

Quarterly Earnings Snapshot



First Quarter 2024

DIGIMARC



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 regarding future events and performance.

Although we believe these statements are based on reasonable expectations and beliefs, they are subject to risks and uncertainties that are difficult to predict and, often, beyond our control. These risks include, but are not limited to, the risk factors set forth in Part I, Item 1A of our latest Annual Report on Form 10-K and the risks detailed in our other filings with the U.S. Securities and Exchange Commission.

We believe that these risk factors could affect our future performance and cause our actual results to differ materially from those expressed or implied by forward-looking statements made by us or on our behalf.

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Business Overview



About Digimarc

Digimarc is the pioneer and global leader in [digital watermarking technologies](#).

For nearly 30 years, Digimarc has been deployed in solutions built upon two things that we do better than anyone else: the **identification** and the **authentication** of physical and digital items.

FEATURES



Identification + Authentication



Trending Use Cases | Identification and Authentication



Digimarc technology has successfully been used for:



Brand Protection | Anti Counterfeit

Protect consumers from counterfeits, fraud, or misinformation



Consumer Engagement

Enable advanced consumer engagement & redirection



Industrial Automation

Automate error-prone manufacturing, fulfillment, & distribution



Retail Experience

Improve in-store or supply chain efficiency including checkout

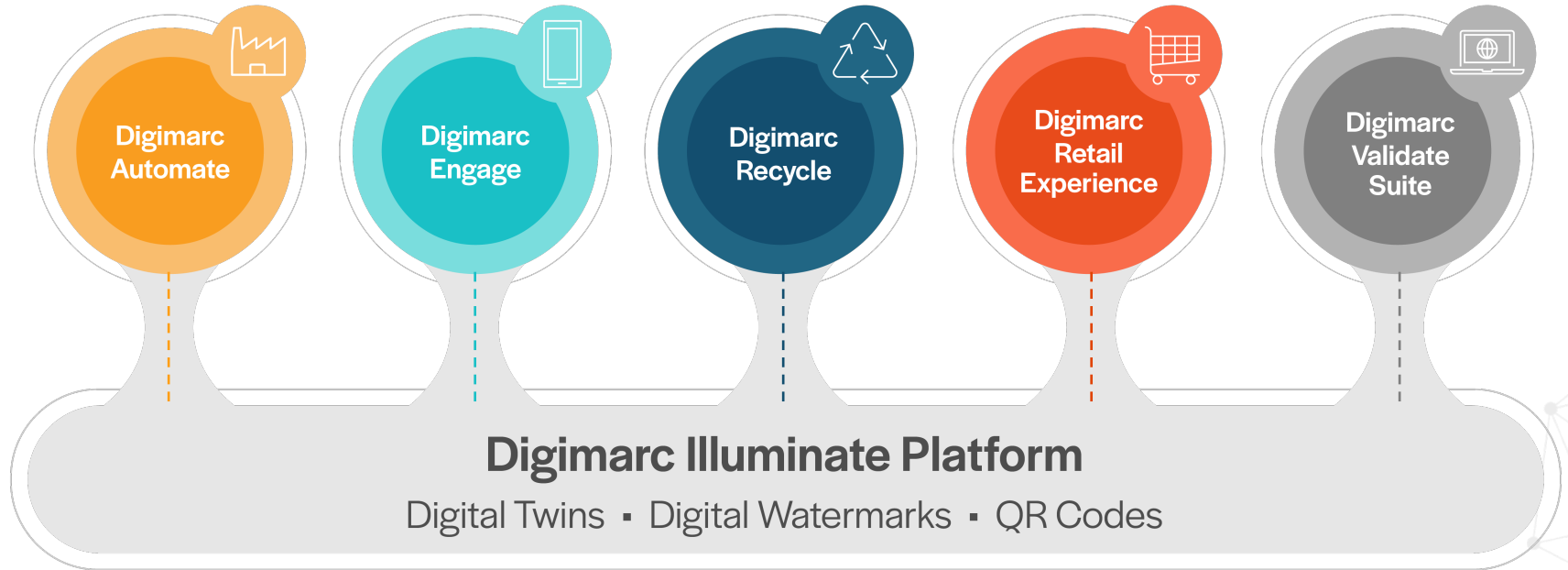


Sustainability

Increase the quality and quantity of recycled materials

Digimarc Illuminate Platform

Scalable SaaS products powered by extensible and enterprise-scale product digitization platform



