

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

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (1)	\$ 32,301	\$ 33,598
Marketable securities (1)	10,724	18,944
Trade accounts receivable, net	4,826	5,427
Other current assets	4,457	6,172
Total current assets	52,308	64,141
Property and equipment, net	2,024	2,390
Intangibles, net	32,396	33,170
Goodwill	8,435	8,229
Lease right of use assets	4,554	4,720
Other assets	1,309	1,127
Total assets	\$ 101,026	\$ 113,777
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 5,059	\$ 5,989
Deferred revenue	3,264	4,145
Total current liabilities	8,323	10,134
Long-term lease liabilities	5,901	5,977
Other long-term liabilities	143	76
Total liabilities	14,367	16,187
Shareholders' equity:		
Preferred stock	50	50
Common stock	20	20
Additional paid-in capital	369,925	367,692
Accumulated deficit	(279,849)	(265,809)
Accumulated other comprehensive loss	(3,487)	(4,363)
Total shareholders' equity	86,659	97,590
Total liabilities and shareholders' equity	\$ 101,026	\$ 113,777

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

	Three Months Ended March 31,	
	2023	2022
<u>GAAP gross profit</u>	\$ 4,244	\$ 3,344
Amortization of acquired intangible assets	1,089	1,194
Amortization and write-off of other intangible assets	144	141
Stock-based compensation	238	201
Non-GAAP gross profit	\$ 5,715	\$ 4,880
Non-GAAP gross profit margin	73%	66%
<u>GAAP operating expenses</u>	\$ 19,011	\$ 21,360
Depreciation and write-off of property and equipment	(428)	(390)
Amortization of acquired intangible assets	(260)	(342)
Amortization and write-off of other intangible assets	(39)	(30)
Amortization of lease right of use assets under operating leases	(166)	(271)
Stock-based compensation	(2,638)	(2,267)
Impairment of lease right of use assets and leasehold improvements	—	(574)
Acquisition-related expenses	—	(444)
Non-GAAP operating expenses	\$ 15,480	\$ 17,042
<u>GAAP net loss</u>	\$ (14,040)	\$ (17,781)
Total adjustments to gross profit	1,471	1,536
Total adjustments to operating expenses	3,531	4,318
Non-GAAP net loss	\$ (9,038)	\$ (11,927)
<u>GAAP loss per common share (diluted)</u>	\$ (0.70)	\$ (1.03)
Non-GAAP net loss	\$ (9,038)	\$ (11,927)
Non-GAAP loss per common share (diluted)	\$ (0.45)	\$ (0.69)

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

	Three Months Ended March 31,	
	2023	2022
Revenue:		
Subscription	\$ 3,885	\$ 3,791
Service	3,958	3,620
Total revenue	7,843	7,411
Cost of revenue:		
Subscription (1)	795	1,042
Service (1)	1,715	1,831
Amortization expense on acquired intangible assets	1,089	1,194
Total cost of revenue	3,599	4,067
Gross profit		
Subscription (1)	3,090	2,749
Service (1)	2,243	1,789
Amortization expense on acquired intangible assets	(1,089)	(1,194)
Total gross profit	4,244	3,344
Gross profit margin:		
Subscription (1)	80%	73%
Service (1)	57%	49%
Total	54%	45%
Operating expenses:		
Sales and marketing	6,298	7,945
Research, development and engineering	7,826	6,091
General and administrative	4,627	6,408
Amortization expense on acquired intangible assets	260	342
Impairment of lease right of use assets and leasehold improvements	—	574
Total operating expenses	19,011	21,360
Operating loss	(14,767)	(18,016)
Other income (loss), net	745	(4)
Loss before income taxes	(14,022)	(18,020)
(Provision) benefit for income taxes	(18)	239
Net loss	\$ (14,040)	\$ (17,781)
Loss per common share:		
Loss per common share — basic	\$ (0.70)	\$ (1.03)
Loss per common share — diluted	\$ (0.70)	\$ (1.03)
Weighted average common shares outstanding — basic	20,093	17,344
Weighted average common shares outstanding — diluted	20,093	17,344

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

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (14,040)	\$ (17,781)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	428	390
Amortization of acquired intangible assets	1,349	1,536
Amortization and write-off of other intangible assets	183	171
Amortization of lease right of use assets under operating leases	166	271
Amortization of net premiums on marketable securities	—	26
Stock-based compensation	2,876	2,468
Impairment of lease right of use assets and leasehold improvements	—	574
Changes in operating assets and liabilities:		
Trade accounts receivable	631	1,731
Other current assets	1,766	(17)
Other assets	(191)	(601)
Accounts payable and other accrued liabilities	(910)	219
Deferred revenue	(925)	(423)
Lease liability and other long-term liabilities	(77)	(420)
Net cash used in operating activities	(8,744)	(11,856)
Cash flows from investing activities:		
Net cash paid for acquisition	—	(3,512)
Purchase of property and equipment	(51)	(414)
Capitalized patent costs	(112)	(119)
Proceeds from maturities of marketable securities	10,247	5,937
Purchases of marketable securities	(1,975)	—
Net cash provided by investing activities	8,109	1,892
Cash flows from financing activities:		
Purchase of common stock	(656)	(583)
Repayment of loans	(26)	(15)
Net cash used in financing activities	(682)	(598)
Effect of exchange rate on cash	20	1
Net decrease in cash and cash equivalents (2)	\$ (1,297)	\$ (10,561)
Cash, cash equivalents and marketable securities at beginning of period	52,542	41,618
Cash, cash equivalents and marketable securities at end of period	43,025	24,895
(2) Net decrease in cash, cash equivalents and marketable securities	\$ (9,517)	\$ (16,723)