavy load in this multi-signal future, resulting in two important developments that give us confidence this flywheel is likely to start spinning.

First, and most immediately, we believe this customer now understands that the more items in their stores that are digitized with our technology, including items produced by national brands, the more profound the improvement to their in-store operations will be.

Second, we believe this customer also now understands the value of Digimarc delivering a greater amount of the software capabilities powering their points of detection. This should ultimately increase the size and time-to-market of the “razor” component of this flywheel, not only with our initial customer, but with subsequent ones as well.

While I cannot provide any additional details at this time, I want to emphasize two key points. First, it is difficult to overstate the importance of these developments. Second, we expect and look forward to being able to share more information soon.

Turning now to Digimarc Recycle, Q2 saw us make important progress on this Ecosystem Driven Opportunity as well. On our February earnings call, we discussed a new Go-To-Market avenue for this revolutionary product, in which we would work with a qualified partner who would lead a regional or country-wide rollout. On our May call, I mentioned we were in conversations with multiple parties regarding this new path.

Since then, the number of parties with whom we are having conversations has increased, as has the number of countries in which we are having these conversations. Moreover, thanks to a deeply-valued ecosystem participant who believes as strongly as we do in both the environmental and the economic ROI of our solution, we expect to soon receive introductions to multiple large and powerful entities capable of acting as our partners in additional countries.

While we expect these will be elongated sales cycles, we are pleased with the progress and believe that the opening of our first country should accelerate other conversations, both existing and future. To that end, the first qualified partner with whom we entered conversations has told us they expect to be ready to sign a deal for the initial rollout of Digimarc Recycle in a European country in the second half of this year.

Finally, and breaking with our practice of not discussing new products until we've signed a marquee customer, I want to close my prepared remarks today by talking about a new market opportunity because of our confidence in the value of our solution and the materiality to our business if we are correct.

For over a quarter of a century, we have worked with the world's central banks to protect their currencies. However, one of the fastest growing and most pernicious attacks on a class of currency isn't against the banknotes issued by federal governments, but the currency issued by brands and retailers: gift cards.

As I have mentioned in the past, we expect our most exciting opportunities to come from prospects experiencing problems that can be uniquely solved by our ability to identify and authenticate physical and digital items where other means of identification and authentication don't work well or don't work at all. It is then incumbent upon us to determine A) if there is a sizable and repeatable business problem that B) additional prospects beyond the first have an urgency to solve where C) we can provide a solution of enduring and differentiated value that D) presents us with a path to fast and profitable scale.

This is exactly how our opportunity in gift cards has developed. Gift cards face multiple attack vectors, and the costs of these attacks (both monetary and reputational) are real and getting worse. Moreover, existing solutions are expensive and ineffective, and it is becoming clear to the industry (ecosystem partners and end customers) that we have a significant role to play.

We believe we can provide a solution today that addresses some of the most common attack vectors, providing a significant increase in efficacy while actually *reducing* the current bill of materials (BOM) cost, delivering a meaningful and attractive ROI. That, combined with the expected ease of implementation, should allow for rapid scaling post initial adoption. Moreover, while no material dependencies prevent any single gift card issuer from independently adopting our solution, many industry participants are aware of our work and are interested in finding a widely adoptable solution as the large and growing level of loss is leading to grave concerns in the industry.

Thus, our opportunity in the gift card industry shares the most attractive attributes of our Ecosystem Driven Opportunities, namely the likelihood of rapid scaling and incredible stickiness once scaled, without the multi-stakeholder dependencies that characterize those opportunities as ecosystem-driven.

We are likely to launch our gift card offering with a few different implementation architectures that we believe yield a US market TAM ranging from $900 million to $1.5 billion of ARR. While we are starting in the US because this is where our initial prospect and partner engagements have occurred, there is nothing that we or the industry see that prevents this from being a global solution. In fact, as stated earlier, our ability to act as a universal and global solution seems to be one of the things about which the industry is most excited. Although we haven’t yet conducted a detailed analysis to quantify the global TAM, it will be significantly larger than that of the US alone. Moreover, as we continue to build additional features into our solution to address more attack vectors, we believe we should be able to capture a share of that added value, providing further upside to our TAM.

While the excitement and urgency shown by the industry has been remarkable, there is still more to learn as we advance this work. and I want to caution we don’t know what we don’t know. However, the list of things we don’t know is shrinking rapidly, giving us comfort in discussing this opportunity today.

In addition to our obvious excitement about this opportunity stand-alone, it also dovetails nicely with other retailer loss prevention solutions we are progressing, including a solution addressing the theft of prepared food for which we signed an initial deal with a regional grocer in Q2. I focused my comments today on the gift card opportunity because of the urgency with which the industry is engaging as well as the massive TAM it represents. However, it is important to note that the potential to offer a suite of value-accretive products leveraging the same technology and sold to the same loss prevention buyers is exciting, as it provides us another avenue to be easy to begin doing business with and excellent at guiding customers along their Digimarc journey.

Finally, while not an immediate focus, we believe there are future synergies that can be unlocked between our retail loss prevention offerings and Digimarc Retail Experience, as retail loss prevention and retail operations are closely intertwined. We will keep you updated as things progress.

