



Digimarc Reports Second Quarter 2025 Financial Results

Beaverton, Ore. – August 14, 2025 – Digimarc Corporation (NASDAQ: DMRC) reported financial results for the second quarter ended June 30, 2025.

"As AI accelerates how we produce, share, and interact with the world around us, the risks of fraud, counterfeiting, theft, and misinformation are growing exponentially," said Digimarc CEO Riley McCormack. "In the wake of the relentless acceleration of AI models and agents, a vacuum of trust and authenticity is being created. Digimarc is focused on filling that vacuum by delivering a future where humans and intelligent systems alike can verify what's real, protect what matters, and move forward with confidence. We are focused on making trust verifiable and authenticity scalable. We are focused on building the trust layer for the modern world. In Q2, we made significant progress towards doing just that."

Second Quarter 2025 Financial Results

Subscription revenue for the second quarter of 2025 decreased to \$4.6 million compared to \$6.4 million for the second quarter of 2024, primarily reflecting the expiration of two commercial contracts that contributed \$1.9 million of subscription revenue during the three months ended June 30, 2024.

Service revenue for the second quarter of 2025 decreased to \$3.4 million compared to \$4.0 million for the second quarter of 2024, primarily reflecting \$0.5 million of lower government service revenue from the Central Banks.

Total revenue for the second quarter of 2025 decreased to \$8.0 million compared to \$10.4 million for the second quarter of 2024.

Annual recurring revenue (ARR⁽¹⁾) as of June 30, 2025 was \$15.9 million compared to \$23.9 million as of June 30, 2024. The \$8.0 million decrease primarily reflects the expiration of two commercial contracts that accounted for a total of \$9.3 million of ARR, partially offset by increases to ARR from new and existing commercial contracts.

Gross profit margin for the second quarter of 2025 decreased to 59% compared to 66% for the second quarter of 2024. Excluding amortization expense on acquired intangible assets, subscription gross profit margin decreased to 85% from 89%, and service gross profit margin increased to 59% from 58% for the second quarter of 2025 compared to the second quarter of 2024, respectively.

Non-GAAP gross profit margin for the second quarter of 2025 decreased to 80% compared to 81% for the second quarter of 2024.

Operating expenses for the second quarter of 2025 decreased to \$13.1 million compared to \$16.8 million for the second quarter of 2024, primarily reflecting \$4.9 million of lower cash compensation costs due to lower headcount, partially offset by \$1.3 million of higher stock compensation costs.

Non-GAAP operating expenses for the second quarter of 2025 decreased to \$8.9 million compared to \$14.0 million for the second quarter of 2024.

Net loss for the second quarter of 2025 was \$8.2 million or (\$0.38) per share compared to \$9.3 million or (\$0.43) per share for the second quarter of 2024.

Non-GAAP net loss for the second quarter of 2025 was \$2.3 million or (\$0.11) per share compared to \$4.9 million or (\$0.23) per share for the second quarter of 2024.

At June 30, 2025, cash, cash equivalents and marketable securities totaled \$16.1 million compared to \$28.7 million at December 31, 2024. Free cash flow usage for the second quarter of 2025 decreased to \$5.0 million compared to \$6.9 million for the second quarter of 2024. Excluding the previously accrued severance costs of \$0.9 million that were paid in the second quarter of 2025, free cash flow usage would have been \$4.1 million.

(1) Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all of our commercial contracts as of the measurement date.

Conference Call

Digimarc will hold a conference call today (Thursday, August 14, 2025) to discuss these financial results and to provide a business update. CEO Riley McCormack, CFO Charles Beck, and CLO George Karamanos will host the call starting at 5:00 p.m. Eastern time (2:00 p.m. Pacific time). A question and answer session will follow management's prepared remarks.

The conference call and investor presentation will be broadcast live and available for replay [here](#) and in the investor section of the company's [website](#). The conference call script and investor presentation will also be posted to the company's website shortly before the call.

For those who wish to call in via telephone to ask a question, please dial the number below at least five minutes before the scheduled start time. We encourage you to also login to the live broadcast so you can follow along with the investor presentation.

Toll Free number: 877-407-0832

International number: 201-689-8433

Conference ID number: 13748471

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About Digimarc

Digimarc Corporation (NASDAQ: DMRC) is the pioneer and global leader in digital watermarking technologies. For nearly 30 years, Digimarc innovations and intellectual property in digital watermarking have been deployed at massive scale for the identification and the authentication of physical and digital items. A notable example of this is our partnership with a consortium of the world's central banks to deter counterfeiting of global currency. Digimarc is also instrumental in supporting global industry standards efforts spanning both the physical and digital worlds. In 2023, Digimarc was named to the Fortune 2023 Change the World list and honored as a 2023 Fast Company World Changing Ideas finalist. Learn more at [Digimarc.com](https://www.digimarc.com).

Forward-Looking Statements

Except for historical information contained in this release, the matters described in this release contain various "forward-looking statements." These forward-looking statements include statements identified by terminology such as "will," "should," "expects," "estimates," "predicts" and "continue" or other derivations of these or other comparable terms. These forward-looking statements are statements of management's opinion and are subject to various assumptions, risks, uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied from the statements in this release as a result of changes in economic, business and regulatory factors. More detailed information about risk factors that may affect actual results are outlined in the company's Form 10-K for the year ended December 31, 2024, and in subsequent periodic reports filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this release. Except as required by law, Digimarc undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this release.

Non-GAAP Financial Measures

This release contains the following non-GAAP financial measures: Non-GAAP gross profit, Non-GAAP gross profit margin, Non-GAAP operating expenses, Non-GAAP net loss, Non-GAAP loss per share (diluted), and free cash flow. See below for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. These non-GAAP financial measures are an important measure of our operating performance because they allow 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 these non-GAAP financial measures in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparisons.

Digimarc believes that providing these non-GAAP financial measures, together with the reconciliation to GAAP, 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.

