

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

	Three Month Information	
	March 31, 2022	March 31, 2021
Revenue:		
Service	\$ 3,620	\$ 3,784
Subscription	3,791	2,916
Total revenue	<u>7,411</u>	<u>6,700</u>
Cost of revenue:		
Service ⁽¹⁾	1,831	1,570
Subscription ⁽¹⁾	1,042	791
Amortization expense on acquired intangible assets	1,194	—
Total cost of revenue	<u>4,067</u>	<u>2,361</u>
Gross profit		
Service ⁽¹⁾	1,789	2,214
Subscription ⁽¹⁾	2,749	2,125
Amortization expense on acquired intangible assets	(1,194)	—
Total gross profit	<u>3,344</u>	<u>4,339</u>
Gross profit margin:		
Total	45%	65%
Service ⁽¹⁾	49%	59%
Subscription ⁽¹⁾	73%	73%
Operating expenses:		
Sales and marketing	7,945	4,941
Research, development and engineering	6,091	4,131
General and administrative	6,408	3,493
Amortization expense on acquired intangible assets	342	—
Impairment of lease right of use assets and leasehold improvements	574	—
Total operating expenses	<u>21,360</u>	<u>12,565</u>
Operating loss	(18,016)	(8,226)
Other income (loss), net	(4)	10
Loss before income taxes	(18,020)	(8,216)
Benefit (provision) for income taxes	239	(6)
Net loss	<u>\$ (17,781)</u>	<u>\$ (8,222)</u>
Loss per common share:		
Loss per common share — basic	\$ (1.03)	\$ (0.50)
Loss per common share — diluted	\$ (1.03)	\$ (0.50)
Weighted average common shares outstanding — basic	17,344	16,333
Weighted average common shares outstanding — diluted	17,344	16,333

⁽¹⁾ Cost of revenue, Gross profit and Gross profit margin for Service and Subscription 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 Month Information	
	March 31, 2022	March 31, 2021
GAAP gross profit	\$ 3,344	\$ 4,339
Amortization of acquired intangible assets	1,194	—
Amortization and write-off of other intangible assets	141	142
Stock-based compensation	201	173
Non-GAAP gross profit	4,880	4,654
Non-GAAP gross profit margin	66%	69%
GAAP operating expenses	\$ 21,360	\$ 12,565
Depreciation and write-off of property and equipment	(390)	(363)
Amortization of acquired intangible assets	(342)	—
Amortization and write-off of other intangible assets	(30)	(35)
Amortization of lease right of use assets under operating leases	(271)	(118)
Stock-based compensation	(2,267)	(1,837)
Impairment of lease right of use assets and leasehold improvements	(574)	—
Acquisition-related expenses	(444)	—
Non-GAAP operating expenses	\$ 17,042	\$ 10,212
GAAP net loss	\$ (17,781)	\$ (8,222)
Total adjustments to gross profit	1,536	315
Total adjustments to operating expenses	4,318	2,353
Non-GAAP net loss	\$ (11,927)	\$ (5,554)
GAAP loss per common share (diluted)	\$ (1.03)	\$ (0.50)
Non-GAAP net loss	\$ (11,927)	\$ (5,554)
Non-GAAP loss per common share (diluted)	\$ (0.69)	\$ (0.34)

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

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 3,228	\$ 13,789
Marketable securities ⁽¹⁾	15,958	19,537
Trade accounts receivable, net	5,934	6,368
Loan receivable from related party	—	2,001
Other current assets	4,489	2,316
Total current assets	29,609	44,011
Marketable securities ⁽¹⁾	5,709	8,292
Property and equipment, net	2,922	2,875
Intangibles, net	41,833	6,611
Goodwill	6,412	1,114
Lease right of use assets	5,746	1,300
Other assets	1,268	673
Total assets	\$ 93,499	\$ 64,876
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 10,875	\$ 4,727
Deferred revenue	4,315	2,989
Total current liabilities	15,190	7,716
Long-term lease liabilities	6,267	1,028
Other long-term liabilities	519	752
Total liabilities	21,976	9,496
Shareholders' equity:		
Preferred stock	50	50
Common stock	18	17
Additional paid-in capital	296,364	261,324
Accumulated deficit	(223,792)	(206,011)
Accumulated other comprehensive loss	(1,117)	—
Total shareholders' equity	71,523	55,380
Total liabilities and shareholders' equity	\$ 93,499	\$ 64,876

(1) Aggregate cash, cash equivalents, and marketable securities was \$24,895 and \$41,618 at March 31, 2022 and December 31, 2021, respectively.

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

	Three Month Information	
	March 31, 2022	March 31, 2021
Cash flows from operating activities:		
Net loss	\$ (17,781)	\$ (8,222)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	390	363
Amortization of acquired intangible assets	1,536	—
Amortization and write-off of other intangible assets	171	177
Amortization of lease right of use assets under operating leases	271	118
Amortization of net premiums (discounts) on marketable securities	26	(266)
Stock-based compensation	2,468	2,010
Impairment of lease right of use assets and leasehold improvements	574	—
Changes in operating assets and liabilities:		
Trade accounts receivable	1,731	(612)
Other current assets	(17)	219
Other assets	(601)	(44)
Accounts payable and other accrued liabilities	219	501
Deferred revenue	(423)	(55)
Lease liability and other long-term liabilities	(420)	(177)
Net cash used in operating activities	(11,856)	(5,988)
Cash flows from investing activities:		
Net cash paid for acquisition	(3,512)	—
Purchase of property and equipment	(414)	(317)
Capitalized patent costs	(119)	(159)
Proceeds from maturities of marketable securities	5,937	17,494
Purchases of marketable securities	—	(25,151)
Net cash provided by (used in) investing activities	1,892	(8,133)
Cash flows from financing activities:		
Purchase of common stock	(583)	(870)
Repayment of loan	(15)	—
Net cash used in financing activities	(598)	(870)
Effect of exchange rate on cash	1	—
Net decrease in cash and cash equivalents ⁽²⁾	<u>\$ (10,561)</u>	<u>\$ (14,991)</u>
Cash, cash equivalents and marketable securities at beginning of period		
	41,618	77,728
Cash, cash equivalents and marketable securities at end of period		
	24,895	70,660
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (16,723)</u>	<u>\$ (7,068)</u>

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