Commercial Go-to-Market Motions

Traditional SaaS

Products: Digimarc Engage, Digimarc Validate, Digimarc Automate, new products

GTM: Traditional SaaS GTM; large cross sell and upsell opportunities (accretive value for every product added)

Initial Deal Size: \$
(\$50K to \$1M+ ARR)

Initial Deal Term: 1-3 years

Traditional PaaS

Product: Digimarc Illuminate Platform

GTM: Traditional PaaS GTM; large upsell opportunities (capacity and functionality)

Initial Deal Size: \$\$
(\$250K to \$5M+ ARR)

Initial Deal Term: 3-5 years

Ecosystem Driven Opportunities

Products: Digimarc Recycle, Digimarc Validate (Media), Digimarc Retail Experience, new products

GTM: Industry-wide or country-wide deployments; sometimes driven by a regulatory component; timing can be unpredictable/uncontrollable, but uber-rapid and scalable adoption once market is opened

Market Size: \$\$\$\$
(Varied)

Initial Deal Term: N/A
(de-facto market standard)

Power of Partners: Revenue Ramp Acceleration + Massive Operating Leverage

Three Pillars of Shareholder Value

Government Business: Central Banks

- 4.8% CAGR since the ID Systems spin-out in 2008
- ~60% Gross profit margin with minimal operating expenses
- Inflation protected
- 25-year relationship, current contract runs through Dec 31 2029
- No counter-party risk (world's central banks)
- Keep intellectual property for application in the commercial business; profitable R&D

Commercial Business: Traditional SaaS & PaaS

- Extremely high growth (see current ARR and commercial revenue growth rates)

- 90%+ incremental gross profit margin
- Massive operating leverage/high operating margin potential

- **Digimarc Engage:** Consumer engagement for physical products and digital assets; see more [here](#)
- **Digimarc Validate:** Anti-counterfeit for physical products; see more [here](#)
- **Digimarc Automate:** Automation at manufacturing, fulfillment and distribution centers; official product launch coming soon

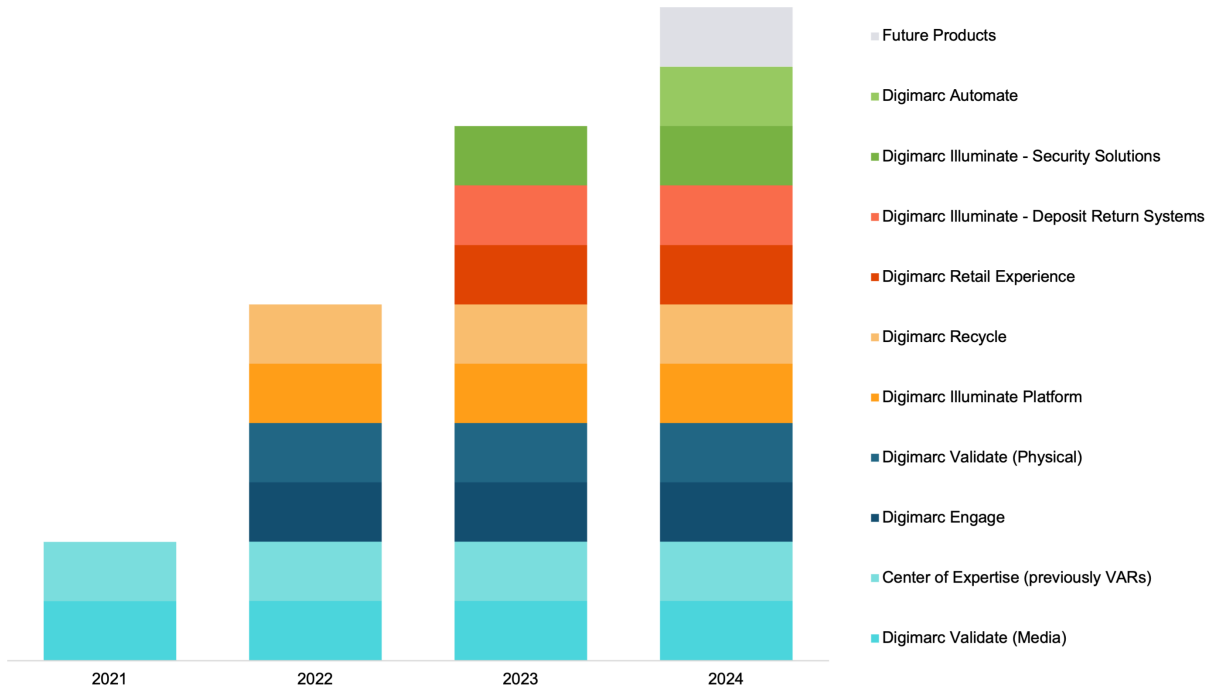
Commercial Business: Ecosystem Driven Opportunities

