

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

	Three Month Information		Twelve Month Information	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Revenue:</b>				
Service	\$ 3,120	\$ 3,499	\$ 14,978	\$ 15,006
Subscription	4,098	3,626	15,219	11,514
Total revenue	7,218	7,125	30,197	26,520
<b>Cost of revenue:</b>				
Service <sup>(1)</sup>	1,380	1,584	6,557	6,299
Subscription <sup>(1)</sup>	944	586	3,878	2,478
Amortization expense on acquired intangible assets	1,077	—	4,439	—
Total cost of revenue	3,401	2,170	14,874	8,777
<b>Gross profit</b>				
Service <sup>(1)</sup>	1,740	1,915	8,421	8,707
Subscription <sup>(1)</sup>	3,154	3,040	11,341	9,036
Amortization expense on acquired intangible assets	(1,077)	—	(4,439)	—
Total gross profit	3,817	4,955	15,323	17,743
<b>Gross profit margin:</b>				
Total	53%	70%	51%	67%
Service <sup>(1)</sup>	56%	55%	56%	58%
Subscription <sup>(1)</sup>	77%	84%	75%	78%
<b>Operating expenses:</b>				
Sales and marketing	6,016	4,568	29,718	20,433
Research, development and engineering	6,759	4,612	26,490	17,542
General and administrative	3,918	4,023	18,945	19,634
Amortization expense on acquired intangible assets	100	—	1,064	—
Impairment of lease right of use assets and leasehold improvements	341	—	915	—
Total operating expenses	17,134	13,203	77,132	57,609
<b>Operating loss</b>	(13,317)	(8,248)	(61,809)	(39,866)
<b>Other income:</b>				
Gain on extinguishment of note payable	—	—	—	5,094
Refundable tax credit	382	—	1,260	—
Other income	512	3	848	29
<b>Other income, net</b>	894	3	2,108	5,123
<b>Loss before income taxes</b>	(12,423)	(8,245)	(59,701)	(34,743)
<b>(Provision) benefit for income taxes</b>	(25)	1	(97)	(16)
<b>Net loss</b>	\$ (12,448)	\$ (8,244)	\$ (59,798)	\$ (34,759)
<b>Loss per common share:</b>				
<b>Loss per common share — basic</b>	\$ (0.62)	\$ (0.50)	\$ (3.12)	\$ (2.11)
<b>Loss per common share — diluted</b>	\$ (0.62)	\$ (0.50)	\$ (3.12)	\$ (2.11)
Weighted average common shares outstanding — basic	19,921	16,565	19,140	16,463
Weighted average common shares outstanding — diluted	19,921	16,565	19,140	16,463

Digimarc Corporation  
Reconciliation of GAAP to Non-GAAP Financial Measures  
(in thousands, except per share amounts)  
(Unaudited)

	Three Month Information		Twelve Month Information	
	December 31,	December 31,	December 31,	December 31,
	2022	2021	2022	2021
<b>GAAP gross profit</b>	\$ 3,817	\$ 4,955	\$ 15,323	\$ 17,743
Amortization of acquired intangible assets	1,077	—	4,439	—
Amortization and write-off of other intangible assets	146	145	576	576
Stock-based compensation	177	178	913	693
Non-GAAP gross profit	\$ 5,217	\$ 5,278	\$ 21,251	\$ 19,012
Non-GAAP gross profit margin	72%	74%	70%	72%
<b>GAAP operating expenses</b>	\$ 17,134	\$ 13,203	\$ 77,132	\$ 57,609
Depreciation and write-off of property and equipment	(336)	(319)	(1,372)	(1,370)
Amortization of acquired intangible assets	(100)	—	(1,064)	—
Amortization and write-off of other intangible assets	(100)	(8)	(163)	(102)
Amortization of lease right of use assets under operating leases	(197)	(129)	(965)	(493)
Stock-based compensation	(1,802)	(1,410)	(10,376)	(11,243)
Impairment of lease right of use assets and leasehold improvements	(341)	—	(915)	—
Acquisition-related expenses	—	(1,029)	(447)	(1,140)
Non-GAAP operating expenses	\$ 14,258	\$ 10,308	\$ 61,830	\$ 43,261
<b>GAAP net loss</b>	\$ (12,448)	\$ (8,244)	\$ (59,798)	\$ (34,759)
Total adjustments to gross profit	1,400	323	5,928	1,269
Total adjustments to operating expenses	2,876	2,895	15,302	14,348
Gain on extinguishment of note payable	-	-	-	(5,094)
Non-GAAP net loss	\$ (8,172)	\$ (5,026)	\$ (38,568)	\$ (24,236)
<b>GAAP loss per common share (diluted)</b>	\$ (0.62)	\$ (0.50)	\$ (3.12)	\$ (2.11)
Non-GAAP net loss	\$ (8,172)	\$ (5,026)	\$ (38,568)	\$ (24,236)
Non-GAAP loss per common share (diluted)	\$ (0.41)	\$ (0.30)	\$ (2.02)	\$ (1.47)

