

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

| | Three Month Information | | Twelve Month Information | |
|--|-------------------------|----------------------|--------------------------|----------------------|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Revenue: | | | | |
| Service | \$ 2,899 | \$ 2,700 | \$ 13,881 | \$ 13,249 |
| Subscription | 2,654 | 2,619 | 10,109 | 9,738 |
| Total revenue | 5,553 | 5,319 | 23,990 | 22,987 |
| Cost of revenue: | | | | |
| Service | 1,136 | 1,283 | 5,827 | 6,013 |
| Subscription | 559 | 516 | 2,107 | 2,023 |
| Total cost of revenue | 1,695 | 1,799 | 7,934 | 8,036 |
| Gross profit: | | | | |
| Service | 1,763 | 1,417 | 8,054 | 7,236 |
| Subscription | 2,095 | 2,103 | 8,002 | 7,715 |
| Total gross profit | 3,858 | 3,520 | 16,056 | 14,951 |
| Gross margin: | | | | |
| Service | 61% | 52% | 58% | 55% |
| Subscription | 79% | 80% | 79% | 79% |
| Percentage of gross profit to total revenue | 69% | 66% | 67% | 65% |
| Operating expenses: | | | | |
| Sales and marketing | 4,428 | 4,999 | 18,845 | 19,875 |
| Research, development and engineering | 4,011 | 4,343 | 17,314 | 16,467 |
| General and administrative | 3,253 | 3,053 | 12,710 | 12,340 |
| Total operating expenses | 11,692 | 12,395 | 48,869 | 48,682 |
| Operating loss | (7,834) | (8,875) | (32,813) | (33,731) |
| Other income, net | 20 | 185 | 277 | 912 |
| Loss before income taxes | (7,814) | (8,690) | (32,536) | (32,819) |
| Benefit (provision) for income taxes | (2) | 7 | (1) | (21) |
| Net loss | \$ (7,816) | \$ (8,683) | \$ (32,537) | \$ (32,840) |
| Beneficial conversion feature | (11,443) | - | (11,443) | - |
| Net loss attributable to common shares | \$ (19,259) | \$ (8,683) | \$ (43,980) | \$ (32,840) |
| Earnings (loss) per common share: | | | | |
| Loss per common share - basic | \$ (1.27) | \$ (0.73) | \$ (3.41) | \$ (2.79) |
| Loss per common share - diluted | \$ (1.27) | \$ (0.73) | \$ (3.41) | \$ (2.79) |
| Weighted average common shares outstanding - basic | 15,222 | 11,967 | 12,906 | 11,762 |
| Weighted average common shares outstanding - diluted | 15,222 | 11,967 | 12,906 | 11,762 |
| Reconciliation to Non-GAAP loss per common share: | | | | |
| GAAP net loss attributable to common shares - basic and diluted | \$ (19,259) | \$ (8,683) | \$ (43,980) | \$ (32,840) |
| Beneficial conversion feature on Series B preferred stock | (11,443) | — | (11,443) | — |
| Non-GAAP net loss attributable to common shares - basic and diluted | \$ (7,816) | \$ (8,683) | \$ (32,537) | \$ (32,840) |
| Non-GAAP loss per common share - basic | \$ (0.51) | \$ (0.73) | \$ (2.52) | \$ (2.79) |
| Non-GAAP loss per common share - diluted | \$ (0.51) | \$ (0.73) | \$ (2.52) | \$ (2.79) |
| Weighted average common shares outstanding - basic | 15,222 | 11,967 | 12,906 | 11,762 |
| Weighted average common shares outstanding - diluted | 15,222 | 11,967 | 12,906 | 11,762 |

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

| | December 31, 2020 | December 31, 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents ⁽¹⁾ | \$ 19,696 | \$ 11,213 |
| Marketable securities ⁽¹⁾ | 58,032 | 25,604 |
| Trade accounts receivable, net | 3,907 | 4,021 |
| Other current assets | 2,197 | 2,456 |
| Total current assets | 83,832 | 43,294 |
| Property and equipment, net | 3,272 | 3,650 |
| Intangibles, net | 6,612 | 6,670 |
| Goodwill | 1,114 | 1,114 |
| Other assets | 2,198 | 2,660 |
| Total assets | \$ 97,028 | \$ 57,388 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 2,827 | \$ 2,272 |
| Note payable, current | 3,947 | — |
| Deferred revenue | 3,002 | 3,172 |
| Total current liabilities | 9,776 | 5,444 |
| Lease liability and other long-term liabilities | 2,295 | 2,494 |
| Note payable, long-term | 1,118 | — |
| Total liabilities | 13,189 | 7,938 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock | 50 | 50 |
| Common stock | 17 | 12 |
| Additional paid-in capital | 255,024 | 188,103 |
| Accumulated deficit | (171,252) | (138,715) |
| Total shareholders' equity | 83,839 | 49,450 |
| Total liabilities and shareholders' equity | \$ 97,028 | \$ 57,388 |

(1) Aggregate cash, cash equivalents and marketable securities was \$77,728 and \$36,817 at December 31, 2020 and 2019, respectively.

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

| | Twelve Month Information | |
|--|--------------------------|----------------------|
| | December 31, 2020 | December 31, 2019 |
| Cash flows from operating activities: | | |
| Net loss | (32,537) | \$ (32,840) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation, amortization and write-off of property and equipment | 1,531 | 1,449 |
| Amortization and write-off of intangibles | 771 | 758 |
| Amortization of right of use assets under operating leases | 470 | 447 |
| Amortization of net premiums and (discounts) on marketable securities | (204) | 710 |
| Stock-based compensation | 9,115 | 8,214 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 114 | (133) |
| Other current assets | 259 | (356) |
| Other assets | (8) | 27 |
| Accounts payable and other accrued liabilities | 512 | 702 |
| Deferred revenue | (199) | (41) |
| Lease liability and other long-term liabilities | (170) | (639) |
| Net cash used in operating activities | <u>(20,346)</u> | <u>(21,702)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,020) | (1,055) |
| Capitalized patent costs | (612) | (659) |
| Maturity of marketable securities | 43,155 | 41,374 |
| Purchase of marketable securities | (75,379) | (51,310) |
| Net cash used in investing activities | <u>(33,856)</u> | <u>(11,650)</u> |
| Cash flows from financing activities: | | |
| Issuance of common stock, net of issuance costs | 38,603 | 19,615 |
| Issuance of preferred stock, net of issuance costs | 16,888 | — |
| Exercise of stock options | 5,922 | 1,178 |
| Proceeds from note payable | 5,032 | — |
| Purchase of common stock | (3,760) | (3,506) |
| Net cash provided by financing activities | <u>62,685</u> | <u>17,287</u> |
| Net increase (decrease) in cash and cash equivalents ⁽²⁾ | <u>\$ 8,483</u> | <u>\$ (16,065)</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>77,728</u> | <u>36,817</u> |
| (2) Net increase (decrease) in cash, cash equivalents and marketable securities | <u>\$ 40,911</u> | <u>\$ (6,839)</u> |