

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Revenue:				
Subscription	\$ 5,599	\$ 4,098	\$ 18,973	\$ 15,219
Service	3,685	3,120	15,878	14,978
Total revenue	9,284	7,218	34,851	30,197
Cost of revenue:				
Subscription ⁽¹⁾	711	944	2,975	3,878
Service ⁽¹⁾	1,631	1,380	7,252	6,557
Amortization expense on acquired intangible assets	1,113	1,077	4,459	4,439
Total cost of revenue	3,455	3,401	14,686	14,874
Gross profit				
Subscription ⁽¹⁾	4,888	3,154	15,998	11,341
Service ⁽¹⁾	2,054	1,740	8,626	8,421
Amortization expense on acquired intangible assets	(1,113)	(1,077)	(4,459)	(4,439)
Total gross profit	5,829	3,817	20,165	15,323
Gross profit margin:				
Subscription ⁽¹⁾	87 %	77 %	84 %	75 %
Service ⁽¹⁾	56 %	56 %	54 %	56 %
Total	63 %	53 %	58 %	51 %
Operating expenses:				
Sales and marketing	5,639	6,016	22,409	29,718
Research, development and engineering	6,282	6,759	26,577	26,490
General and administrative	4,659	3,918	18,071	18,945
Amortization expense on acquired intangible assets	265	100	1,065	1,064
Impairment of lease right of use assets and leasehold improvements	—	341	250	915
Total operating expenses	16,845	17,134	68,372	77,132
Operating loss	(11,016)	(13,317)	(48,207)	(61,809)
Other income, net	582	894	2,452	2,108

Loss before income taxes	(10,434)	(12,423)	(45,755)	(59,701)
Provision for income taxes	(139)	(25)	(204)	(97)
Net loss	\$ (10,573)	\$ (12,448)	\$ (45,959)	\$ (59,798)
Loss per share:				
Loss per share — basic	\$ (0.52)	\$ (0.62)	\$ (2.26)	\$ (3.12)
Loss per share — diluted	\$ (0.52)	\$ (0.62)	\$ (2.26)	\$ (3.12)
Weighted average shares outstanding — basic	20,369	19,921	20,322	19,140
Weighted average shares outstanding — diluted	20,369	19,921	20,322	19,140

⁽¹⁾ Cost of revenue, Gross profit and Gross profit margin for Subscription and Service 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 Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<u>GAAP gross profit</u>	\$ 5,829	\$ 3,817	\$ 20,165	\$ 15,323
Amortization of acquired intangible assets	1,113	1,077	4,459	4,439
Amortization and write-off of other intangible assets	140	146	573	576
Stock-based compensation	260	177	1,126	913
Non-GAAP gross profit	\$ 7,342	\$ 5,217	\$ 26,323	\$ 21,251
Non-GAAP gross profit margin	79 %	72 %	76 %	70 %
<u>GAAP operating expenses</u>	\$ 16,845	\$ 17,134	\$ 68,372	\$ 77,132
Depreciation and write-off of property and equipment	(210)	(336)	(1,121)	(1,372)
Amortization of acquired intangible assets	(265)	(100)	(1,065)	(1,064)
Amortization and write-off of other intangible assets	(117)	(100)	(393)	(163)
Amortization of lease right of use assets under operating leases	(91)	(197)	(517)	(965)
Stock-based compensation	(2,752)	(1,802)	(10,032)	(10,376)
Impairment of lease right of use assets and leasehold improvements	—	(341)	(250)	(915)
Acquisition-related expenses	—	—	—	(447)

Non-GAAP operating expenses	\$ 13,410	\$ 14,258	\$ 54,994	\$ 61,830
<u>GAAP net loss</u>	\$ (10,573)	\$ (12,448)	\$ (45,959)	\$ (59,798)
Total adjustments to gross profit	1,513	1,400	6,158	5,928
Total adjustments to operating expenses	3,435	2,876	13,378	15,302
Non-GAAP net loss	\$ (5,625)	\$ (8,172)	\$ (26,423)	\$ (38,568)
<u>GAAP loss per share (diluted)</u>	\$ (0.52)	\$ (0.62)	\$ (2.26)	\$ (3.12)
Non-GAAP net loss	\$ (5,625)	\$ (8,172)	\$ (26,423)	\$ (38,568)
Non-GAAP loss per share (diluted)	\$ (0.28)	\$ (0.41)	\$ (1.30)	\$ (2.02)

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

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 21,456	\$ 33,598
Marketable securities ⁽¹⁾	5,726	18,944
Trade accounts receivable, net	5,813	5,427
Other current assets	4,085	6,172
Total current assets	37,080	64,141
Property and equipment, net	1,570	2,390
Intangibles, net	28,458	33,170
Goodwill	8,641	8,229
Lease right of use assets	4,017	4,720
Other assets	786	1,127
Total assets	\$ 80,552	\$ 113,777
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 6,672	\$ 5,989
Deferred revenue	5,853	4,145

Total current liabilities	12,525	10,134
Long-term lease liabilities	5,994	5,977
Other long-term liabilities	106	76
Total liabilities	18,625	16,187
Shareholders' equity:		
Preferred stock	50	50
Common stock	20	20
Additional paid-in capital	376,189	367,692
Accumulated deficit	(311,768)	(265,809)
Accumulated other comprehensive loss	(2,564)	(4,363)
Total shareholders' equity	61,927	97,590
Total liabilities and shareholders' equity	\$ 80,552	\$ 113,777

⁽¹⁾ Aggregate cash, cash equivalents, and marketable securities was \$27,182 and \$52,542 at December 31, 2023 and 2022, respectively.

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

	Twelve Months Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (45,959)	\$ (59,798)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	1,121	1,372
Amortization of acquired intangible assets	5,524	5,503
Amortization and write-off of other intangible assets	966	739
Amortization of lease right of use assets under operating leases	517	965
Stock-based compensation	11,158	11,289
Impairment of lease right of use assets and leasehold improvements	250	915
Increase in allowance for doubtful accounts	20	89
Changes in operating assets and liabilities:		
Trade accounts receivable	(335)	2,232

Other current assets	2,200	(1,933)
Other assets	299	(520)
Accounts payable and other accrued liabilities	660	(3,856)
Deferred revenue	1,627	(371)
Lease liability and other long-term liabilities	(43)	(1,034)
Net cash used in operating activities	(21,995)	(44,408)
Cash flows from investing activities:		
Net cash paid for acquisition	—	(3,512)
Purchase of property and equipment	(314)	(934)
Capitalized patent costs	(426)	(533)
Proceeds from maturities of marketable securities	27,664	21,425
Purchases of marketable securities	(14,363)	(12,689)
Net cash provided by investing activities	12,561	3,757
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	62,890
Purchase of common stock	(2,724)	(2,356)
Repayment of loans	(36)	(35)
Net cash (used in) provided by financing activities	(2,760)	60,499
Effect of exchange rate on cash	52	(39)
Net (decrease) increase in cash and cash equivalents (2)	\$ (12,142)	\$ 19,809
Cash, cash equivalents and marketable securities at beginning of period		
	52,542	41,618
Cash, cash equivalents and marketable securities at end of period		
	27,182	52,542
(2) Net (decrease) increase in cash, cash equivalents and marketable securities	\$ (25,360)	\$ 10,924

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