

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

	Three-Month Information	
	March 31, 2020	March 31, 2019
Revenue:		
Service	\$ 3,738	\$ 3,814
Subscription	2,451	1,846
Total revenue	6,189	5,660
Cost of revenue:		
Service	1,684	1,645
Subscription	514	489
Total cost of revenue	2,198	2,134
Gross profit:		
Service	2,054	2,169
Subscription	1,937	1,357
Total gross profit	3,991	3,526
Gross margin:		
Service	55%	57%
Subscription	79%	74%
Percentage of gross profit to total revenue	64%	62%
Operating expenses:		
Sales and marketing	5,246	4,950
Research, development and engineering	4,433	4,038
General and administrative	3,367	3,210
Total operating expenses	13,046	12,198
Operating loss	(9,055)	(8,672)
Other income, net	142	237
Loss before income taxes	(8,913)	(8,435)
Benefit (provision) for income taxes	5	(28)
Net loss	\$ (8,908)	\$ (8,463)
Earnings (loss) per common share:		
Loss per common share - basic	\$ (0.74)	\$ (0.74)
Loss per common share - diluted	\$ (0.74)	\$ (0.74)
Weighted average common shares outstanding - basic	12,037	11,487
Weighted average common shares outstanding - diluted	12,037	11,487

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

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 10,250	\$ 11,213
Marketable securities ⁽¹⁾	20,320	25,604
Trade accounts receivable, net	3,959	4,021
Other current assets	2,118	2,456
Total current assets	36,647	43,294
Property and equipment, net	3,539	3,650
Intangibles, net	6,629	6,670
Goodwill	1,114	1,114
Other assets	2,524	2,660
Total assets	\$ 50,453	\$ 57,388
 Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,349	\$ 2,272
Deferred revenue	3,015	3,172
Total current liabilities	5,364	5,444
Lease liability and other long-term liabilities	2,346	2,494
Total liabilities	7,710	7,938
 Commitments and contingencies		
 Shareholders' equity:		
Preferred stock	50	50
Common stock	13	12
Additional paid-in capital	190,303	188,103
Accumulated deficit	(147,623)	(138,715)
Total shareholders' equity	42,743	49,450
Total liabilities and shareholders' equity	\$ 50,453	\$ 57,388

(1) Aggregate cash, cash equivalents, short-term marketable securities was \$30,570 and \$36,817 at March 31, 2020 and December 31, 2019, respectively.

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

	Three-Month Information	
	March 31, 2020	March 31, 2019
Cash flows from operating activities:		
Net loss	\$ (8,908)	\$ (8,463)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	374	357
Amortization and write-off of intangibles	201	180
Stock-based compensation	2,195	2,037
Changes in operating assets and liabilities:		
Trade accounts receivable	62	161
Other current assets	338	74
Other assets	136	(33)
Accounts payable and other accrued liabilities	61	800
Deferred revenue	(146)	(393)
Lease liability and other long-term liabilities	(159)	(174)
Net cash used in operating activities	<u>(5,846)</u>	<u>(5,454)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(235)	(194)
Capitalized patent costs	(137)	(153)
Maturity of marketable securities	11,691	6,744
Purchase of marketable securities	<u>(6,407)</u>	<u>(3,559)</u>
Net cash provided by investing activities	4,912	2,838
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	574	-
Exercise of stock options	135	99
Purchase of common stock	<u>(738)</u>	<u>(486)</u>
Net cash used in financing activities	(29)	(387)
Net decrease in cash and cash equivalents ⁽²⁾	<u>\$ (963)</u>	<u>\$ (3,003)</u>
Cash, cash equivalents and marketable securities at beginning of period	36,817	43,656
Cash, cash equivalents and marketable securities at end of period	<u>30,570</u>	<u>37,468</u>
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (6,247)</u>	<u>\$ (6,188)</u>