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 with respect to future events and performance, including statements regarding: projected improvements in the ease of use, reliability and efficiency of auto identification from implementing the Digimarc Platform; the size of the total addressable market and anticipated revenue we could realize from serving those markets; potential applications for and performance of our products and services, and related sources of revenue.

Although these statements are based upon expectations and beliefs concerning future events we believe to be reasonable, they are subject to risks and uncertainties which are difficult to predict and, in many instances, are beyond our control. These risks and uncertainties include, but are not limited to: the size and growth of our markets; protection, development and enforcement of our intellectual property portfolio; adoption or endorsement of our technology by leading companies in the retail and consumer products industries or standard-setting bodies or institutions; our future profitability; competition from larger companies or alternative technologies; acceptance in our markets of our revenue models and pricing structures; and the risks detailed in our filings with the U.S. Securities and Exchange Commission from time to time, including the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

We believe that the risk factors specified above and the risk factors identified in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019 and our other filings with the U.S. Securities and Exchange Commission, among others, could affect our future performance and the liquidity and value of our securities 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.
Navigating the COVID-19 Pandemic

Creates new urgency for responsible, connected packaging across retail supply chain with focus on:

- Stores, employees and shoppers' safety
- Store and supply chain efficiencies
- Merchandising and education
- Omnichannel shopping and delivery

Packaging megatrends are changing with the COVID-19 crisis.

Observed and expected impact of trends on packaging industry, scale 1–5

- Sustainability requirements
- E-commerce everywhere
- Changing customer and consumer preferences
- FMCG\(^1\) and retail margin compression
- Digitalization of packaging (Internet of Things)

\(^{1}\text{Fast-moving consumer goods.}\)

Source: McKinsey - How the packaging industry can navigate the coronavirus pandemic, April 16, 2020
Digimarc for Packaging

• Low contrast two-dimensional data carrier, like QR and DataMatrix
• Greater data capacity than UPC
• Each tile approximately the size of thumbnail
• Low contrast allows for massive redundancy
• Redundancy improves **ease of use, reliability** and **efficiency** of auto identification

![Enhanced Package]

**Composition**
- A **Grid** comprised of waveforms at specific frequencies
- A **Message** comprised of bits (0/1) of information spread across a broad range of frequencies

**Original**, **Spatial Domain**, **Enhanced (single tile)**, **Frequency Domain**

100 barcodes
Beyond the Barcode:
Digimarc Makes Retail Operations Safer and More Profitable

Digimarc

Beyond the Barcode: Digimarc Makes Retail Operations Safer and More Profitable

PAST

PRESENT

NOW & FUTURE

POS

Supply Chain

Supply Chain/Inventory/POS

Marketing

RFID/inventory

All Use Cases

PACKAGING

PACKAGING

PACKAGING

PACKAGING

5
The Digimarc Platform

Every media object a specific IoT-ready digital identity

Software to put structured data into media objects and read it in enterprise and consumer applications

Applies to all media including digital and print images, substrates, audio and video

Data carrier is imperceptible to consumers in normal use

Can be repeated many times, improving ease of use, reliability and efficiency

Sustainable Competitive Advantage

- 25 years of R&D: digital watermarking; automatic ID of media
- Security for banknotes, movies, and digital images; audience measurement for radio and TV
- Signal processing experts; best known for digital watermarking
- Unique data carrier applicable to all media
- 1,100 patents issued and pending
- Digimarc Platform network effects
Digimarc Platform

The Digimarc Platform is a powerful suite of **automatic identification and data capture (AIDC)** software and services that provide the reliability and efficiency to support multiple business applications.