- Extremely high growth potential (not yet reflected in current ARR and commercial revenue)

- **Digimarc Recycle:** Active on multiple continents; see more [here](#) and [here](#)
TAM: ~\$1/capita/year
- **Digimarc Retail Experience:** Platform and Product opportunity; see more [here](#)
TAM: > \$1 Billion
- **Digimarc Validate (Media):** Digital watermarks included in multiple GenAI regulation bills; see more [here](#) and [here](#)
TAM: TBD – provide tools for free, product upsell (freemium model); see more [here](#)

Growing Commercial Product Suite

The product pipeline has expanded. New product categories are helping grow ARR.

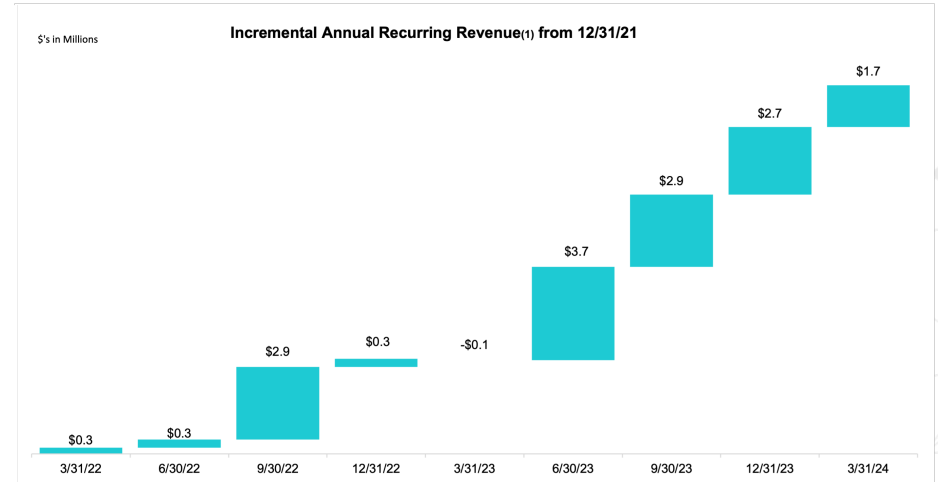
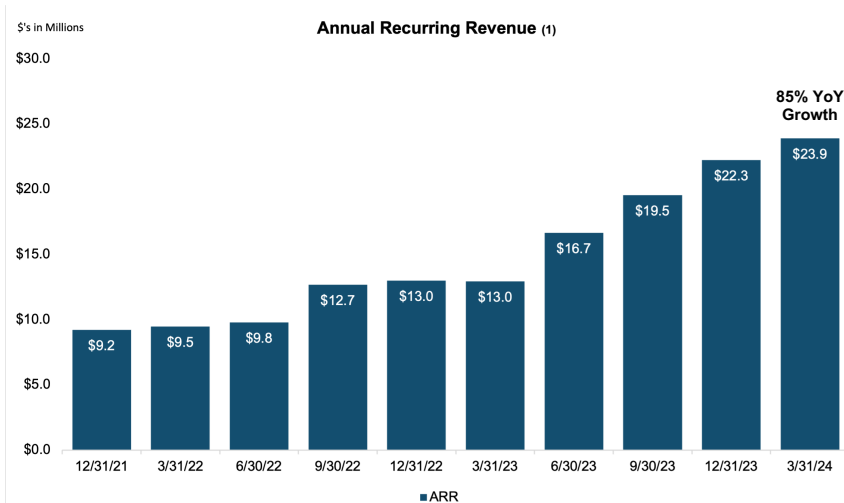