Digimarc Corporation
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue:				
Subscription	\$ 4,624	\$ 6,380	\$ 9,938	\$ 12,142
Service	3,386	3,999	7,440	8,175
Total revenue	8,010	10,379	17,378	20,317
Cost of revenue:				
Subscription (1)	715	723	1,459	1,470
Service (1)	1,383	1,661	2,790	3,500
Amortization expense on acquired intangible assets	1,205	1,132	2,337	2,272
Total cost of revenue	3,303	3,516	6,586	7,242
Gross profit				
Subscription (1)	3,909	5,657	8,479	10,672
Service (1)	2,003	2,338	4,650	4,675
Amortization expense on acquired intangible assets	(1,205)	(1,132)	(2,337)	(2,272)
Total gross profit	4,707	6,863	10,792	13,075
Gross profit margin:				
Subscription (1)	85%	89%	85%	88%
Service (1)	59%	58%	63%	57%
Total	59%	66%	62%	64%
Operating expenses:				
Sales and marketing	3,231	5,616	8,309	11,152
Research, development and engineering	4,536	6,644	12,170	13,385
General and administrative	5,078	4,314	10,259	8,834
Amortization expense on acquired intangible assets	288	271	559	543
Total operating expenses	13,133	16,845	31,297	33,914
Operating loss	(8,426)	(9,982)	(20,505)	(20,839)
Other income, net	210	723	579	1,251
Loss before income taxes	(8,216)	(9,259)	(19,926)	(19,588)
Provision for income taxes	(4)	(11)	(24)	(20)
Net loss	<u>\$ (8,220)</u>	<u>\$ (9,270)</u>	<u>\$ (19,950)</u>	<u>\$ (19,608)</u>
Loss per share:				
Loss per share — basic	\$ (0.38)	\$ (0.43)	\$ (0.93)	\$ (0.93)
Loss per share — diluted	\$ (0.38)	\$ (0.43)	\$ (0.93)	\$ (0.93)
Weighted average shares outstanding — basic	21,608	21,392	21,565	21,061
Weighted average shares outstanding — diluted	21,608	21,392	21,565	21,061

(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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
GAAP gross profit	\$ 4,707	\$ 6,863	\$ 10,792	\$ 13,075
Amortization of acquired intangible assets	1,205	1,132	2,337	2,272
Amortization and write-off of other intangible assets ⁽¹⁾	219	209	438	421
Stock-based compensation	253	156	390	409
Non-GAAP gross profit	\$ 6,384	\$ 8,360	\$ 13,957	\$ 16,177
Non-GAAP gross profit margin	80%	81%	80%	80%
GAAP operating expenses	\$ 13,133	\$ 16,845	\$ 31,297	\$ 33,914
Depreciation and write-off of property and equipment	(138)	(198)	(284)	(391)
Amortization of acquired intangible assets	(288)	(271)	(559)	(543)
Amortization and write-off of other intangible assets	(227)	(31)	(201)	(164)
Amortization of lease right of use assets under operating leases	(103)	(86)	(201)	(173)
Stock-based compensation	(3,518)	(2,250)	(4,641)	(4,828)
Non-GAAP operating expenses	\$ 8,859	\$ 14,009	\$ 25,411	\$ 27,815
GAAP net loss	\$ (8,220)	\$ (9,270)	\$ (19,950)	\$ (19,608)
Total adjustments to gross profit	1,677	1,497	3,165	3,102
Total adjustments to operating expenses	4,274	2,836	5,886	6,099
Non-GAAP net loss	\$ (2,269)	\$ (4,937)	\$ (10,899)	\$ (10,407)
GAAP loss per share (diluted)	\$ (0.38)	\$ (0.43)	\$ (0.93)	\$ (0.93)
Non-GAAP net loss	\$ (2,269)	\$ (4,937)	\$ (10,899)	\$ (10,407)
Non-GAAP loss per share (diluted)	\$ (0.11)	\$ (0.23)	\$ (0.51)	\$ (0.49)
Free cash flow				
Cash flows from operating activities	\$ (4,688)	\$ (6,830)	\$ (10,174)	\$ (15,252)
Purchase of property and equipment	(198)	(26)	(253)	(132)
Capitalized patent costs	(120)	(90)	(208)	(196)
Free cash flow	\$ (5,006)	\$ (6,946)	\$ (10,635)	\$ (15,580)

(1) In the second quarter of fiscal 2025, management updated its definition of Non-GAAP gross profit to adjust for the amortization of patent maintenance costs. The related amortization expense for the three and six months ended June 30, 2025 and 2024 is now reflected in "amortization and write-off of other intangible assets" above to calculate Non-GAAP gross profit, Non-GAAP net loss and Non-GAAP loss per share (diluted).

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

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents (1)	\$ 10,109	\$ 12,365
Marketable securities (1)	5,979	16,365
Trade accounts receivable, net	6,358	6,412
Other current assets	2,664	4,189
Total current assets	25,110	39,331
Property and equipment, net	1,042	1,040
Intangibles, net	20,595	22,191
Goodwill	9,207	8,532
Lease right of use assets	3,458	3,659
Other assets	1,334	1,013
Total assets	<u>\$ 60,746</u>	<u>\$ 75,766</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 5,474	\$ 5,118
Deferred revenue	3,951	4,020
Total current liabilities	9,425	9,138
Long-term lease liabilities	4,779	5,213
Other long-term liabilities	59	56
Total liabilities	14,263	14,407
Shareholders' equity:		
Preferred stock	50	50
Common stock	22	21
Additional paid-in capital	418,085	415,049
Accumulated deficit	(370,728)	(350,778)
Accumulated other comprehensive loss	(946)	(2,983)
Total shareholders' equity	46,483	61,359
Total liabilities and shareholders' equity	<u>\$ 60,746</u>	<u>\$ 75,766</u>

(1) Aggregate cash, cash equivalents, and marketable securities was \$16.1 million and \$28.7 million at June 30, 2025 and December 31, 2024, respectively.

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

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (19,950)	\$ (19,608)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	284	391
Amortization of acquired intangible assets	2,896	2,815
Amortization and write-off of other intangible assets	639	438
Amortization of lease right of use assets under operating leases	201	173
Stock-based compensation	5,031	5,237
Increase (decrease) in allowance for doubtful accounts	311	(17)
Changes in operating assets and liabilities:		
Trade accounts receivable	(442)	(2,236)
Other current assets	1,447	426
Other assets	(201)	(456)
Accounts payable and other accrued liabilities	79	(992)
Deferred revenue	(71)	(1,037)
Lease liability and other long-term liabilities	(398)	(386)
Net cash provided by (used in) operating activities	(10,174)	(15,252)
Cash flows from investing activities:		
Purchase of property and equipment	(253)	(132)
Capitalized patent costs	(208)	(196)
Proceeds from maturities of marketable securities	13,741	9,623
Purchases of marketable securities	(3,355)	(14,753)
Net cash provided by (used in) investing activities	9,925	(5,458)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	32,218
Purchase of common stock	(2,048)	(2,332)
Repayment of loans	(18)	(18)
Net cash provided by (used in) financing activities	(2,066)	29,868
Effect of exchange rate on cash	59	(16)
Net increase (decrease) in cash and cash equivalents	\$ (2,256)	\$ 9,142
Cash, cash equivalents and marketable securities at beginning of period	\$ 28,730	\$ 27,182
Cash, cash equivalents and marketable securities at end of period	16,088	41,461
Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (12,642)	\$ 14,279

