Quarterly Earnings Snapshot





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

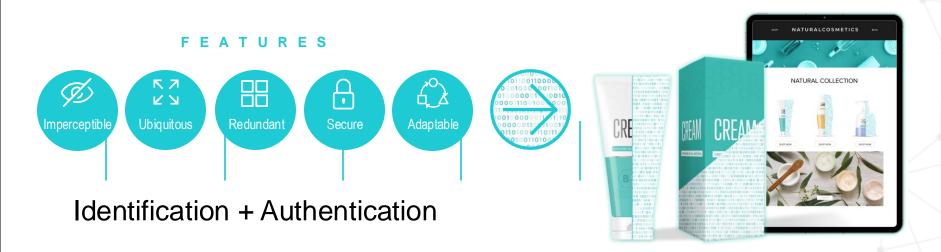




About Digimarc

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.



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

Sust

Sustainability

Increase the quality and quantity of recycled materials



Digimarc Illuminate Platform

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



Commercial Go-to-Market Motions

Traditional SaaS

Products: Digimarc Automate, Digimarc Engage, Digimarc Validate, new products

GTM: Traditional SaaS GTM; large cross sell and upsell opportunities (accretive value for every product added)

Traditional PaaS

Product: Digimarc Illuminate Platform

GTM: Traditional PaaS GTM; large upsell opportunities (capacity and functionality)

Ecosystem Driven Opportunities

Products: Digimarc Recycle, Digimarc Retail Experience, Digimarc Validate (Media), new products

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 Term: 1-3 years

Initial Deal Size: \$\$ (\$250K to \$5M+ ARR)

Initial Deal Term: 3-5 years

Market Size: \$\$\$ (Varied)

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)
- 90%+ incremental gross profit margin
- Massive operating leverage/high operating margin potential
- Digimarc Automate: Automation at manufacturing, fulfillment and distribution centers; see more <u>here</u>
- Digimarc Engage: Consumer engagement for physical products and digital assets; see more here
- Digimarc Validate: Anti-counterfeit for physical products; see more here

- Digimarc Recycle: Active on multiple continents; see more <u>here</u> and <u>here</u> TAM: ~\$1/capita/year
- Digimarc Retail Experience: Platform and Product opportunity; see more <u>here</u> TAM: > \$1 Billion
- Digimarc Validate (Media): Digital watermarks included in multiple GenAI regulation bills; see more <u>here</u> and <u>here</u>

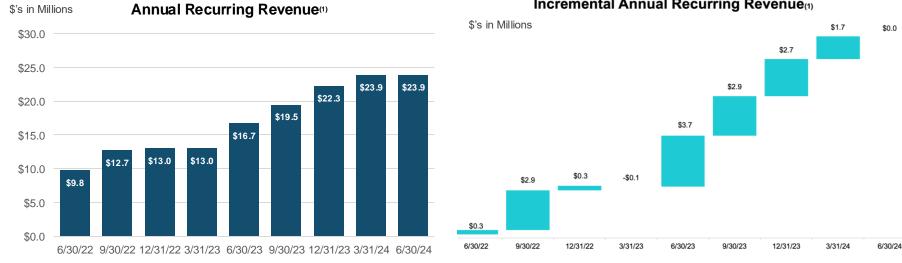
TAM: TBD – provide tools for free, product upsell (freemium model); see more <u>here</u>

ARR Growth Characteristics

ARR

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 ٠
- \$32M+ contract in May 2023 extended Digimarc Illuminate functionality (Security Solutions and Deposit Return Systems) ٠
- Several large deals in the sales pipeline, some of which are for new products/functionality •



Incremental Annual Recurring Revenue(1)

9

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 5percentage 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 <u>here</u>.
- 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 <u>here</u> and <u>here</u>.

Financial Summary – Q2'24 Results

38% 43% 43% 50% 3% 5% <u>3%</u> 3% 7% 5% 7% 57% 51% 46% 39% FY'2021 FY'2022 FY'2023 YTD 6/30/24 Commercial Subscription Commercial Service Government Subscription Government Service