Note: Pipeline graphic is for illustrative purposes only and is not proportionate to any company-reported metric. The graphic serves solely to demonstrate pipeline growth over time.

ARR Growth Characteristics

Digimarc's pipeline is expanding but incremental ARR can be lumpy

- Deals can be significant with the ability to generate 8-figure ARR over multiple years
- \$32M+ contract in May 2023 extended Digimarc Illuminate functionality (Security Solutions and Deposit Return Systems)
- Several large deals in the sales pipeline, some of which are for new products/functionality





Business Update



Digimarc Q1 2024 Key Takeaways

Financial Highlights

- Annual Recurring Revenue⁽¹⁾: \$23.9 million vs. \$13.0 million at 3/31/23; representing 85% growth
- Commercial subscription revenue: \$5.5 million vs. \$3.6 million in Q1'23; representing 52% growth
- Subscription gross profit margin⁽²⁾: 87.0% vs. 79.5% in Q1'23; representing a 7.5 percentage point improvement
- Non-GAAP net loss⁽³⁾ decreased \$3.5 million from Q1'23; representing a 39% improvement

Business Highlights

- We signed a multi-year contract in the collectibles industry in Q1 that starts at 6-figures ARR and should grow to mid-to-high 7-figures ARR by year 3. Collectibles is a new industry for us and an industry we believe is ripe for digital transformation.
- We signed several important upsells with existing customers during Q1 that provide additional proof-points that we are still just scratching the surface of the opportunities we have to materially grow these accounts.
- We are starting to see increased sales velocity as we refine our Go-To-Market efforts with multiple sales opportunities that were created and closed won within 90 days.
- We continue to progress and grow our ecosystem driven opportunities: Recycle, Validate (Media) and Retail Experience.