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DIGIMARC

Digimarc Corporation (DMRC) Conference Call

Second Quarter 2025 Financial Results

August 14, 2025

Welcome: George Karamanos

Welcome to our Q2 conference call. Riley McCormack, our CEO, and Charles Beck, our CFO, are with me on the call. On the call today, we will provide a business update and discuss Q2 2025 financial results. This will be followed by a question and answer forum. We have posted our prepared remarks in the investor relations section of our website and will archive this webcast there. For those of you dialing in, we have changed the format of our prepared remarks and will be simulcasting a presentation that Riley and Charles will walk through today. If you would like to follow along with the slides, I would encourage you to join our webcast as referenced in our earnings press release shared earlier today.

Safe Harbor Statement

Before we begin, let me remind everyone that today's discussion contains forward-looking statements that have risks and uncertainties. Please refer to our press release for more information on the specific risk factors that could cause actual results to differ materially.

Riley will now provide a business update.

Business Update: Riley McCormack

Slide 3

Thank you, George, and hello everyone.

On this call, we will walk through Digimarc's Q2 performance, highlight our strategic progress across product innovation and commercial execution – including the pending launch of our gift card solution, share updates on our financial metrics such as ARR and cash burn, and provide clarity on where we are focused heading into the second half of the year.

In Q2, we made significant progress towards launching our gift card solution, generated new ARR from a European packaging customer through a multi-year committed contract that should generate near seven figures next year, and had several upsell ARR wins with existing customers. We delivered our next-generation audio digital watermark to enable accurate compensation for creators and safeguard sensitive data. And we were recognized in Gartner's Hype Cycle as a key vendor in the emerging TrustOps category, alongside the likes of Microsoft and Google, and aligned with McKinsey's identification of Digital Trust as one of the top technology trends shaping the future.

We also completed our corporate reorganization in the second quarter and are seeing significant benefits across the organization as a result. Financially, the reorganization has resulted in a meaningful reduction in operating expenses and cash usage, and we remain on track to deliver positive free cash flow by Q4 2025. Operationally, it has allowed us to increase our focus on the areas most likely to deliver the scalable and repeatable business we must always focus on delivering. I would like to thank all of my teammates for their hard work in effecting this important step in our continued evolution. While not an easy process, we are seeing positive results in our ability to execute on our business.

Slide 4

As has been shared previously, our three focus areas are retail loss prevention, product authentication, and digital authentication. We have several significant ARR generation opportunities in front of us, such as protecting the world's gift cards, that exhibit strong demand-pull characteristics with the goal of much quicker time-to-revenue relative to some of our identification use cases.

The decision to focus our time and resources on these three core areas in the authentication space was supported by deep market research, validated by customer feedback, and further confirmed independently by work we commissioned from our consulting partners. With that said, we remain firm believers in our positioning and our ability to execute on the various ecosystem-driven opportunities in the identification space as they eventually become ripe enough to pursue.

Slide 5

Our greatest near-term opportunity is retail loss prevention, and more specifically, our gift card solution. We made substantial progress during the quarter on commercializing our solutions to address gift card fraud, an ever-increasing existential threat the industry is hyper-focused on solving. We are proud to announce that the first Digimarc-protected gift cards have been received by our first retailer and will appear on shelves next week.

While the initial rollout took slightly longer than planned for reasons outside of our control, it includes gift cards from multiple different brands, including some of the largest companies in the world.

Slide 6

The interest from these brands reflects the detailed joint success planning we have been undertaking with members of the gift card industry ecosystem, including gift card network companies, gift card manufacturers, card manufacturing equipment providers,

label providers, point of sale scanner manufacturers, and of course retailers and brands. This joint success planning positions us to increase long-term revenue velocity as these initial cards hit shelves.

We intend to predominantly sell our solution to gift card manufacturers, who will apply our technology during their normal printing process before delivering the cards as they currently do today. We have built our Go-To-Market strategy around trying to solve for two often-conflicting goals: providing a revolutionary new solution and minimizing impact on the ecosystem's existing workflow. I think the team has done an incredible job of doing just that.

From jointly building threat models that clearly show how our existing solution already reduces fraud—and how our roadmap will drive even greater results—to creating a detailed, interactive pilot plan that allows for near real-time impact measurement, to all the work in between, we've invested the time and resources to set our solution up for success today as well as accelerate the pace of adoption in the future.

As we've shared in the past, one of the most powerful facets of this opportunity is that laggards in the adoption of our gift card solution will bear the compounded costs of an increasing percentage of an ever-increasing amount of fraud. We (and our partners) believe this positions us for a powerful demand-pull dynamic. Moreover, this is a widely-held view across the industry and the interest of those not yet included in next week's rollout has continued to increase. In parallel to setting up this initial rollout for maximum success we have been planning additional rollouts with other industry players as well.

While it is hard to be certain ahead of some critical upcoming events what impact, if any, the slight delay in our initial rollout will have on our 2025 revenue, we have lowered our internal estimate for 2025 gift card revenue. Next week marks a critical milestone and accomplishment in our work to catalyze the gift card industry towards meaningful adoption of our solution, and we believe whatever impact the

pilot delay might cause on our 2025 revenue (if any) will be paid back next year and beyond.

Slide 7

Turning now to our focus on product authentication, I am thrilled to announce we signed a multi-year committed deal with a large European packaging company that should represent near seven figures of ARR starting next year and beyond. In addition to providing our customer the ability to resell Digimarc Validate (and Digimarc Automate) directly, this deal allows our partner to rollout our “deploy now/activate later” offering on all the packaging they produce, seeding the market for (among other things) potential future Digimarc Recycle deals.

Just last week I had dinner with the CEO of this valued customer, and he shared his plans for utilizing our partnership to drive messaging at an upcoming conference, stating that he believes our partnership will enable his company to stand out amongst their peers and drive new business their way. More immediately, he wants to arrange an opportunity for us to spend time with a sister company that he believes is interested in pursuing a similar relationship with us. Nothing is more powerful in driving to a scalable and repeatable business than delighting existing customers, and our focus is – as it always is – on continuing to win our customers’ business every day.