Favorable Shift in Revenue Mix to Commercial Subscription Revenue

\$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

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13

Market Breakdown

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

Commercial Business Model

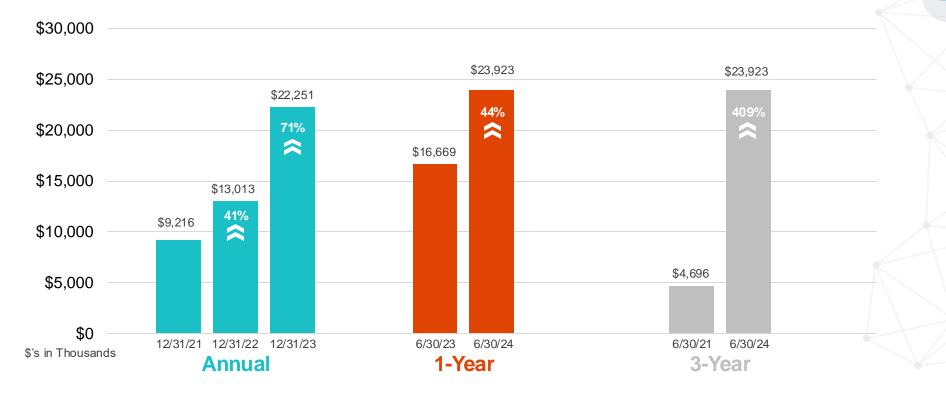
- High growth, high margin opportunity
- Platform and product volume-based annual subscription fees
- 90%+ expected incremental gross margins on subscriptions
- · Integration, consulting, and support services

Government Business Model

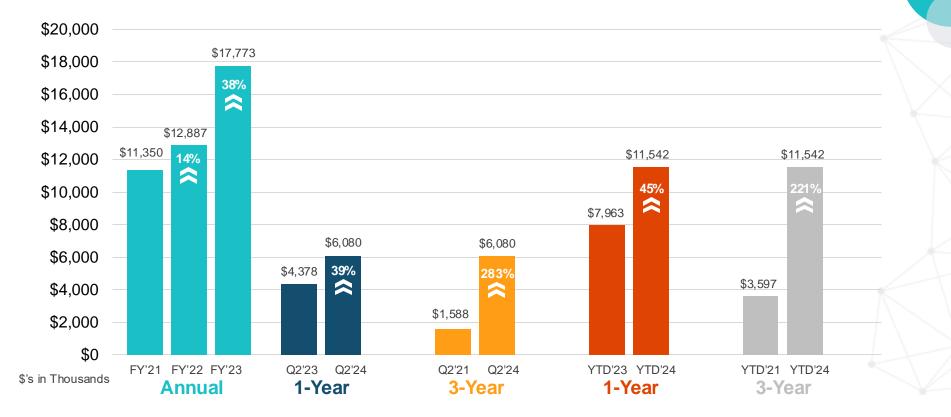
- · Fees for services are adjusted annually for inflation
- 60%+ gross margins on combined services and subscriptions
- Digimarc owns all IP for commercial purposes
- Multi-year budgeting visibility

| 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 | <u>\$2,056</u> | <u>\$1,042</u> | <u>\$636</u> | <u>\$434</u> | |
| Total Commercial | \$15,888 | \$18,815 | \$8,599 | \$11,976 | |
| Government Revenue: | | | | | |
| Subscription | \$1,387 | \$1,200 | \$600 | \$600 | |
| Service | <u>\$12,922</u> | <u>\$14,836</u> | <u>\$7,374</u> | <u>\$7,741</u> | |
| 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% | |

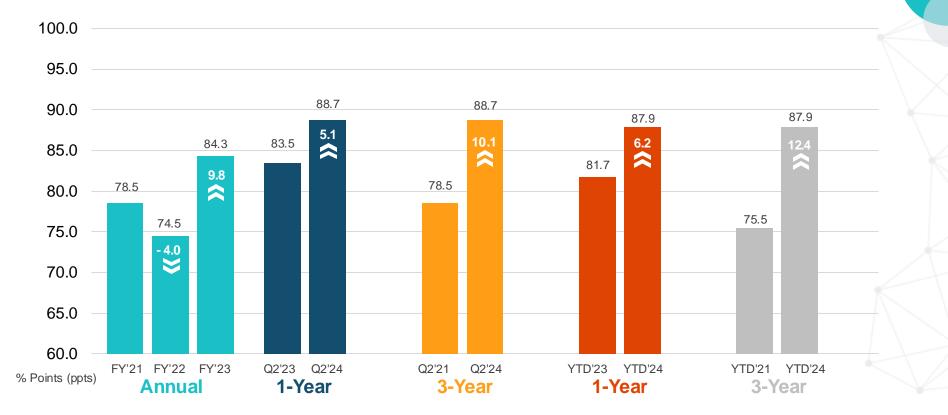
Annual Recurring Revenue (1,4)



Commercial Subscription Revenue (5,6)



Subscription Gross Profit Margins (2,7)



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.

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