Financial Summary – Q1'24 Results

\$23.9MM ARR ⁽¹⁾

85% YoY ARR growth

52% YoY Growth

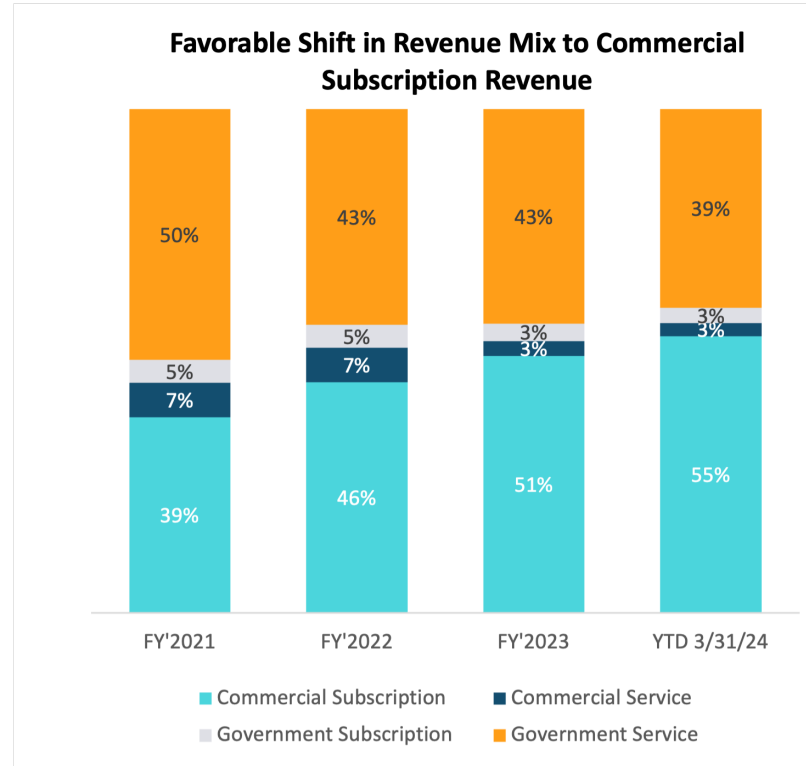
in Commercial Subscription Revenue

87% Gross Profit Margins ⁽²⁾

on Subscription Revenue

\$48.9MM Cash & Investments

\$0.0MM Debt



Market Breakdown

High margin commercial revenue is growing as a percentage of total revenue

Commercial Business Model

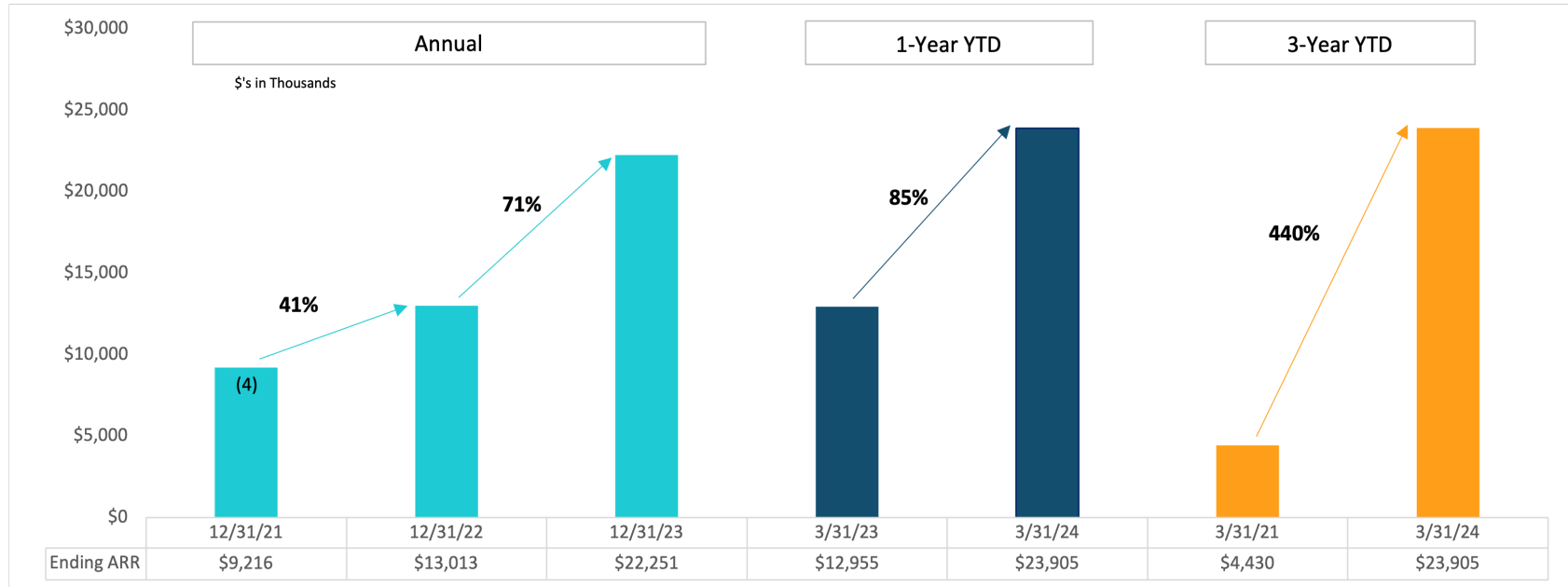
- High growth, high margin opportunity
- Platform and product volume-based annual subscription fees
- 90%+ expected incremental gross margins on subscriptions
- Integration, consulting, and support services