We also signed upsell deals with three of our existing Digimarc Validate customers reflecting both increased contract value and the expansion of our solution to new geographies and new brands. As we have repeatedly stated, when we solve our customers’ most-challenging problems, we expect to be an upsell and cross-sell company for a long time. While still early in that journey, the results are proving this thesis correct. Brands face rampant counterfeiting and IP theft and our secure and scalable, covert and connected solutions provide far superior results compared to competing analog solutions such as tags, codes, inks or labels.

Slide 8

Touching now on our digital authentication solutions, as mentioned on our last two calls, we chose to be conservative about this area's contribution to 2025 ARR. We made this decision to help ensure we remain focused on optimizing our work in this area for the long term. We have already exceeded these conservative assumptions.

As announced in a recent press release, we recently delivered a next-generation audio digital watermark, architected to address the unprecedented challenges rights holders, content creators, companies, and governments face with the explosion of digital and AI-generated content and capabilities. We recently signed a new deal with SourceAudio to embed our audio watermarks into production music for TV and commercials in order to monitor royalty rights across over 150 national channels and 100 local stations. Additionally, we have multiple deals in the pipeline as a result of our new offering, including technical testing with an AI company looking to both comply with EU regulation as well as automate internal authentication. Our next-generation offering has also caught the attention of an important industry group that is searching for solutions to an unmet need arising from emergence of AI. We look forward to proving our value to this gatekeeper and unlocking the opportunities on the other side.

Q2 also saw us grow the relationship with the Fortune 100 customer we mentioned on the last call, signing a low-six figure deal that we believe could grow to close to seven figures starting in year two and beyond. In addition to our belief this customer presents a future upsell opportunity, they have offered to be a reference account to other prospects in the future. Additionally, the implementation of our solution is being led by one of the world's largest system integrators. Success with our shared mutual customer should open future doors for us to partner with this industry giant to deter insider threats and safeguard sensitive data for additional customers across industries and sectors worldwide.

The twin catalysts of the relentless advance of AI models and agents and the rapid progression of content credentials has created a wave of awareness and urgency for a robust, scalable, secure, and imperceptible perpetual and deterministic solution to address the many trust and authenticity problems growing in the digital world. We expect this space to continue its recent noteworthy growth and evolution. While some of the nascent digital use cases might be served – at least in the interim – with “good enough” offerings, what has become apparent to us in the last few months is that the aforementioned twin catalysts are opening the market for use cases where “good enough” just simply will not do. Our technology, our history, our credibility, our expertise, our experience, and our first-to-market with – and co-leadership of – the digital watermarking component of the C2PA standard are all coalescing to ensure we are well positioned to surf this ever-growing wave. We pioneered this space. This is quite literally what we were born to do. And the market is finally here.

Slide 9

Although our focus over the near-term will be our three core focus areas, we continue to believe in our positioning and ability to execute in other areas when those markets are ripe for addressing.

Before I turn the call over to Charles, I want to address a development that will have a negative future impact on our near-term top-line results. We are currently in contract renegotiations with a large retailer customer of a legacy solution which will most likely result in a reduction of up to \$3 million in annual revenue. As these conversations are very recent and currently on-going, we are not able to estimate the exact impact at this time.

This development also reinforces our decision to focus on our three authentication markets and building the trust layer for the modern world. Solving urgent problems provides stronger protection from changes in customers’ strategic focus than some of our legacy solutions did. Moreover, this retailer is an important gift card vendor,

and our focus is on maximizing future revenue opportunities for our gift card solution, not on trying to maximize revenue from a use case we haven't sold in many years. We believe we continue to have an excellent relationship with this customer and that there is much to accomplish with them over the coming years. We are excited to continue to help them win.

We are also energized by moving Digimarc into a future where we are not overly-reliant on any one customer and can move more quickly with the market. We are confident in the opportunities provided in our three key focus areas and are excited by the results our increased focus are already beginning to deliver. Ecosystem-based sales are great because of their size, but the sales cycles can be slow, expensive, and multiple constituencies must adopt before meaningful ROI is unlocked. Our strategic shift allows for the building of a scalable and repeatable business where we can fail fast, iterate, and win often.

Even with the expected top-line impact from this contract renegotiation, we still anticipate being free cash flow positive in Q4. Reorganizing our company to focus on our authentication use cases was a difficult but necessary decision, and we appreciate our investors' patience as we navigate this transition, which we are more confident than ever is the best strategy for the company and will create the best outcome for investors. Even if timing around meaningful revenue generation from our new products were to slip 1-2 quarters, we believe the company is well positioned to win and reach significant scale.

I will now turn the call over to Charles to discuss our financial results.

Financial Results: Charles Beck

Slide 11

Thank you, Riley, and hello everyone.

Ending ARR¹ for Q2 was \$15.9 million compared to \$23.9 million for Q2 last year. The decrease reflects both the \$5.8 million retailer contract that lapsed last year and \$3.5 million from the DRS contract that lapsed in Q2 this year. Excluding these two headwinds, ending ARR grew \$1.3 million year-over-year. That growth, however, was largely muted by higher other customer churn and our choosing to be strategically price-aggressive on products outside of our focus areas, both of which had outsized impacts in the first half of 2025. As I stated on the last earnings call, we expected these impacts as we sharpened our go-to-market focus, and it is important to note that our ending ARR is in line with our original 2025 internal budget.

Slide 12

Total revenue was \$8.0 million, a decrease of \$2.4 million or 23% from \$10.4 million in Q2 last year.

Subscription revenue, which accounted for 58% of total revenue for the quarter, decreased 28% from \$6.4 million to \$4.6 million. The decrease reflects the impact of the two expired contracts I referenced earlier.

Service revenue decreased 15% from \$4.0 million to \$3.4 million, reflecting lower government service revenue from the Central Banks. The decrease is generally in line with our expectation of a 12% to 14% decrease in program work for fiscal 2025 that we shared on previous earnings calls.

Subscription gross profit margin² excluding amortization expense, was 85% for the quarter, down 4 percentage points from Q2 last year, reflecting the impact of lower subscription revenue. We anticipate that subscription gross profit margins may be lower next quarter as we work to consolidate our legacy platforms. After the migrations are completed, we expect subscription gross margins to not only fully recover but to

¹ Annual Recurring Revenue (ARR) is a company performance metric calculated as the aggregation of annualized subscription fees from all of our commercial contracts as of the measurement date.

