

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

	Three Months Ended	
	March 31,	
	2025	2024
Revenue:		
Subscription	\$ 5,314	\$ 5,762
Service	4,054	4,176
Total revenue	9,368	9,938
Cost of revenue:		
Subscription (1)	744	747
Service (1)	1,407	1,839
Amortization expense on acquired intangible assets	1,132	1,140
Total cost of revenue	3,283	3,726
Gross profit		
Subscription (1)	4,570	5,015
Service (1)	2,647	2,337
Amortization expense on acquired intangible assets	(1,132)	(1,140)
Total gross profit	6,085	6,212
Gross profit margin:		
Subscription (1)	86%	87%
Service (1)	65%	56%
Total	65%	63%
Operating expenses:		
Sales and marketing	5,078	5,536
Research, development and engineering	7,634	6,741
General and administrative	5,181	4,520
Amortization expense on acquired intangible assets	271	272
Total operating expenses	18,164	17,069
Operating loss	(12,079)	(10,857)
Other income, net	369	528
Loss before income taxes	(11,710)	(10,329)
Provision for income taxes	(20)	(9)
Net loss	\$ (11,730)	\$ (10,338)
Loss per share:		
Loss per share — basic	\$ (0.55)	\$ (0.50)
Loss per share — diluted	\$ (0.55)	\$ (0.50)
Weighted average shares outstanding — basic	21,521	20,730
Weighted average shares outstanding — diluted	21,521	20,730

(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	
	March 31,	
	2025	2024
GAAP gross profit	\$ 6,085	\$ 6,212
Amortization of acquired intangible assets	1,132	1,140
Amortization and write-off of other intangible assets	134	138
Stock-based compensation	137	253
Non-GAAP gross profit	\$ 7,488	\$ 7,743
Non-GAAP gross profit margin	80%	78%
GAAP operating expenses	\$ 18,164	\$ 17,069
Depreciation and write-off of property and equipment	(146)	(193)
Amortization of acquired intangible assets	(271)	(272)
Amortization and write-off of other intangible assets	(59)	(133)
Amortization of lease right of use assets under operating leases	(98)	(87)
Stock-based compensation	(1,123)	(2,578)
Non-GAAP operating expenses	\$ 16,467	\$ 13,806
GAAP net loss	\$ (11,730)	\$ (10,338)
Total adjustments to gross profit	1,403	1,531
Total adjustments to operating expenses	1,697	3,263
Non-GAAP net loss	\$ (8,630)	\$ (5,544)
GAAP loss per share (diluted)	\$ (0.55)	\$ (0.50)
Non-GAAP net loss	\$ (8,630)	\$ (5,544)
Non-GAAP loss per share (diluted)	\$ (0.40)	\$ (0.27)
Free cash flow		
Cash flows from operating activities	\$ (5,486)	\$ (8,422)
Purchase of property and equipment	(55)	(106)
Capitalized patent costs	(88)	(106)
Free cash flow	\$ (5,629)	\$ (8,634)

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

	<u>March 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents (1)	\$ 8,902	\$ 12,365
Marketable securities (1)	12,665	16,365
Trade accounts receivable, net	6,471	6,412
Other current assets	2,883	4,189
Total current assets	<u>30,921</u>	<u>39,331</u>
Property and equipment, net	909	1,040
Intangibles, net	21,162	22,191
Goodwill	8,754	8,532
Lease right of use assets	3,561	3,659
Other assets	1,213	1,013
Total assets	<u>\$ 66,520</u>	<u>\$ 75,766</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 6,731	\$ 5,118
Deferred revenue	4,711	4,020
Total current liabilities	<u>11,442</u>	<u>9,138</u>
Long-term lease liabilities	5,003	5,213
Other long-term liabilities	58	56
Total liabilities	<u>16,503</u>	<u>14,407</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	22	21
Additional paid-in capital	414,768	415,049
Accumulated deficit	(362,508)	(350,778)
Accumulated other comprehensive loss	(2,315)	(2,983)
Total shareholders' equity	<u>50,017</u>	<u>61,359</u>
Total liabilities and shareholders' equity	<u>\$ 66,520</u>	<u>\$ 75,766</u>

(1) Aggregate cash, cash equivalents, and marketable securities was \$21.6 million and \$28.7 million at March 31, 2025 and December 31, 2024, respectively.

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

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (11,730)	\$ (10,338)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	146	193
Amortization of acquired intangible assets	1,403	1,412
Amortization and write-off of other intangible assets	193	271
Amortization of lease right of use assets under operating leases	98	87
Stock-based compensation	1,260	2,831
Increase (decrease) in allowance for doubtful accounts	—	(17)
Changes in operating assets and liabilities:		
Trade accounts receivable	(149)	600
Other current assets	1,331	273
Other assets	(105)	(323)
Accounts payable and other accrued liabilities	1,549	(2,624)
Deferred revenue	689	(600)
Lease liability and other long-term liabilities	(171)	(187)
Net cash provided by (used in) operating activities	(5,486)	(8,422)
Cash flows from investing activities:		
Purchase of property and equipment	(55)	(106)
Capitalized patent costs	(88)	(106)
Proceeds from maturities of marketable securities	6,564	3,501
Purchases of marketable securities	(2,864)	(10,320)
Net cash provided by (used in) investing activities	3,557	(7,031)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	32,218
Purchase of common stock	(1,545)	(1,781)
Repayment of loans	(15)	(15)
Net cash provided by (used in) financing activities	(1,560)	30,422
Effect of exchange rate on cash	26	(11)
Net increase (decrease) in cash and cash equivalents	\$ (3,463)	\$ 14,958
Cash, cash equivalents and marketable securities at beginning of period		
	28,730	27,182
Cash, cash equivalents and marketable securities at end of period		
	21,567	48,925
Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (7,163)	\$ 21,743

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