Investor Update

August 2020

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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.
## The Digimarc Platform

**Massive opportunity with ...**

- Successor to the barcode
- Software, services, cloud, and partner ecosystem
- Put structured data into media objects and read it in enterprise and consumer applications
- Every media object given an IoT-ready digital identity
- 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

**...significant and sustainable competitive advantages**

- 25 years of R&D in automatic ID of media
- Signal processing expertise; best known for digital watermarking
- Unique data carrier applicable to all media
- Security for banknotes, movies, and digital images; audience measurement for radio and TV
- 1,000+ patents issued and pending
- Network effects as assimilated into global supply chain
**Digimarc Platform**

A platform for Creation and Orchestration of automatic identification solutions – enabling developers to create digital identities for media objects and facilitate coordination of suppliers and end users.

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<th>Brand Protection</th>
<th>Traceability</th>
<th>Sustainability</th>
<th>Engagement</th>
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**Digimarc Partners**

**IoT Services**

My.Digimarc, Digimarc Connections, Insights

**Quality Management**

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**Identification:** Enhancing Media with Digital Identities

*Industry Leading Design & Production Tools*

**Discovery:** Detecting Digital Identities

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

**Offerings**

<table>
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<th>Packaging &amp; Labels</th>
<th>Documents</th>
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Digimarc is Taking the World Beyond the Barcode

Digimarc has invented the successor to the barcode:

Beyond the Barcode: Digimarc Makes Retail Operations Safer and More Profitable
**Grocery Retail** is an Enormous Target Market

$50 Billion+ TAM for Digimarc software and services

- Packages, labels, instore displays, and catalogs
- Retail: store operations safety, efficiency, and marketing; supply chain visibility, consumer engagement
- Brand owners: supply chain management, food safety and waste reduction, plastics recycling, and Circular Economy more generally
- Walmart, Netto Marken Discount, P&G, Pepsico,…

-Packaging  
- Print  
- Mobile  
- In-Store Entertainment  
- Traceability  
- Sustainability
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

![Diagram of Enhanced Package](image)

**Original**

**Spatial Domain**

**Enhanced (single tile)**

**Frequency Domain**

**100 barcodes**
Improve Store Operations Efficiency

Front of Store and In-Aisle Benefits:

- Increased items per minute at checkout
- Easier scan at self-checkout
- Less shrink, increased sales
- More efficient inventory audits by associates and robots
- More accurate data in stock, pricing, planogram compliance
- Direct store delivery
- Improved front end productivity and experience
- Increased efficiency and accuracy in-aisle and in back room (vendor packs)
- More reads and better data everywhere
Contribute to Safe and Engaging Retail Experience

Limit product touches to reduce COVID-19 spread

• Price checking without associate touching product to find barcode
• Customer scanning in aisle for ingredients and allergens without touching product
• Scan all products in a shopping basket without touching to re-orient
• Simple customer checkout for scan-and-go solutions
• Planogram compliance can be performed with fewer product touches
• Robots can now perform more accurate inventory using front of package scanning

Digimarc Barcode is Safer for Associates

• Reduce cashier muscle strain when compared to products with only a UPC barcode*
• Reduce associate need to re-orient every package, which reduces wrist twisting, lifting, and rotating

*Statistics from an ergonomic study by the University of Arkansas Exercise Science Research Center comparing Digimarc Barcode to the UPC barcode.
Convenience Retail and Digimarc – “Customer First” Opportunity

- Amazon Go and similar platforms rely on cameras and scales feeding complex algorithms
  - Efficient shopping experience
  - Expensive and don’t scale well
  - Amazon Dash shopping carts
  - No value outside stores
- **Digimarc provides greater convenience, choice and control than Amazon Go at a lower cost**
  - Maintain familiar friendly processes
  - Detection using industry standard equipment
  - More checkout options: POS, SCO, associate, contract
  - More payment options: traditional and emerging
  - High quality insights: product and purchase intent
  - Translation and product information
  - Augmented Reality
  - Privacy: fewer cameras, tracking and profiling
- **Benefits extend beyond the store**
  - Supply chain: DSD, quality, food safety
  - Homes: instructions, recipes, recall, reorder, recycle
- **Significant economies and scale and leverage of existing infrastructure**
- **Synergistic with GO-style models: compete and complement**
Retail Execution Strategy