Government Business Model

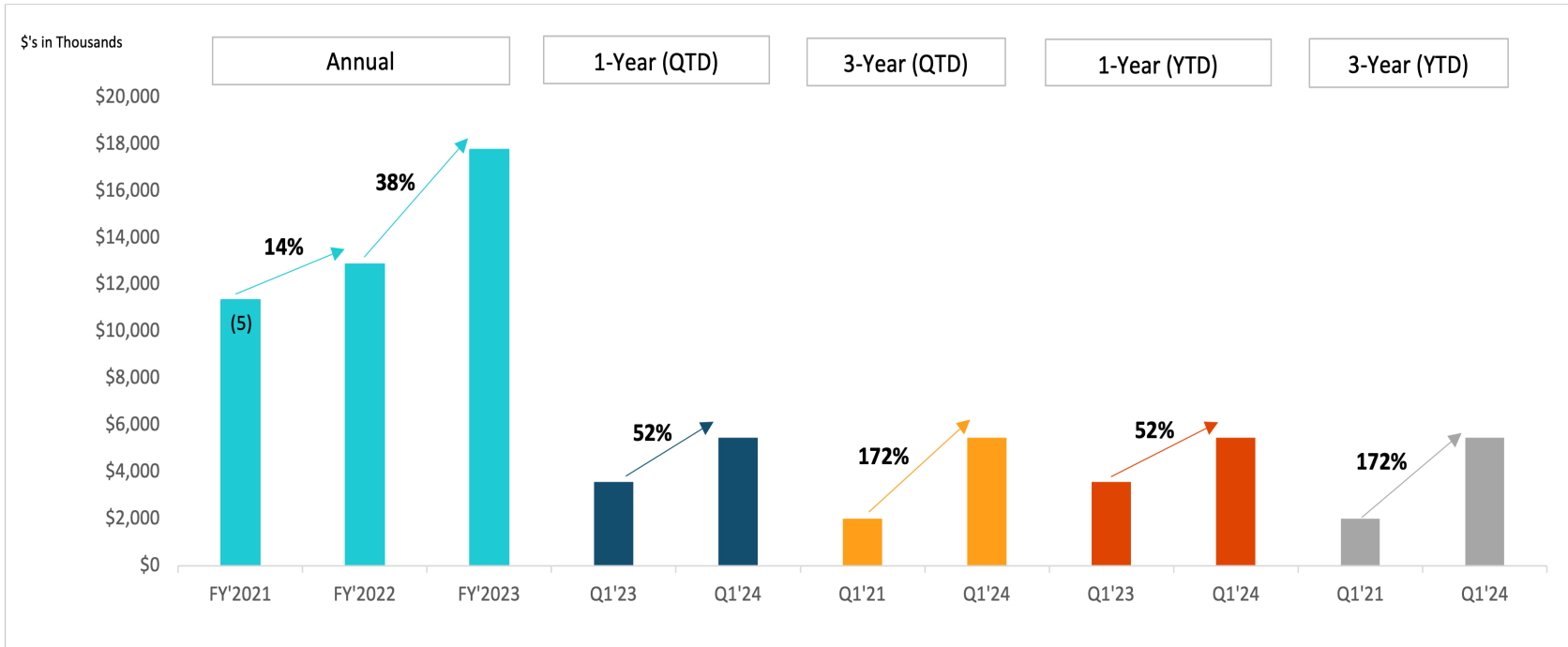
- Fees for services are adjusted annually for inflation
- 60%+ gross margins on combined services and subscriptions
- Digimarc owns all IP for commercial purposes
- Multi-year budgeting visibility