I will now turn the call over to Charles to discuss our financial results.

Financial Results [Charles Beck]

Thank you, Riley, and hello everyone.

Financial highlights on a year-over-year basis for the second quarter included:

- Ending ARR[1] increased 44%;
- Commercial subscription revenue increased 39%;
- Subscription gross profit margin[2] was 89%, a 5 percentage point improvement;
- Total expenses only increased 2%; and
- Non-GAAP net loss decreased 14%.

We continue to focus on delivering improvement in these financial metrics as they are critical levers in reaching positive free cash flow.

Ending ARR increased 44% from $16.7 million at the end of June last year to $23.9 million at the end of June this year. The year-over-year increase in ARR largely reflects

[1] Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all of our commercial contracts as of the measurement date.
[2] Subscription gross profit margin excludes amortization expense on acquired intangible assets.

the impact of new customer contracts and several important customer upsells, partially offset by customer churn.

Total revenue for the quarter was $10.4 million, an increase of $1.6 million or 19% from $8.7 million in Q2 last year, reflecting strong growth in subscription revenue.

Subscription revenue, which accounted for 61% of total revenue for the quarter, grew 36% from $4.7 million to $6.4 million. The increase reflects subscription revenue recognized on new customer contracts as well as upsells on existing customer contracts. Commercial subscription revenue grew at an even higher rate of 39%.

Service revenue decreased 1% from $4.1 million to $4.0 million, reflecting slightly lower commercial services.

Subscription gross profit margin improved from 84% in Q2 last year to 89% in Q2 this year, representing a 5 percentage point improvement. The significant increase year-over-year reflects both the strong growth in subscription revenue and a favorable mix in subscription revenue to our newer products.

Service gross profit margin improved from 51% in Q2 last year to 58% in Q2 this year, reflecting a favorable change in labor mix. We expect to generate mid-50 percent service gross profit margins on a normalized basis, with some fluctuation quarter to quarter.

Operating expenses for the quarter were $16.8 million compared to $16.1 million in Q2 last year, an increase of 4%. Roughly half of the increase was due to lower costs being allocated from operating expenses to cost of revenue this quarter due to lower billable services. Total expenses, excluding the impact of allocations, only increased 2% year-over-year. Comparing this number to the 39% growth we delivered in commercial subscription revenue shows the operating leverage we have been focused on building into our business. To continue driving this considerable operating leverage, we are focused on maximizing our productivity and efficiency as an organization, including better leveraging the capabilities of tools like GenAI, to minimize the impact of rising labor and other costs.

Non-GAAP operating expenses, which exclude non-cash and non-recurring items, were $14.0 million for the quarter, up 8% compared to $12.9 million in Q2 last year. Again, roughly half of this increase was due to lower costs being allocated from operating expenses to cost of revenue this quarter because of lower billable services.

Net loss per share for the quarter was 43 cents versus 53 cents in Q2 last year. Non-GAAP net loss per share was also considerably lower for the quarter at 23 cents versus 29 cents in Q2 last year.

We ended the quarter with $41.5 million in cash and short-term investments.

Free cash flow[3] usage was $6.9 million for the quarter, compared to $7.9 million in Q2 last year. Given that cash flows can fluctuate quarter to quarter depending on the timing of receipts and payables, we continue to believe that a good proxy for a normalized level of free cash flow is using non-GAAP loss plus capital expenditures. While cash burn in the first half of 2024 was above this proxy, we expect the unfavorable fluctuations on timing of receipts and payables to reverse in the second half leading to full year cash flow being generally in-line with this proxy and hence free cash flow in the second half to be much better than the first.

For further discussion of our financial results, and risks and prospects for our business, please see our Form 10-Q that will be filed with the SEC.

[3] Free cash flow includes cash used in operating activities, the purchase of property and equipment and capitalized patent costs.

I will now turn the call back over to Riley for final remarks.

Final Remarks [Riley McCormack]

Thanks Charles.

In Q2, we made significant progress on multiple fronts, highlighted by meaningful developments in two of our Ecosystem Driven Opportunities and the rapid progression of an attractive new market opportunity in protecting gift cards from the ever-increasing threats they face.

The developments in the Ecosystem Driven Opportunities give us confidence that we are likely on the precipice of getting these two flywheels spinning. The rapid progression of our opportunity in gift cards is stand-alone exciting and could also serve as the cornerstone for a broader suite of offerings that help retailers combat one of their most pressing business challenges: the ever-increasing prevalence and cost of shrink.

While we continue to expect our business to be lumpy until we reach a larger scale, the progress we made in Q2 further demonstrates that as a result of our laser-like focus on the execution of our strategy, and the core tenets therein, we are not only on track to unlock the massive TAMs on which we are focused today, but also that new TAMs can rapidly develop.

We are positioning ourselves to convert our large Total Addressable Markets into substantial free cash flow by delivering high and long-lasting growth at world-class operating margins. Our progress in Q2 gives us even greater confidence in our ability to achieve this goal.

Operator, we will now open up the call for questions.

Quarterly Earnings Snapshot

Second Quarter 2024

DIGIMARC

Safe Harbor Statement

This presentation includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which reflect management’s current view regarding future events and performance.