- Supply software, training and support to packaging & labels suppliers to add Digimarc Barcode to designs
- Packaging & Label suppliers provide packaging to Private Brands and National Brand products
- Retailers acquire/update scanning infrastructure
- Integrators and solution providers support use cases
- Multiple use case benefits drive adoption and scale
- More packages and labels, uses, and retailers and brands inspire more adoption
Retailers Are Navigating the COVID-19 Pandemic

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

- Safety and convenience critical for in-store experience
- Limited in-store technology features available
- Store and supply chain efficiencies
- Merchandising and education
- Omnichannel shopping and delivery


At least 50% of our survey respondents said they want stores to follow guidelines that will help keep both shoppers and employees safe

A majority of shoppers said they haven’t encountered even the most talked-about or basic in-store technologies, and more than 35% reported zero exposure to any option.
Critical Role in Circular Economy

HolyGrail 2.0
• HolyGrail 2.0 to determine path to commercialization for use of Digimarc Barcode to improve sortation of plastic waste in the EU, 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

- 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
Digitizing the Supply Chain From Farm to Recycling

The Digimarc Platform enables traceability throughout the supply chain

**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
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
- Expansion of supply chain applications
- Growing demand for brand protection
- HolyGrail 2.0 and business case for Circular Economy (plastic recycling)
- Increasing operational and financial leverage from supplier relationships, facilitating geographic expansion
- Effective working capital management
Working Capital Management

Q2 2020 financial summary
- Total revenue up 5%; Retail revenue up 10%; gross margins up 2%; expenses down 2% vs Q2 2019
- Anticipate continued growth in Retail revenues in second half of 2020 despite uncertain market conditions
- Operating expenses continue trend down
- Cash position unchanged (-$100k) due to cost containment and the $5MM PPP loan
- Restructured operations in early Q3 further lowering run rate

Revenue growth and expense management top priorities

Equity financing as needed
- Seeking equity-based strategic partnerships
- Private equity/venture capital: explore application-specific sources
- $9MM available for ATM; $100MM shelf registration
- Registered direct or marketed secondaries

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 our foremost concern
Confident in soundness of strategy
Good track record of working capital management

COVID-19 Impact on Working Capital
- Software platform; PPP only debt; no inventory; no supply chain risk; no China risk
- Effective work from home strategy to maintain productivity
- Largest customers are Central Banks and Walmart; represent 74% of Q2 revenue
- Pandemic affecting short term Retail priorities
- Brand owner demand picking up
- $5MM Paycheck Protection Program loan secured; expect full amount of loan to be forgiven
- $30MM in working capital at 6/30/20
  - Investing $6MM to $7MM of cash a quarter
  - Expect to reduce cash usage via revenue growth and opex management
- Managing operating expenses effectively
  - Reducing/eliminating non-critical expenses
  - Restructured organization to improve operational efficiency
  - Deferring hiring and capital expenditures in non-critical areas
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 suppliers and customers in Retail
- Vote of confidence from global barcode licensing authority GS1
- 1,000+ patent assets and proprietary trade secret algorithms

Compelling Retail Value Proposition

- Can save Retail industry billions
- Store operations efficiency, safety, and consumer engagement
- Broad product life cycle relevance: food safety, brand protection
- Early adoption by industry leaders, including Walmart, Netto, P&G, Pepsico, et al
- 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 sustainable models

Enormous Market and Attractive Business Model

- Massive TAM as successor to barcode
- Substantial, sustainable competitive advantage
- Software 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
Stay Engaged, Stay Informed

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