² Subscription gross profit margin excludes amortization expense on acquired intangible assets.

increase beyond current levels as we benefit from the efficiencies of the Illuminate platform.

Service gross profit margin was 59% for the quarter, essentially flat with Q2 last year.

Operating expenses were \$13.1 million for the quarter, down \$3.7 million or 22% from \$16.8 million in Q2 last year. Included in operating expenses this quarter was \$600 thousand of legal expenses largely related to an external shareholder matter. We do not expect these legal expenses to continue. Excluding these legal expenses, operating expenses were \$4.3 million or 26% lower than Q2 last year. The large reduction in costs reflects lower compensation costs due to the reorganization in Q1 this year. As we look forward, we expect to continue to see a reduction in our run rate of expenses as not all the benefits from our streamlining efforts, especially in the non-compensation cost areas, were fully realized yet in our Q2 results.

Non-GAAP operating expenses, which exclude non-cash and non-recurring items, were \$8.9 million for the quarter, down \$5.2 million or 37% from \$14.0 million in Q2 last year. Again, the decrease is due to the impact of the reorganization and streamlining efforts, partially offset by \$600 thousand of higher legal expenses.

Net loss per share for the quarter was 38 cents versus 43 cents in Q2 last year. Non-GAAP net loss per share for the quarter was 11 cents versus 23 cents in Q2 last year.

Our internal plan for 2025 at the start of the year was to be non-GAAP profitable and free cash flow positive by no later than Q4. Even adjusting our plan to account for the risks to revenue Riley discussed earlier, namely the large customer contract renegotiation and the timing of significant gift card revenue recognition, we still believe it is likely we will achieve these targets in Q4.

Slide 13

Regarding cash flow, we ended the quarter with \$16.1 million in cash and short-term

investments. Free cash flow³ usage was down considerably from \$6.9 million in Q2 last year to \$5.0 million in Q2 this year. Excluding \$900 thousand of previously accrued severance costs from Q1, which were paid in Q2, and \$300 thousand of the \$600 thousand of the higher legal costs that were paid during the quarter, free cash flow usage would have been \$3.8 million for the quarter. Free cash flow was also negatively impacted by the timing of customer receipts in Q2, which we expect will reverse in the second half of 2025.

Slide 14

As I noted earlier, we still have not fully realized all the cash cost savings from our reorganization and streamlining efforts put in place earlier this year, which are estimated to total \$22 million on an annualized basis. As those savings start to be fully realized, and with forecasted revenue growth, we expect Q3 free cash flow usage to be much lower than Q2, even when factoring in the payment of the remaining \$300 thousand of legal costs referenced above, and, we believe we are likely to deliver positive free cash flow in Q4.

For further discussion of our financial results, and risks and prospects for our business, please see our Form 10-Q that will be filed with the SEC.

I will now turn the call back over to Riley for final remarks.

Final Remarks: Riley McCormack

Slide 15

Thank you, Charles.

³ Free cash flow includes cash used in operating activities, the purchase of property and equipment and capitalized patent costs.

In the wake of the relentless acceleration of AI models and agents, a vacuum of trust and authenticity is being created. Trust is fast becoming the only currency that matters, and the future will belong to companies that make that currency scalable. We believe Digimarc is ideally positioned to lead that charge. We are focused on delivering a future where humans and intelligent systems alike can verify what's real, protect what matters, and move forward with confidence. We are focused on filling the ever-expanding vacuum by positioning ourselves to deliver trust in every interaction, spanning both the physical and digital worlds. We are building the trust layer for the modern world, a layer that is needed more now than ever and is forming a massive opportunity we were created to deliver.

I would like to conclude the call by once again thanking my amazing teammates. Reorganizing our business to increase our focus has been extremely challenging but absolutely necessary to achieve the results we know we must deliver: fast, profitable, and durable growth. I believe we are positioned to win and are on the precipice of "scalable and repeatable" in our commercial business. I am excited to share our progress, especially in the quarters to come.

Operator, we will now open the call for questions.

Investor Presentation

Second Quarter 2025
August 14, 2025

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.

All forward-looking statements made by us or by persons acting on our behalf apply only as of the date of this presentation. We expressly disclaim any obligation to update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this presentation or a change in our views or expectations, or otherwise.

Q2 2025 Update

Digimarc made significant progress towards future reacceleration of ARR growth with its newly refocused organization

Business Highlights

- The first Digimarc-protected gift cards will appear on shelves next week; cards are from multiple different issuers, including some of the largest companies in the world. We will publicly share images of the initial gift cards shortly after launch.
- New ARR from a European packaging customer signing multi-year committed contract; ARR should be just under seven figures next year.
- Upsell ARR from three deals with existing Digimarc Validate customers, reflecting both increased contract value and the expansion of our solution to new geographies and new brands.
- Upsell ARR from Fortune 100 customer for digital authentication solution; expected to grow to near seven figures next year.
- Delivered next-gen audio digital watermark; secured new SourceAudio deal and created multiple new pipeline opportunities.
- Initial enhancement of packaging for Belgium recycle market has begun. Positioned for potential additional ARR in the future.
- Recognized in Gartner's Hype Cycle as a key vendor in the emerging TrustOps category, alongside Microsoft and Google.

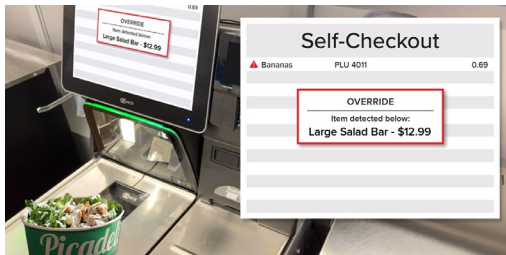
Financial Highlights

- Reduced Q2 operating expenses by 22% and non-GAAP operating expenses⁽¹⁾ by 37%, largely reflecting the impact of cost savings from the Q1 reorganization; additional cost savings expected to be realized in 2H 2025 from non-headcount cost reductions.
- Reduced Q2 free cash flow⁽¹⁾ usage by 28% and non-GAAP loss⁽¹⁾ by 54%.
- Despite recent headwinds to ARR, ending ARR at 6/30/25 is in line with our original 2025 internal budget.
- We continue to believe it is likely that we will generate both positive non-GAAP net income and positive free cash flow in Q4 2025.