Although we believe these statements are based on reasonable expectations and beliefs, they are subject to risks and uncertainties that are difficult to predict and, often, beyond our control. These risks include, but are not limited to, the risk factors set forth in Part I, Item 1A of our latest Annual Report on Form 10-K and the risks detailed in our other filings with the U.S. Securities and Exchange Commission.

We believe that these risk factors could affect our future performance and cause our actual results to differ materially from those expressed or implied by forward-looking statements made by us or on our behalf.

All forward-looking statements made by us or by persons acting on our behalf apply only as of the date of this presentation. We expressly disclaim any obligation to update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this presentation or a change in our views or expectations, or otherwise.

Business Overview

About Digimarc

Digimarc is the pioneer and global leader in digital watermarking technologies.

For nearly 30 years, Digimarc has been deployed in solutions built upon two things that we do better than anyone else: the **identification** and the **authentication** of physical and digital items.

FEATURES

Imperceptible

Ubiquitous

Redundant

Secure

Adaptable

Identification + Authentication

DIGIMARC

Trending Use Cases | Identification and Authentication

Digimarc technology has successfully been used for:

Brand Protection | Anti Counterfeit
Protect consumers from counterfeits, fraud, or misinformation

Consumer Engagement
Enable advanced consumer engagement & redirection

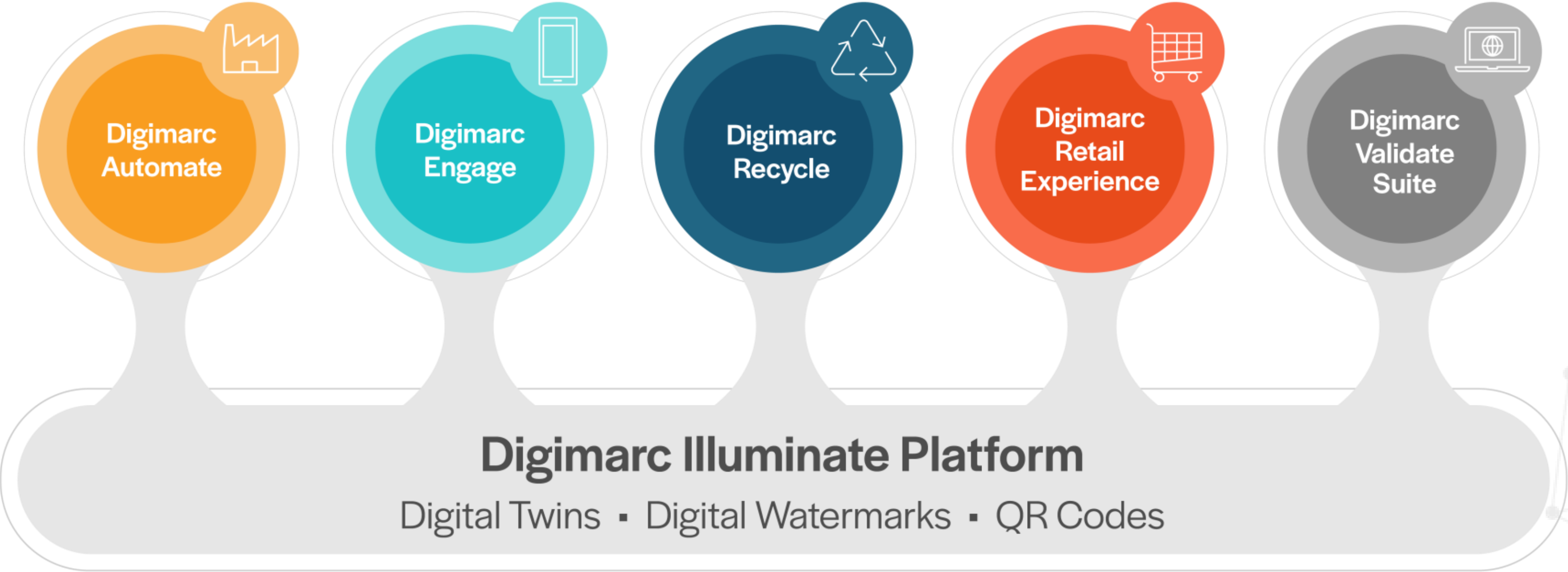
Industrial Automation
Automate error-prone manufacturing, fulfillment, & distribution

Retail Experience
Improve in-store or supply chain efficiency including checkout

Sustainability
Increase the quality and quantity of recycled materials

Digimarc Illuminate Platform

Scalable SaaS products powered by extensible and enterprise-scale product digitization platform



DIGIMARC

Commercial Go-to-Market Motions

Traditional SaaS	Traditional PaaS	Ecosystem Driven Opportunities
Products: Digimarc Automate, Digimarc Engage, Digimarc Validate, new products	**Product:** Digimarc Illuminate Platform	**Products:** Digimarc Recycle, Digimarc Retail Experience, Digimarc Validate (Media), new products
GTM: Traditional SaaS GTM; large cross sell and upsell opportunities (accretive value for every product added)	**GTM:** Traditional PaaS GTM; large upsell opportunities (capacity and functionality)	**GTM:** Industry-wide or country-wide deployments; sometimes driven by a regulatory component; timing can be unpredictable/uncontrollable, but uber-rapid and scalable adoption once market is opened
Initial Deal Size: \$ (\$50K to \$1M+ ARR)	**Initial Deal Size:** \$\$ (\$250K to \$5M+ ARR)	**Market Size:** \$\$\$\$ (Varied)
Initial Deal Term: 1-3 years	**Initial Deal Term:** 3-5 years	**Initial Deal Term:** N/A (de-facto market standard)