Revenue Summary (\$'s in 000's)	FYE 12/31/22	FYE 12/31/23	Q1 2023	Q1 2024
Commercial Revenue:				
Subscription	\$13,832	\$17,773	\$3,585	\$5,462
Service	<u>\$2,056</u>	<u>\$1,042</u>	<u>\$298</u>	<u>\$257</u>
Total Commercial	\$15,888	\$18,815	\$3,883	\$5,719
Government Revenue:				
Subscription	\$1,387	\$1,200	\$300	\$300
Service	<u>\$12,922</u>	<u>\$14,836</u>	<u>\$3,660</u>	<u>\$3,919</u>
Total Government	\$14,309	\$16,036	\$3,960	\$4,219
Total Revenue	\$30,197	\$34,851	\$7,843	\$9,938
% Commercial	53%	54%	50%	58%

Annual Recurring Revenue ⁽¹⁾

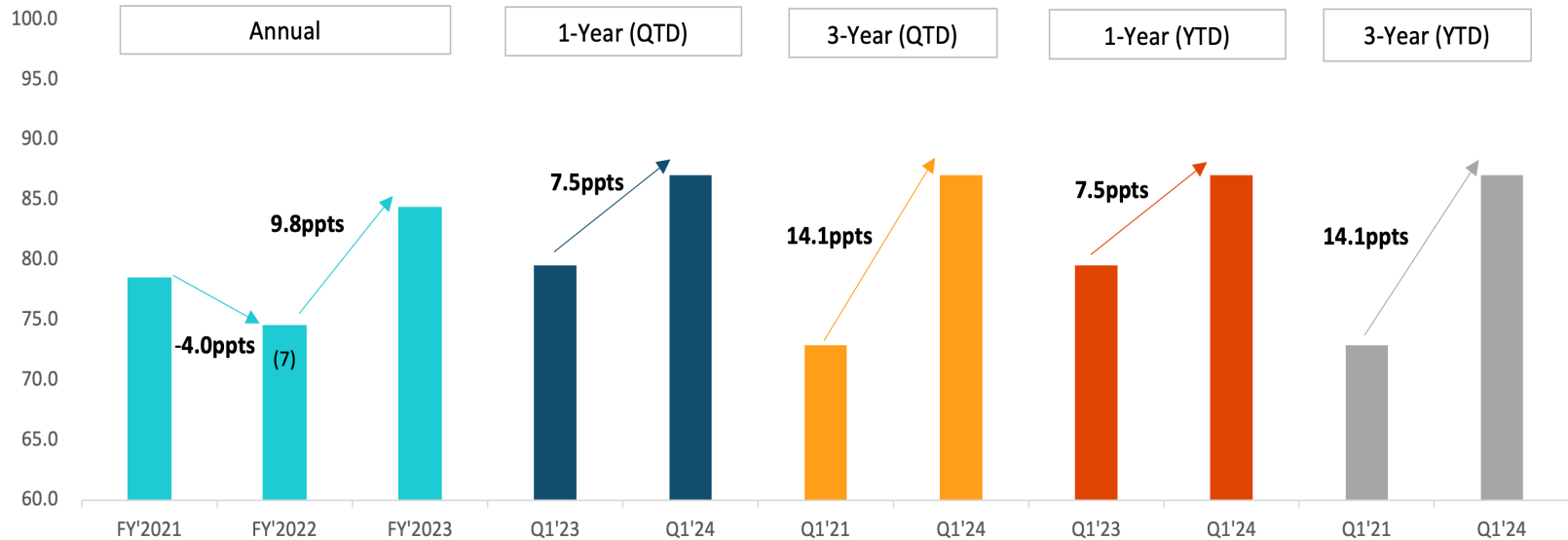


Commercial Subscription Revenue (6)



Subscription Gross Profit Margins (2)

% Points (ppts)