<table>
<thead>
<tr>
<th>Applications &amp; Use Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
</tr>
<tr>
<td>Brand Protection</td>
</tr>
<tr>
<td>Traceability</td>
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<tr>
<td>Sustainability</td>
</tr>
<tr>
<td>Engagement</td>
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<tr>
<td>Efficiency</td>
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</tbody>
</table>

### Cloud Services

Account Management, Data and Reporting

### Quality Management

- **Specifications**
- **Verification**
- **Education & Training**

#### Identification: Enhancing Media with Digital Identities

*Industry Leading Design & Production Tools*

#### Discovery: Reading Digital Identities

*Industry Leading Imaging Scanners, Machine Vision Cameras & Smartphones*

### Media Types

- Packaging & Labels
- Value Documents
- Catalogs & In-store
- Structural Materials
- Fabric
- Movies, TV & Music
Enormous Target Market

Grocery Retail — $50 Billion+ TAM for Digimarc software and services

- Retail store operations safety, efficiency, and marketing; supply chain visibility, consumer engagement
- Emerging role in food safety and waste reduction, supply chain management, plastics recycling, and Circular Economy more generally
## Safe, Convenient & Efficient Grocery with Digimarc

Enables low touch, high-efficiency shopping

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Benefit</th>
</tr>
</thead>
</table>
| **Stores & Safety** | • Improves & increases efficiency for all forms of checkout and reduces congestion in stores  
                     • Supports scan-and-go models for less person-to-person contact  
                     • Reduces hand keying items and promotes less handling of products  
                     • Reduces cashier muscle strain by mitigating the need to twist and turn packaging to get a reliable scan  
                     • Enables faster pick-and-pack for store employees to fulfill mobile orders and curbside pick-ups  |
| **Supply Chain**   | • Makes automatic identification of packaging components easier during the manufacturing inspection process  
                     • Reduces product waste due to mislabeling and other inaccuracies, which can imperil consumer safety  
                     • Reduces food waste with reduced-to-clear (dynamic pricing) to sell perishables before they expire  
                     • Improves store audits and inventory management including handhelds and future inspection robots  |
| **Merchandising**  | • Enables and engages shoppers through connected print and enhanced menus, direct mail, in-store signage, and catalogs – making it easy to scan and buy  |
| **New Channels**   | • Digitally-enables products and digital assets for unified commerce, mobile orders, buy online pick up at store (BOPUS)  
                     • Links print and digital channels to drive mobile commerce and support an omnichannel experience  |
Retail Execution Strategy

1. Supply software, training and support to packaging & labels suppliers to add Digimarc Barcode to designs.
2. Packaging & Label suppliers provide packaging to Private Brands and National Brand products.
4. Integrators and solution providers support use cases.
5. Multiple use case benefits drive adoption and scale.
6. More packages and labels, uses, and retailers and brands inspire more adoption.
Expanding Global Supplier Network as Catalyst

- 700+ Supplier Network
  - Numerous pre-media and packaging solutions leaders
  - Top 7 AIDC suppliers

- Seven of Top 11 Global Consumer Brands
- Two of Top 10 US Retailers
- Thousands of Printers
- Japan making progress despite minimal direct investment
Fueling Retail Adoption
Supply Change Management Example: From Farm to Recycle

Single AIDC platform enables traceability throughout demand and supply cycles

Farm
• Harvesters can reliably scan clamshells, corrugated trays, and pallets, from fields to trucks

Production Facility
• Product packaging, trays, pallets and boxes enhanced with Digimarc Barcode for greater traceability

Warehouse
• Faster and reliable scanning of boxes, cases and pallets for inventory management and automatic replenishment via handheld scanners or mounted cameras

Distribution
• Mounted cameras scan Digimarc enhanced trays and pallets entering and leaving trucks

Grocery Retail
• More reliable data capture and faster receiving and checkout (all forms), pick and pack, store audits, and inventory management; integration with POS, ERP, blockchain and traceability systems of record

Home
• Consumers scanning from smartphones enables product transparency, passive recall status check, re-ordering and more

Recycling
• How to recycle instructions for consumers; greater quality and quantity of recyclable material identified in collection and waste sorting processes
Digimarc Sustainability Initiatives

HolyGrail 2.0

- Initial HolyGrail project generated significant industry exposure and recognition, including a segment with the BBC, invitations to participate in the Consumer Goods Forum’s Plastic Waste Coalition of Action and recycling initiative of the Consumer Brand Association
- HolyGrail 2.0 to determine path to commercialization for use of Digimarc Barcode to improve sortation of plastic waste, reducing the impact to oceans and landfills
- Proposed charter objectives include specifications, industrial-scale pilots, and path to adoption by industry, initially in the EU
- 170+ participants across the circular economy, including 40+ global CPG brands, 15 retailers, trade organizations, recyclers, printers and plastic mold converters, plastic resin manufacturers and NGOs