Power of Partners: Revenue Ramp Acceleration + Massive Operating Leverage

Three Pillars of Shareholder Value

Government Business: Central Banks

- 4.8% CAGR since the ID Systems spin-out in 2008
- ~60% Gross profit margin with minimal operating expenses
- Inflation protected
- 26-year relationship, current contract runs through Dec 31 2029
- No counter-party risk (world's central banks)
- Keep intellectual property for application in the commercial business; profitable R&D

Commercial Business: Traditional SaaS & PaaS

- Extremely high growth (see current ARR and commercial revenue growth rates)

Commercial Business: Ecosystem Driven Opportunities

- Extremely high growth potential (not yet reflected in current ARR and commercial revenue)

Commercial Business (both pillars):

- **90%+ incremental gross profit margin**
- **Massive operating leverage/high operating margin potential**

Traditional SaaS & PaaS:

- **Digimarc Automate:** Automation at manufacturing, fulfillment and distribution centers; see more here
- **Digimarc Engage:** Consumer engagement for physical products and digital assets; see more here
- **Digimarc Validate:** Anti-counterfeit for physical products; see more here

Ecosystem Driven Opportunities:

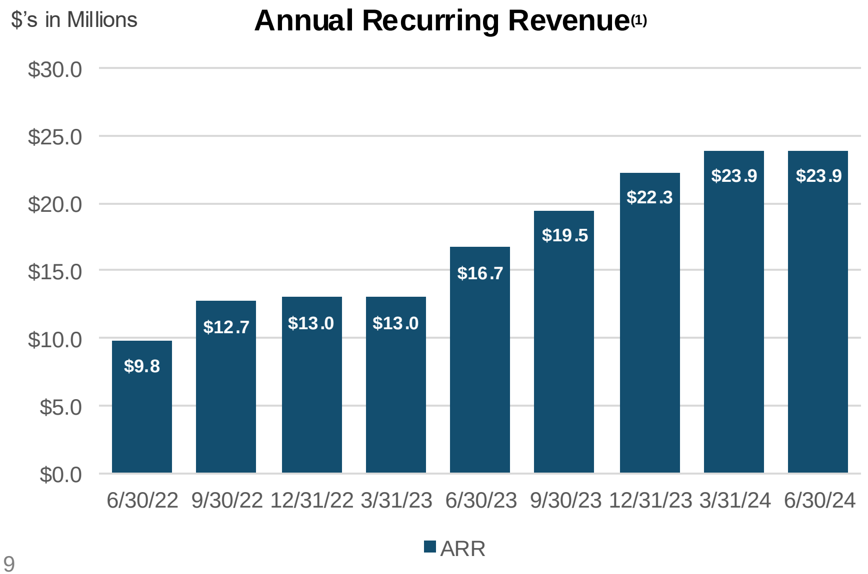
- **Digimarc Recycle:** Active on multiple continents; see more here and here
  TAM: ~$1/capita/year
- **Digimarc Retail Experience:** Platform and Product opportunity; see more here
  TAM: > $1 Billion
- **Digimarc Validate (Media):** Digital watermarks included in multiple GenAI regulation bills; see more here and here
  TAM: TBD – provide tools for free, product upsell (freemium model); see more here

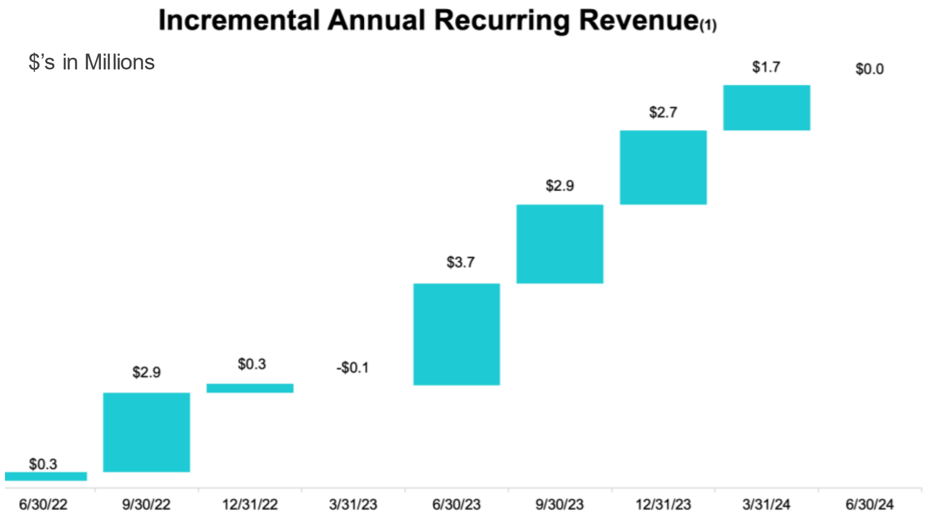
DIGIMARC

ARR Growth Characteristics

Digimarc's pipeline is expanding but incremental ARR can be lumpy

- Deals can be significant with the ability to generate 8-figure ARR over multiple years
- $32M+ contract in May 2023 extended Digimarc Illuminate functionality (Security Solutions and Deposit Return Systems)
- Several large deals in the sales pipeline, some of which are for new products/functionality