Three Core Focus Areas

Digimarc is focused on solving large, urgent problems that deliver immediate ROI

Retail Loss Prevention



Fight Fraud, Preserve Convenience, and Protect Associates at Self-Checkout

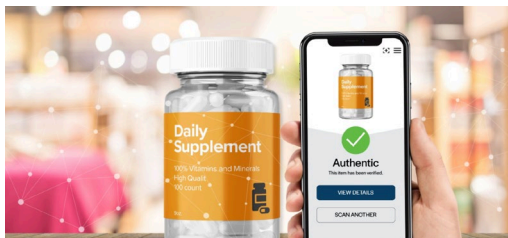


Secure Your Gift Cards and Restore Consumer Trust

Product Authentication

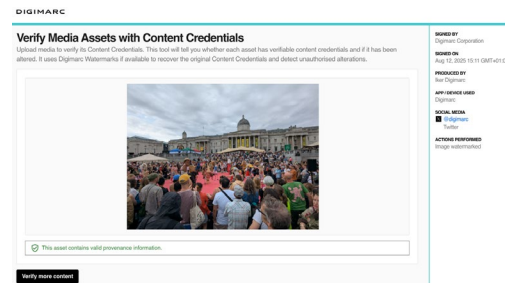


Secure Authentication for Agents in the Field



Covert Security and Powerful Protection for Consumers

Digital Authentication



Protect and Verify Digital Footprint



Track and Monetize Digital Assets

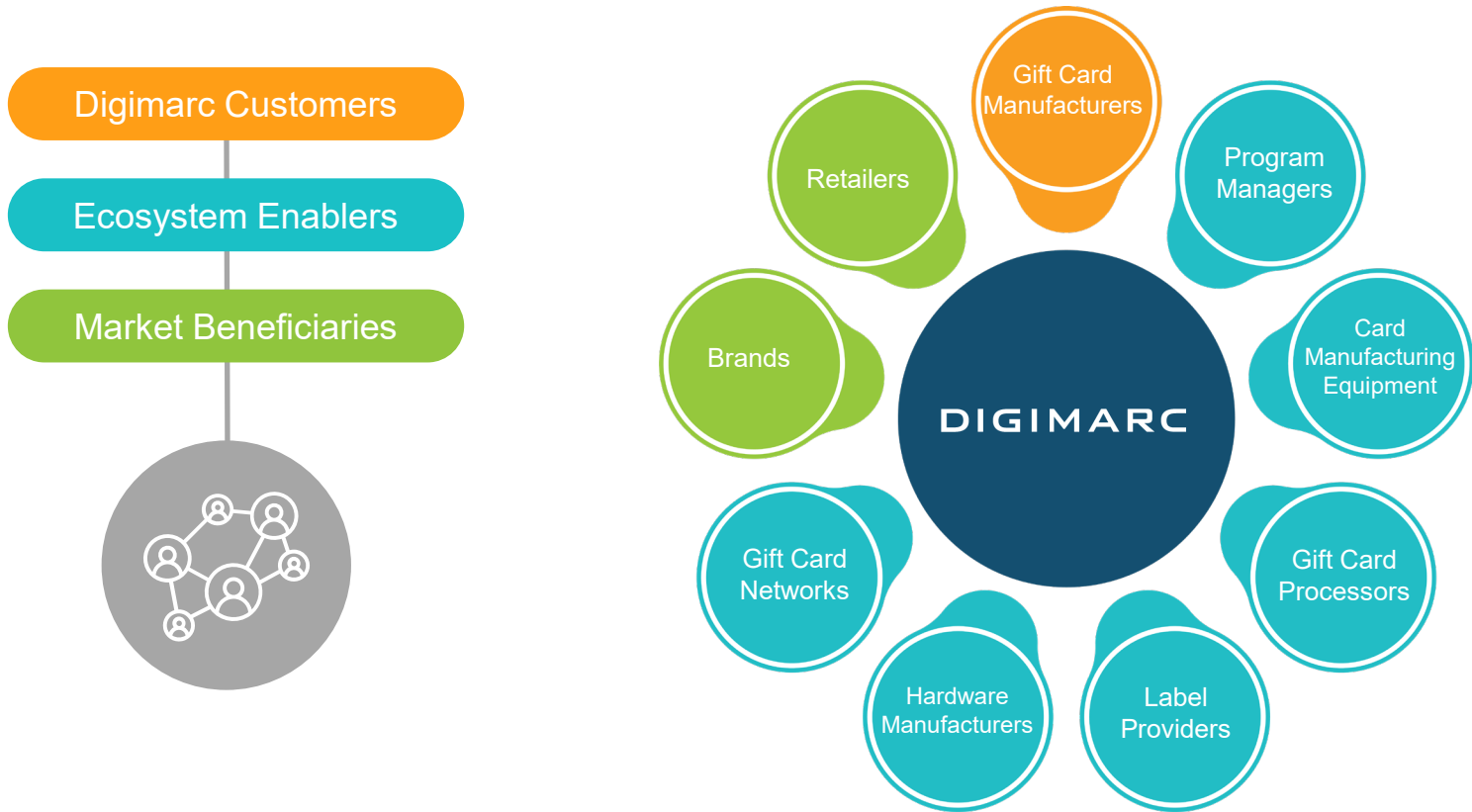
Retail Loss Prevention: Gift Cards

Digimarc's gift card solution is expected to have the greatest impact on near-term ARR

- Estimated 5+ billion gift cards are printed each year in the US alone.
- Digimarc's solution is more secure, less expensive, and – as the only digital solution – more extensible than existing solutions.
- First Digimarc-protected gift cards will reach store shelves next week, with multiple major brands representing some of the largest companies in the world participating.
- We project multiple additional very large retailers will have Digimarc-protected gift cards in store in the next 2 quarters.
- We are currently in business discussions with the first wave of gift card printers, and we are planning for negotiations with the second wave.
- The whole industry is watching as they need a solution to the rampant gift card fraud creating an existential threat to their business.
- Brands can adopt our solution on their own timelines limited only by retailer readiness, something our existing footprint in front of store scanners makes quickly scalable.
- Gift cards represent retailers' most profitable in-store square footage and all-in losses from fraud are multiples of the estimated \$4 billion in annual consumer losses.
- Laggards in adopting (both brands and retailers) will likely bear an increasing percentage of an ever-increasing amount of fraud, driving the potential for a powerful demand-pull dynamic.