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

	December 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents <sup>(1)</sup>	\$ 33,598	\$ 13,789
Marketable securities <sup>(1)</sup>	18,944	19,537
Trade accounts receivable, net	5,427	6,368
Loan receivable from related party	—	2,001
Other current assets	6,172	2,316
<b>Total current assets</b>	<b>64,141</b>	<b>44,011</b>
Marketable securities <sup>(1)</sup>	—	8,292
Property and equipment, net	2,390	2,875
Intangibles, net	33,170	6,611
Goodwill	8,229	1,114
Lease right of use assets	4,720	1,300
Other assets	1,127	673
<b>Total assets</b>	<b>\$ 113,777</b>	<b>\$ 64,876</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 5,989	\$ 4,727
Deferred revenue	4,145	2,989
<b>Total current liabilities</b>	<b>10,134</b>	<b>7,716</b>
Long-term lease liabilities	5,977	1,028
Other long-term liabilities	76	752
<b>Total liabilities</b>	<b>16,187</b>	<b>9,496</b>
<b>Shareholders' equity:</b>		
Preferred stock	50	50
Common stock	20	17
Additional paid-in capital	367,692	261,324
Accumulated deficit	(265,809)	(206,011)
Accumulated other comprehensive loss	(4,363)	—
<b>Total shareholders' equity</b>	<b>97,590</b>	<b>55,380</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 113,777</b>	<b>\$ 64,876</b>

(1) Aggregate cash, cash equivalents, and marketable securities was \$52,542 and \$41,618 at December 31, 2022 and December 31, 2021, respectively.

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

	Twelve Month Information	
	December 31, 2022	December 31, 2021
Cash flows from operating activities:		
Net loss	\$ (59,798)	\$ (34,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	1,372	1,370
Amortization of acquired intangible assets	5,503	—
Amortization and write-off of other intangible assets	739	678
Amortization of lease right of use assets under operating leases	965	493
Amortization of net premiums on marketable securities	—	650
Gain on extinguishment of note payable	—	(5,032)
Stock-based compensation	11,289	11,936
Impairment of lease right of use assets and leasehold improvements	915	—
Increase in allowance for doubtful accounts	89	—
Changes in operating assets and liabilities:		
Trade accounts receivable	2,232	(2,647)
Other current assets	(1,933)	(119)
Other assets	(520)	(83)
Accounts payable and other accrued liabilities	(3,856)	2,078
Deferred revenue	(371)	(10)
Lease liability and other long-term liabilities	(1,034)	(671)
Net cash used in operating activities	(44,408)	(26,116)
Cash flows from investing activities:		
Net cash paid for acquisition	(3,512)	—
Loan to related party	—	(2,000)
Purchase of property and equipment	(934)	(966)
Capitalized patent costs	(533)	(606)
Proceeds from maturities of marketable securities	21,425	82,076
Purchases of marketable securities	(12,689)	(52,523)
Net cash provided by investing activities	3,757	25,981
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	62,890	—
Purchase of common stock	(2,356)	(5,772)
Loan repayment	(35)	—
Net cash provided by (used in) financing activities	60,499	(5,772)
Effect of exchange rate on cash	(39)	—
Net increase (decrease) in cash and cash equivalents <sup>(2)</sup>	\$ 19,809	\$ (5,907)
Cash, cash equivalents and marketable securities at beginning of period	41,618	77,728
Cash, cash equivalents and marketable securities at end of period	52,542	41,618
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	\$ 10,924	\$ (36,110)