DIGIMARC

Business Update

Digimarc Q2 2024 Key Takeaways

Financial Highlights

Annual Recurring Revenue[1]:
$23.9 million vs. $16.7 million at 6/30/23; representing 44% growth

Commercial Subscription Revenue:
$6.1 million vs. $4.4 million in Q2'23; representing 39% growth

Subscription Gross Profit Margin[2]:
89% vs. 84% in Q2'23; representing a 5-percentage point improvement

Non-GAAP Net Loss[3]
decreased $0.8 million from Q2'23; representing a 14% improvement

Business Highlights

- **Digimarc Retail Experience:** Provided our largest commercial customer with demonstrable proof that our technology can carry a very heavy load in the multi-signal future of next-generation retail operations, resulting in two important developments:
  - This customer now understands the more items digitized with our technology, including items produced by national brands, the more profound the impact to their in-store operations will be.
  - This customer now understands the value of Digimarc delivering a greater amount of the software capabilities powering the points of detection, increasing the size and time-to-market of our platform opportunities.
- **Digimarc Recycle:** Increased the number of parties/countries engaging with us regarding the adoption of Digimarc Recycle. Expect to sign our first Digimarc Recycle contract for initial rollout in a European country in the second half of 2024.
- We have a significant role to play in the gift card market, offering a differentiated solution with a compelling ROI. The gift card market is enormous, with multiple attack vectors growing in magnitude. We are currently engaging with industry leaders to determine the best way to roll out our solution to the industry.

Other Important Developments

- Strengthened our partner ecosystem with the launch of our Center of Expertise (CoE) program, signing eight founding members. These members include industry-leading packaging, print, and technology solutions providers, 3D marking, camera manufacturing, and premedia companies. Learn more here.
- Starting to generate meaningful sales pipeline from our CoE program members.
- Signed a contract with a regional grocer for a loss prevention solution to address theft of prepared foods. In addition to being an interesting stand-alone use case, it has overlap (buyer and technology) with our opportunity in the gift card industry as well as other retail loss prevention use cases we are progressing.
- Signed our first customer who is using our platform for both their physical products and digital assets. This is one of many key differentiators of our platform.
- Secured several important upsells with our existing customers, expanding the adoption of our technology within those accounts.
- Launched our newest product, Digimarc Automate, to improve product inspection by reducing mixing errors and mislabeling, ensuring higher accuracy and efficiency in production, fulfillment and distribution facilities. Learn more here.
- Secured a seven-figure services contract for Phase 3 projects in our continued support of HolyGrail 2.0.
- We continue to be called upon for our expertise and unique vantage point in terms of helping to advance public policy and regulation around artificial intelligence. Our CEO and Chief Product officer testified before the California State Legislature on Assembly Bill 3211. Learn more here and here.

DIGIMARC

Financial Summary – Q2’24 Results

$23.9MM ARR (1)
44% YoY ARR growth

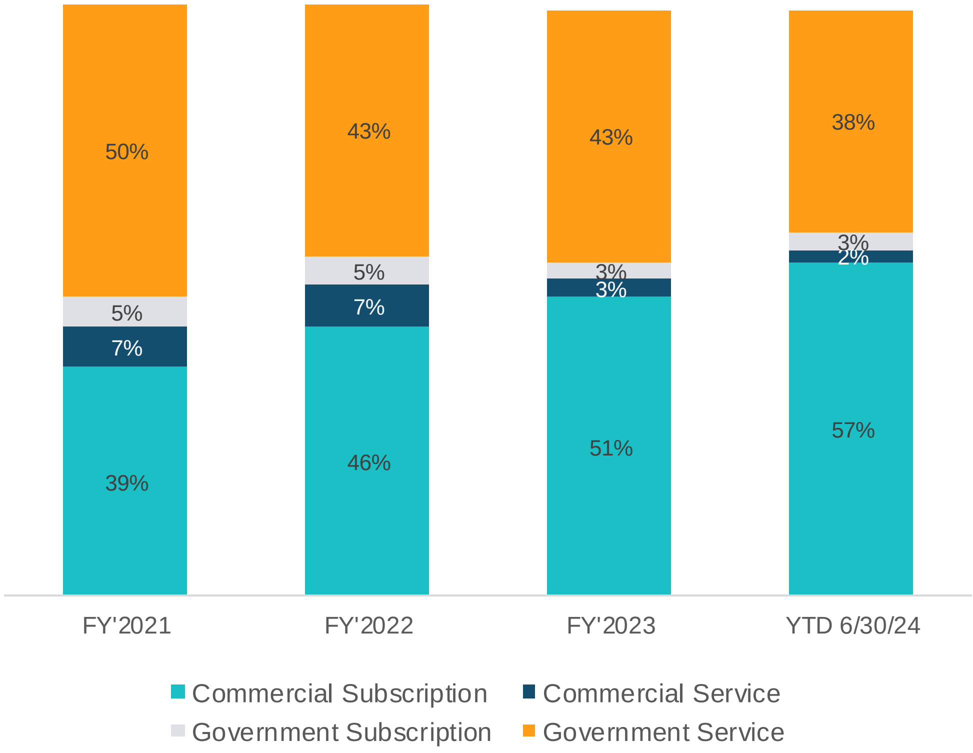
39% YoY Growth
in Commercial Subscription Revenue