Global Expansion of Initiatives

- Pursuing country-led initiatives and working with several leading brands including P&G with announcement of multiple products enhanced with Digimarc Barcode to launch this fall in Germany
- R&D on package enhancement methods and sorting detection software working with leading industry suppliers
- Member of the Sustainable Packaging Coalition®, one of the leading organizations for sustainable packaging and creator of the How2Recycle® program, the most widely use recycling label on packaging in the U.S.
- Walmart, GS1, Consumer Goods Forum, and others forming/supporting initiatives

- Packaging Europe’s “Overall Winner” of their annual Sustainability Awards
- “Driving the Circular Economy” award
- “Circular Economy Innovation of the Year” by edie
- Inclusion in the Solar Impulse Foundation, with a projected CO2 savings of 7.48 million tons
Working Capital Management

Income is preferred source of working capital

Q1 Financial Summary
- Total revenue up 9%; Retail bookings up 110%; Retail revenue up 70%; Gross margins up 2% vs Q1 2019
- Anticipate continued growth in Retail revenues despite uncertain market conditions
- Operating expenses and cash usage well under projections

Sale of equity as secondary source
- ATM: $9MM available for ATM; additional $40MM on shelf registration
- Strategic partnerships: delayed due to COVID-19; restarting discussions with refinement of positioning in light of pandemic
- Registered direct or marketed secondaries
- Private equity/venture capital: explore application-specific sources

Other options
- Sale of assets; combinations of the above, in context of strategy for max value; All options are on the table; All are achievable

Maximizing shareholder value is our goal; Confident in soundness of strategy

COVID-19 Impact on Working Capital

- Impact not clearly negative; substantial uncertainty persists
- Software company; no inventory; no supply chain risk; no China risk
- $5MM Paycheck Protection Program loan secured
  - Expect majority of loan to be forgiven (used for payroll costs)
- $36MM in working capital after PPP loan
  - Investing $6MM to $7MM of cash a quarter
  - Expect to reduce cash usage with growth in revenues
- Largest customers are Central Banks and Walmart; represent 76% of Q1 revenue
- Effective work from home strategy to maintain productivity
- Managing operating expenses effectively
  - Deferring hiring and capital expenditures in non-critical areas
  - Reducing/eliminating non-critical expenses
- Assessing sources of capital
Navigating 2020

• Focus of investment is grocery, the most robust sector of the economy; pitching solution for “low touch shopping”

• “New normal” pressures retail operating margins with reduced traffic due to social distancing and other safety overhead

• Greater emphasis on efficiency and reducing unnecessary handling of products and other materials

• Increasing operational and financial leverage from supplier relationships, facilitating geographic expansion

• Business case for Circular Economy (plastic recycling)

• Effective working capital management
Summary

Validated Mission Critical Proprietary Technology
- High-security digital watermarking pioneer
- 23 years in counterfeit deterrence with Central Banks
- Broad adoption of licensed solutions in multiple industries
- Industry leading initial suppliers and customers
- Vote of confidence from global barcode licensing authority GS1
- 1,100 patent assets and proprietary trade secret algorithms

Compelling Retail & CPG Value Proposition
- Improves retail efficiency and consumer engagement
- Impacts many aspects of consumer product life cycle
- Can save retail industry billions
- Early adoption by Wegmans, Walmart, Costco, Netto, P&G, and Pepsico; working with other leading retailers and consumer brands
- Potential for rapid adoption once retail leaders provide evidence of benefits at scale

Commitment to ESG
- Help reduce waste, reduce shrink, improve plastics sorting, create store efficiencies, etc.
- Volunteering in our community and building STEM skills with local schools
- Employing environmentally-friendly practices to reduce energy and plastics usage
- Building a global supplier network that shares commitment to a more sustainable model

Enormous Market and Attractive Business Model
- Massive TAM under increasing pressure for safety and efficiency
- Sustainable competitive advantage clear and documented
- Licensing model indicates enormous potential scale with high margin recurring revenues
- Highly-qualified and experienced management team with decades of industry experience
- Good stewards of capital with track record of providing attractive returns to shareholders
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