Gift Card Ecosystem

Digimarc predominantly sells its gift card solution to gift card manufacturers while leveraging our long-term relationships with numerous industry participants to catalyze adoption



Product Authentication

Digimarc Validate ARR continues to grow, driven by customer upsells & new customer wins

- Brands face rampant counterfeiting and IP theft, with bad actors advancing their technology and processes to replicate packaging and security features with alarming accuracy, something made ever-easier with the advancement of AI.
- Decentralized supply chains and omnichannel sales make counterfeit detection more difficult, forcing brands to a reactive stance against emerging threats.
- Many security measures require trained inspectors and specialized tools, limiting accessibility, increasing costs and reducing scalability. Digimarc's secure and scalable, covert and connected solutions provide far superior results when compared to competing analog solutions such as tags, codes, inks, or labels.
- We signed a multi-year committed deal with a large European packaging company that should be just under seven figures of ARR starting in 2026. The deal allows our customer to resell Digimarc Validate and Digimarc Automate as well as roll out our deploy now/activate later offering across all their packaging produced, seeding the market for (among other things) potential future Digimarc Recycle deals.
- We also signed upsell deals with three existing Digimarc Validate customers, resulting in increased contract value and expansion of our solution to new geographies and brands.
- We are fortunate to have some of the largest and well-known companies in the world as valued customers and expect to benefit from further upsell and cross-sell revenue generation in the future.

Digital Authentication

We have exceeded our conservative 2025 assumptions in this area and look to accelerate our traction throughout 2026

- AI is creating a vacuum of trust and authenticity, especially acute in the digital world.
- Content Credentials (C2PA) has created awareness that our technology is capable of addressing this risk, which in turn is driving urgency to solve multiple additional problems (previously unsolvable as well as newly created).
- Our technology, our history, our credibility, our expertise and experience, and our first-to-market with – and co-leadership of – the digital watermarking component of the C2PA standard ensure we are well positioned in this burgeoning market.
- Digimarc recently delivered our next-generation audio digital watermark to address the rapidly rising challenges faced by rights holders, content creators, companies and governments from the explosion in digital and AI-generated content and capabilities.
- Digimarc recently announced a new partnership with SourceAudio to embed audio watermarks into production music for TV and commercials in order to monitor over 150 national channels and 100 local stations for royalty rights.
- We have multiple deals in our pipeline as a result of the new audio digital watermark offering, including technical testing with an AI company looking to comply with EU regulation as well as automate internal authentication.
- We are in discussions with an important industry group that is searching for solutions to an unmet need arising from emergence of AI.
- In Q2, we grew our relationship with a Fortune 100 customer, signing a low-six figure deal that we believe could grow to close to seven figures in year two and beyond. This customer has also offered to be a reference account to other prospects.

Future Identification Opportunity Areas

Digimarc remains well-positioned to execute against large market opportunities when the markets are ripe

Digimarc Recycle



Initial enhancement of packaging for Belgium market has commenced; positioned for additional ARR in the future.

Digimarc Retail Experience



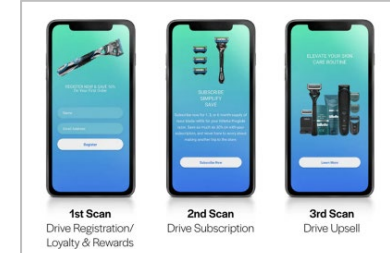
Continue to support Netto Marken Discount's use of our technology at their front of store.

Digimarc Automate



Continue to support partners capable of pursuing opportunities without the need for our direct involvement.

Digimarc Engage



Have marquee customers, including two of the largest global CPGs, as the industry approaches Digital Link Sunrise 2027.



Financial Update



ARR Comparison: Q2 2025 vs Q2 2024

Q2 2025 Ending ARR⁽²⁾ was \$15.9M vs \$23.9M in Q2 2024

- ARR was negatively impacted by churn of the \$5.8M retailer contract in 2024 and \$3.5M DRS contract in 2025.
- ARR as of 6/30/25 is in line with our original 2025 internal budget.
- Looking forward, we expect ARR to be negatively impacted by the renegotiation of the \$3.1M retailer contract in 2H 2025, which will most likely result in a reduction of up to \$3 million in annual revenue.
- Despite this headwind, we expect ARR to trough in Q3 or Q4 2025, and to re-accelerate thereafter into 2026, largely from increasing penetration of our gift card solution.

(\$'s in thousands)	YoY Activity
Ending ARR at 6/30/24 ⁽²⁾	\$23,923
Retailer contract expiration	(\$5,804)
DRS contract termination	(\$3,500)
Other net activity ⁽³⁾	\$1,262
Ending ARR at 6/30/25 ⁽²⁾	\$15,881

Q2 2025 Financial Summary

Q2 2025 non-GAAP loss⁽¹⁾ was (\$2.3M), an improvement of \$2.7M or 54% from Q2 2024

- The large reduction in operating expenses primarily reflects lower compensation costs due to the reorganization in Q1 2025; annualized cash cost savings from the reorganization are expected to be ~\$16.5M.
- Looking forward, we still expect a further reduction in our run-rate of non-headcount expenses as not all the benefits from our ongoing streamlining efforts were fully realized by Q2 2025; annualized cash cost savings from these efforts are expected to be ~\$5.5M.
- We continue to believe it is likely we will generate positive non-GAAP net income in Q4 2025.

(\$'s in thousands, except per share amounts)	Q2 2025	Q2 2024	YoY % Change
Subscription Revenue	\$4,624	\$6,380	(28%)
Service Revenue	\$3,386	\$3,999	(15%)
Subscription gross profit margin ⁽⁴⁾	85%	89%	-4 points
Service gross profit margin ⁽⁴⁾	59%	58%	+1 point
Operating expenses ⁽⁵⁾	(\$13,133)	(\$16,845)	(22%)
Net loss	(\$8,220)	(\$9,270)	(11%)
Net loss per share – diluted	(\$0.38)	(\$0.43)	(12%)
Non-GAAP operating expenses ⁽¹⁾	(\$8,859)	(\$14,009)	(37%)
Non-GAAP net loss ⁽¹⁾	(\$2,269)	(\$4,937)	(54%)
Non-GAAP net loss per share – diluted ⁽¹⁾	(\$0.11)	(\$0.23)	(52%)