89% Gross Profit Margins (2)
on Subscription Revenue

$41.5MM Cash & Investments

$0.0MM Debt

Favorable Shift in Revenue Mix to Commercial Subscription Revenue



DIGIMARC

Market Breakdown

High margin commercial revenue is growing as a percentage of total revenue

Commercial Business Model

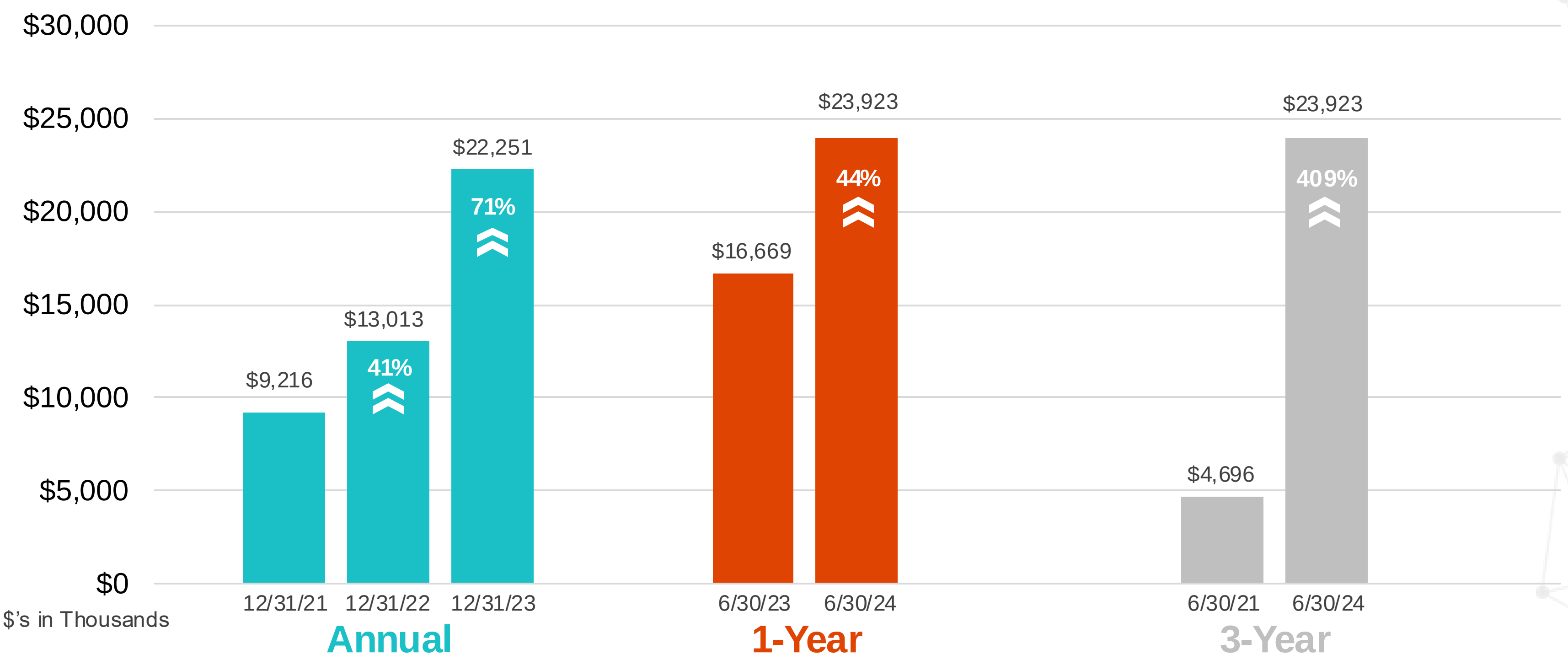
- High growth, high margin opportunity
- Platform and product volume-based annual subscription fees
- 90%+ expected incremental gross margins on subscriptions
- Integration, consulting, and support services

Government Business Model

- Fees for services are adjusted annually for inflation
- 60%+ gross margins on combined services and subscriptions
- Digimarc owns all IP for commercial purposes
- Multi-year budgeting visibility