Financial KPI's

(\$'s in 000's)	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Annual Recurring Revenue (1)	\$4,430	\$4,696	\$4,734	\$4,770	\$9,476	\$9,796	\$12,682	\$13,013	\$12,955	\$16,669	\$19,549	\$22,251	\$23,905
YoY Change	N/A	N/A	N/A	N/A	114%	109%	168%	173%	37%	70%	54%	71%	85%
Commercial Subscription Revenue (6)	\$2,009	\$1,588	\$1,571	\$1,692	\$2,917	\$2,450	\$3,729	\$3,791	\$3,585	\$4,378	\$4,511	\$5,299	\$5,462
YoY Change	N/A	N/A	N/A	N/A	45%	54%	137%	124%	23%	79%	21%	40%	52%
Subscription Gross Profit Margin (2)	72.9%	78.5%	77.2%	83.8%	72.5%	72.7%	75.4%	77.0%	79.5%	83.5%	85.5%	87.3%	87.0%
YoY Change (ppts)	N/A	N/A	N/A	N/A	(0.4)	(5.8)	(1.8)	(6.9)	7.0	10.8	10.1	10.3	7.5

Concluding Remarks

We are more excited than ever about the future of Digimarc.

- Digimarc's growth continues to accelerate, driven by high gross margin commercial subscription revenue.
- The progress we have made in growing ARR, expanding our margins and managing our operating costs has significantly lowered our cash burn over the past year and is providing us clearer line of sight to when we can start to deliver positive free cash flows.
- There are four tailwinds to our business that we have been very intentional to create:
 1. Incredibly deep and wide moats that provide us the ability to offer differentiated products; this allows us to create new markets, disrupt existing markets, and enjoy best-in-class gross margins.
 2. The need to identify or authenticate physical and digital assets is universal, thus almost every entity in the world is a potential customer of ours. By leveraging our partner ecosystem we increase our scalability in an extremely OpEx efficient way.
 3. There are many use cases that require companies to identify or authenticate their physical items and digital assets and many ways we can configure our technology; our ability to productize new functionality is open-ended, as is our TAM.
 4. We engineer our products to be accretive, meaning the more Digimarc products a customer buys, the more value each product delivers; this positions us to have upsell and cross sell opportunities for years to come.
- We have completed our business transformation and our entering our growth stage. Our pipeline is large and growing. We can't wait to share more customer success stories with you as they come to fruition over the coming quarters.

Footnotes

- (1) Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all our commercial contracts as of the measurement date.
- (2) Subscription and Service gross margins exclude amortization expense on acquired intangible assets from the EVERYTHING acquisition.
- (3) This presentation contains the non-GAAP financial measure of Non-GAAP net loss. This non-GAAP financial measure is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing non-cash and non-recurring activities that affect comparability. Our management uses this non-GAAP financial measure, amongst others, in evaluating our financial and operational decision making and as a means to evaluate period-to-period comparisons.

Digimarc believes that providing non-GAAP financial measures, together with the reconciliation within our SEC filings to GAAP financial measures, helps management and investors make comparisons between us and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measures and the corresponding GAAP measures provided by each company under applicable SEC rules. These non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP. In order to facilitate a clear understanding of its consolidated historical operating results, investors should examine Digimarc's non-GAAP financial measures in conjunction with its historical GAAP financial information, and investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to, GAAP financial measures. Non-GAAP financial measures may not be indicative of the historical operating results of the Company nor are they intended to be predictive of potential future results.

- (4) ARR at 12/31/21 includes ARR from EVERYTHING for comparative purposes as the acquisition closed on January 3, 2022.
- (5) Commercial subscription revenue was adjusted to add EVERYTHING subscription revenue for FY'2021 for comparative purposes.
- (6) Commercial subscription revenue was adjusted to remove Piracy Intelligence subscription revenue for FY'2021 and FY'2022 for comparative purposes as the product has been end-of-lived with no revenue in FY'2023 and beyond.
- (7) The decrease in subscription gross profit margins from FY'2021 to FY'2022 reflects the impact of the EVERYTHING acquisition.