Free Cash Flow Comparison: Q2 2025 vs Q2 2024

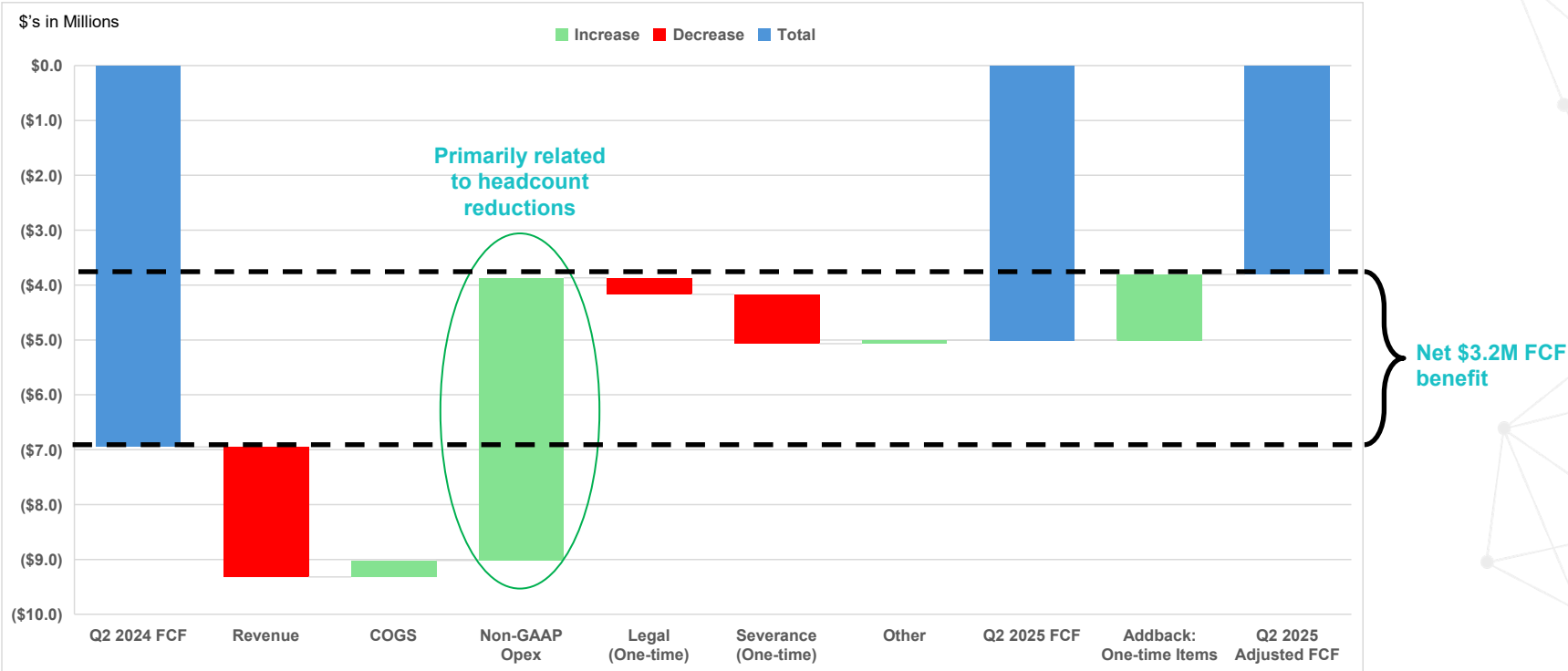
Q2 2025 free cash flow⁽¹⁾ was (\$5.0M), an improvement of \$1.9M or 28% from Q2 2024

- Excluding \$0.9M of one-time severance payments and \$0.3M of one-time legal costs⁽⁵⁾, free cash flow⁽¹⁾ would have been (\$3.8M), an improvement of \$3.2M or 45% from Q2 2024.
- The decline in free cash flow usage was largely attributable to lower cash compensation costs partially offset by the timing of customer receipts.
- We ended the quarter with \$16.1M of cash and short-term investments and no debt.
- Internally we use non-GAAP loss as a proxy for free cash flow as it excludes the timing impact of customer receipts and vendor payments to provide a more normalized view of free cash flow.
- Looking forward, we expect to deliver positive free cash flow in Q4 2025, driven by increased revenue growth and realizing the full impact of the cash savings from our Q1 reorganization and ongoing streamlining efforts.
- We expect to rebuild our cash balance via operating cash flow throughout 2026.

(\$'s in thousands)	Q2 2025	Q2 2024	YoY % Change
Free cash flow ⁽¹⁾	(\$5,006)	(\$6,946)	(28%)
Adjusted free cash flow above ⁽¹⁾	(\$3,786)	(\$6,946)	(45%)
Non-GAAP net loss ⁽¹⁾	(\$2,269)	(\$4,937)	(54%)

Free Cash Flow Bridge: Q2 2025 vs Q2 2024

Q2 2025 free cash flow⁽¹⁾ was (\$5.0M), down \$1.9M or 28% from Q2 2024.
Adjusted free cash flow⁽¹⁾ was (\$3.8M) and continues to improve.



Concluding Remarks

We are realizing significant benefits from our decision to focus on our core authentication use cases as we build the trust layer for the modern world

- Digimarc is capitalizing on the convergence of key trends driving increased demand for our solutions.
- We are advancing the gift card opportunity by aligning key industry partners to ensure successful initial roll outs and generate revenue in 2H 2025 and beyond.
- Digimarc's weight-based shrink solution delivers triple digit ROI and expands the distribution of our detection software at retail front of store.
- Digimarc Validate continues to drive both new logos as well as upsell and cross sell business.
- We anticipate securing the next phase of the contract with a Fortune 100 customer for our digital authentication solution to combat unauthorized leaks of digital content and believe this represents an attractive market opportunity with a widely-respected reference customer.
- Next-generation audio digital watermarking should unlock new opportunities in the digital authentication space.
- We continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe.
- We have streamlined the business in an effort to achieve positive free cash flow in Q4 2025 and will seek to expand cash flow generation via operating cash flow as ARR begins to reaccelerate.



Q&A

Footnotes

- (1) This presentation contains non-GAAP financial measures including Non-GAAP operating expenses, Non-GAAP net loss, Non-GAAP net loss per share (diluted) and Free Cash Flow. These financial measures are important measures of our operating performance because they allow 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 these non-GAAP financial measures, 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.

- (2) Ending 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.
- (3) Other net activity refers to additions to ARR, reflecting new and upsell activity, offset by deletions from ARR, reflecting contract terminations and downsells. As previously stated, we expected higher customer churn as we tightened our go-to-market focus, and in areas outside of that focus, we would be strategically price-aggressive.
- (4) Subscription and Service gross profit margins exclude amortization expense on acquired intangible assets from the EVRYTHING acquisition.
- (5) We incurred one-time legal costs of \$0.6M in Q2 2025 largely related to an external shareholder matter of which \$0.3M was paid in Q2 2025.