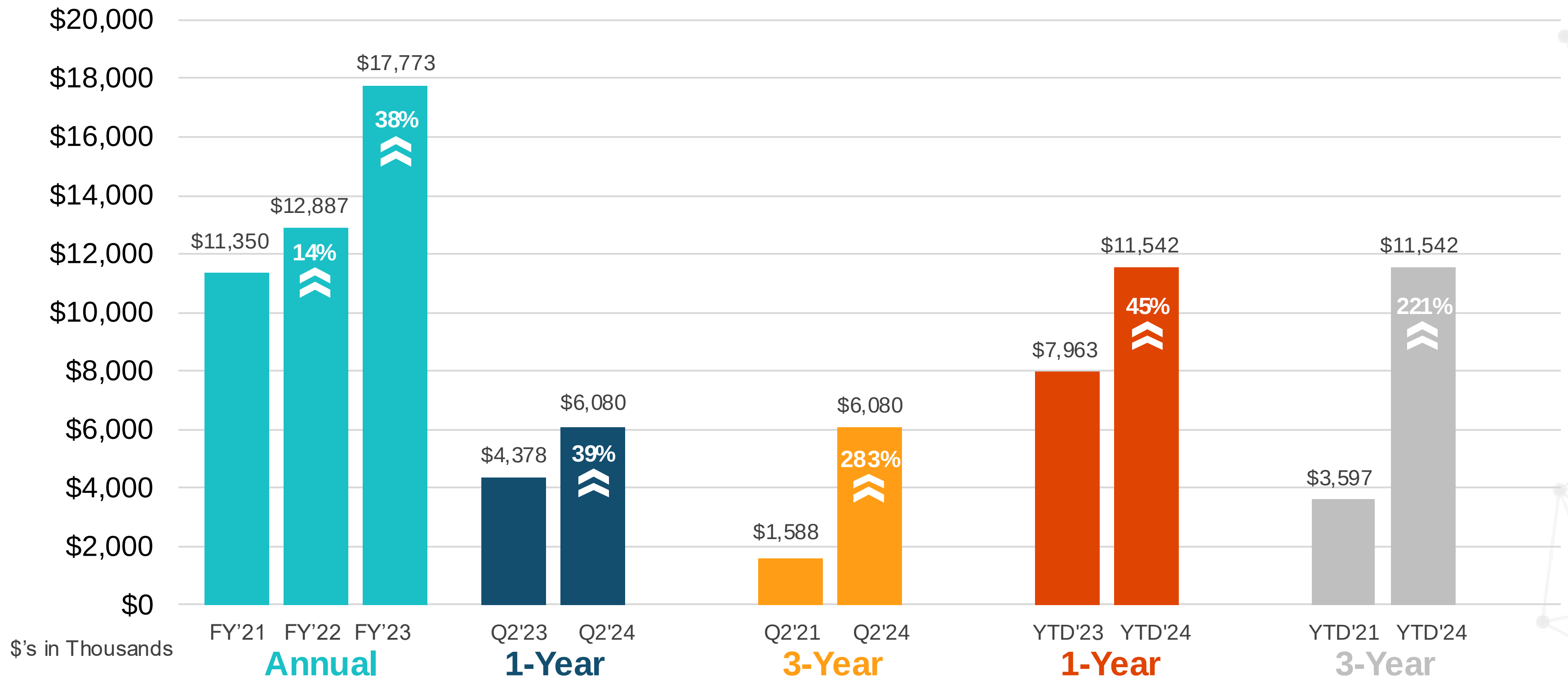
Revenue Summary ($'s in 000's)	FYE 12/31/22	FYE 12/31/23	YTD 6/30/23	YTD 6/30/24
Commercial Revenue:				
Subscription	$13,832	$17,773	$7,963	$11,542
Service	$2,056	$1,042	$636	$434
Total Commercial	$15,888	$18,815	$8,599	$11,976
Government Revenue:				
Subscription	$1,387	$1,200	$600	$600
Service	$12,922	$14,836	$7,374	$7,741
Total Government	$14,309	$16,036	$7,974	$8,341
Total Revenue	**$30,197**	**$34,851**	**$16,573**	**$20,317**
% Commercial	***53%***	***54%***	***52%***	***59%***

Annual Recurring Revenue (1, 4)



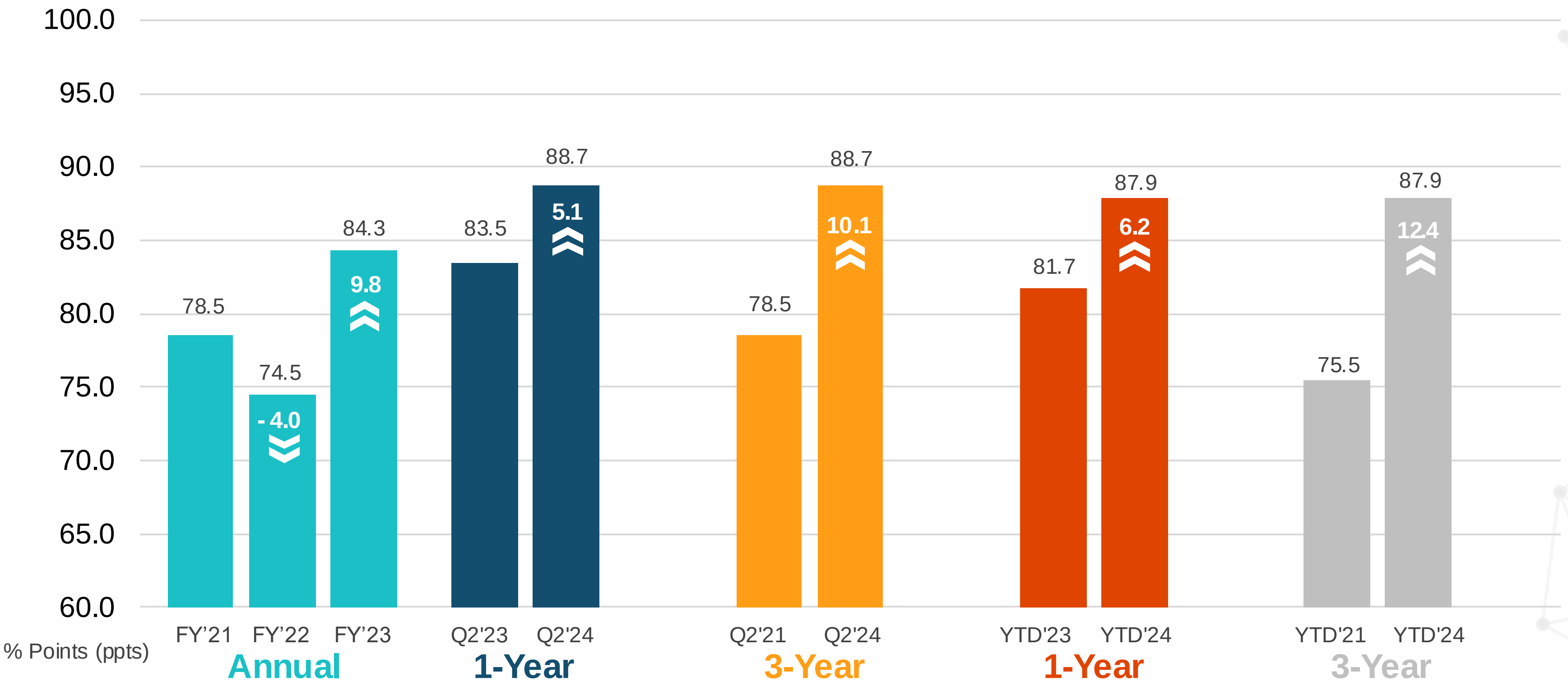
DIGIMARC

Commercial Subscription Revenue (5,6)



DIGIMARC

Subscription Gross Profit Margins (2, 7)



DIGIMARC

Financial KPIs

($'s in 000's)	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
Annual Recurring Revenue (1)	$4,430	$4,696	$4,734	$4,770	$9,476	$9,796	$12,682	$13,013	$12,955	$16,669	$19,549	$22,251	$23,905	$23,923
YoY Change	*N/A*	*N/A*	*N/A*	*N/A*	*114%*	*109%*	*168%*	*173%*	*37%*	*70%*	*54%*	*71%*	*85%*	*44%*
Commercial Subscription Revenue (6)	$2,009	$1,588	$1,571	$1,692	$2,917	$2,450	$3,729	$3,791	$3,585	$4,378	$4,511	$5,299	$5,462	$6,080
YoY Change	*N/A*	*N/A*	*N/A*	*N/A*	*45%*	*54%*	*137%*	*124%*	*23%*	*79%*	*21%*	*40%*	*52%*	*39%*
Subscription Gross Profit Margin (2)	72.9%	78.5%	77.2%	83.8%	72.5%	72.7%	75.4%	77.0%	79.5%	83.5%	85.5%	87.3%	87.0%	88.7%
YoY Change (ppts)	*N/A*	*N/A*	*N/A*	*N/A*	*(0.4)*	*(5.8)*	*(1.8)*	*(6.9)*	*7.0*	*10.8*	*10.1*	*10.3*	*7.5*	*5.1*

Footnotes

(1) Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all our commercial contracts as of the measurement date.

(2) Subscription and Service gross margins exclude amortization expense on acquired intangible assets from the EVRYTHNG acquisition.

(3) This presentation contains the non-GAAP financial measure of Non-GAAP net loss. This non-GAAP financial measure is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing non-cash and non-recurring activities that affect comparability. Our management uses this non-GAAP financial measure, amongst others, in evaluating our financial and operational decision making and as a means to evaluate period-to-period comparisons.

Digimarc believes that providing non-GAAP financial measures, together with the reconciliation within our SEC filings to GAAP financial measures, helps management and investors make comparisons between us and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding GAAP measures provided by each company under applicable SEC rules. These non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP. In order to facilitate a clear understanding of its consolidated historical operating results, investors should examine Digimarc's non-GAAP financial measures in conjunction with its historical GAAP financial information, and investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to, GAAP financial measures. Non-GAAP financial measures may not be indicative of the historical operating results of the Company nor are they intended to be predictive of potential future results.

(4) ARR at 12/31/21 includes ARR from EVRYTHNG for comparative purposes as the acquisition closed on January 3, 2022.

(5) Commercial subscription revenue was adjusted to add EVRYTHNG subscription revenue for FY'2021 for comparative purposes.

(6) Commercial subscription revenue was adjusted to remove Piracy Intelligence subscription revenue for FY'2021 and FY'2022 for comparative purposes as the product has been end-of-lived with no revenue in FY'2023 and beyond.

(7) The decrease in subscription gross profit margins from FY'2021 to FY'2022 reflects the impact of the EVRYTHNG acquisition.

DIGIMARC