



Digimarc Reports Third Quarter 2025 Financial Results

Beaverton, Ore. – October 30, 2025 – Digimarc Corporation (NASDAQ: DMRC) reported financial results for the third quarter ended September 30, 2025.

"In Q3, we made significant progress in advancing towards widespread adoption of our gift card solution and closed multiple upsell opportunities in the product authentication space, including our expansion to a 6th country with a global tobacco company," said Digimarc CEO Riley McCormack. "We also signed a pilot with a major pharmaceutical company for a novel application of our product authentication solution that – depending on pilot results – may have wide applicability not only across other pharmaceutical companies but additional industries as well, launched a revolutionary new digitized security label solution to help brands upgrade from analog, easy-to-replicate, and low value-add holograms, and made significant progress advancing our digital authentication offerings while in parallel growing pipeline, setting ourselves up to take full advantage of this nascent and exciting market in 2026 and beyond."

Third Quarter 2025 Financial Results

Subscription revenue for the third quarter of 2025 decreased to \$4.6 million compared to \$5.3 million for the third quarter of 2024, primarily reflecting the expiration of one commercial contract that contributed \$0.8 million of subscription revenue during the three months ended September 30, 2024.

Service revenue for the third quarter of 2025 decreased to \$3.1 million compared to \$4.2 million for the third quarter of 2024, primarily reflecting \$0.7 million of lower government service revenue from the Central Banks and \$0.4 million of lower commercial service revenue from HolyGrail 2.0 recycling projects.

Total revenue for the third quarter of 2025 decreased to \$7.6 million compared to \$9.4 million for the third quarter of 2024.

Annual recurring revenue (ARR¹) as of September 30, 2025 was \$15.8 million compared to \$18.7 million as of September 30, 2024. The decrease primarily reflects the expiration of one commercial contract that accounted for a total of \$3.5 million of ARR, partially offset by increases to ARR from new and existing commercial contracts.

Gross profit margin for the third quarter of 2025 decreased to 58% compared to 62% for the third quarter of 2024. Excluding amortization expense on acquired intangible assets, subscription gross profit margin was flat at 86%, and service gross profit margin decreased to 57% from 61% for the third quarter of 2025 compared to the third quarter of 2024.

Non-GAAP gross profit margin for the third quarter of 2025 increased to 81% compared to 79% for the third quarter of 2024.

Operating expenses for the third quarter of 2025 decreased to \$12.8 million compared to \$17.3 million for the third quarter of 2024, primarily reflecting \$5.4 million of lower cash compensation costs due to lower headcount, partially offset by \$1.0 million of higher stock compensation costs.

Non-GAAP operating expenses for the third quarter of 2025 decreased to \$8.6 million compared to \$14.1 million for the third quarter of 2024.

Net loss for the third quarter of 2025 was \$8.2 million or (\$0.38) per share compared to \$10.8 million or (\$0.50) per share for the third quarter of 2024.

Non-GAAP net loss for the third quarter of 2025 was \$2.2 million or (\$0.10) per share compared to \$6.0 million or (\$0.28) per share for the third quarter of 2024.

At September 30, 2025, cash, cash equivalents and marketable securities totaled \$12.6 million compared to \$28.7 million at December 31, 2024. Free cash flow usage for the third quarter of 2025 decreased to \$3.1 million compared to \$7.3 million for the third quarter of 2024.

(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, October 30, 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: 13748472

Company Contact:

Charles Beck
Chief Financial Officer
Charles.Beck@digimarc.com
+1 503-469-4721

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About Digimarc

Digimarc Corporation (NASDAQ: DMRC) is building the trust layer for the modern world. As AI accelerates how we produce, share, and interact with the world, the risks of fraud, counterfeiting, and misinformation are growing exponentially. Our innovative, highly scalable, and ultra-secure solutions make it possible for consumers, businesses, and intelligent systems to instantly verify what's real, protect what matters, and transact with confidence. Digimarc's solutions for loss prevention, authentication, and digital are built to counter the speed and sophistication of today's AI-enabled threats. Trusted by the world's central banks to deter the counterfeiting of global currency, we exist to protect the truth in every interaction, spanning both the physical and digital worlds. Learn more at 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,” “may,” “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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue:				
Subscription	\$ 4,567	\$ 5,252	\$ 14,505	\$ 17,394
Service	3,060	4,191	10,500	12,366
Total revenue	7,627	9,443	25,005	29,760
Cost of revenue:				
Subscription (1)	642	735	2,101	2,205
Service (1)	1,330	1,638	4,120	5,138
Amortization expense on acquired intangible assets	1,209	1,173	3,546	3,445
Total cost of revenue	3,181	3,546	9,767	10,788
Gross profit:				
Subscription (1)	3,925	4,517	12,404	15,189
Service (1)	1,730	2,553	6,380	7,228
Amortization expense on acquired intangible assets	(1,209)	(1,173)	(3,546)	(3,445)
Total gross profit	4,446	5,897	15,238	18,972
Gross profit margin:				
Subscription (1)	86%	86%	86%	87%
Service (1)	57%	61%	61%	58%
Total	58%	62%	61%	64%
Operating expenses:				
Sales and marketing	2,852	5,637	11,161	16,789
Research, development and engineering	4,315	6,488	16,485	19,873
General and administrative	5,355	4,861	15,614	13,695
Amortization expense on acquired intangible assets	288	280	847	823
Total operating expenses	12,810	17,266	44,107	51,180
Operating loss	(8,364)	(11,369)	(28,869)	(32,208)
Other income, net	217	617	796	1,868
Loss before income taxes	(8,147)	(10,752)	(28,073)	(30,340)
Provision for income taxes	(5)	(2)	(29)	(22)
Net loss	\$ (8,152)	\$ (10,754)	\$ (28,102)	\$ (30,362)
Loss per share:				
Loss per share — basic	\$ (0.38)	\$ (0.50)	\$ (1.30)	\$ (1.43)
Loss per share — diluted	\$ (0.38)	\$ (0.50)	\$ (1.30)	\$ (1.43)
Weighted average shares outstanding — basic	21,709	21,435	21,614	21,187
Weighted average shares outstanding — diluted	21,709	21,435	21,614	21,187

(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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
GAAP gross profit	\$ 4,446	\$ 5,897	\$ 15,238	\$ 18,972
Amortization of acquired intangible assets	1,209	1,173	3,546	3,445
Amortization and write-off of other intangible assets ⁽¹⁾	222	213	660	634
Stock-based compensation	336	154	726	563
Non-GAAP gross profit	\$ 6,213	\$ 7,437	\$ 20,170	\$ 23,614
Non-GAAP gross profit margin	81%	79%	81%	79%
GAAP operating expenses	\$ 12,810	\$ 17,266	\$ 44,107	\$ 51,180
Depreciation and write-off of property and equipment	(146)	(179)	(430)	(570)
Amortization of acquired intangible assets	(288)	(280)	(847)	(823)
Amortization and write-off of other intangible assets	(128)	(77)	(329)	(164)
Amortization of lease right of use assets under operating leases	(108)	(90)	(309)	(263)
Stock-based compensation	(3,529)	(2,548)	(8,170)	(7,376)
Non-GAAP operating expenses	\$ 8,611	\$ 14,092	\$ 34,022	\$ 41,984
GAAP net loss	\$ (8,152)	\$ (10,754)	\$ (28,102)	\$ (30,362)
Total adjustments to gross profit	1,767	1,540	4,932	4,642
Total adjustments to operating expenses	4,199	3,174	10,085	9,196
Non-GAAP net loss	\$ (2,186)	\$ (6,040)	\$ (13,085)	\$ (16,524)
GAAP loss per share (diluted)	\$ (0.38)	\$ (0.50)	\$ (1.30)	\$ (1.43)
Non-GAAP net loss	\$ (2,186)	\$ (6,040)	\$ (13,085)	\$ (16,524)
Non-GAAP loss per share (diluted)	\$ (0.10)	\$ (0.28)	\$ (0.61)	\$ (0.78)
Free cash flow				
Cash flows from operating activities	\$ (2,596)	\$ (7,085)	\$ (12,770)	\$ (22,337)
Purchase of property and equipment	(221)	(67)	(474)	(199)
Capitalized patent costs	(257)	(117)	(465)	(313)
Free cash flow	\$ (3,074)	\$ (7,269)	\$ (13,709)	\$ (22,849)

(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 nine months ended September 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)

	September 30,	December 31,
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents (1)	\$ 9,101	\$ 12,365
Marketable securities (1)	3,461	16,365
Trade accounts receivable, net	6,321	6,412
Other current assets	2,873	4,189
Total current assets	21,756	39,331
Property and equipment, net	1,227	1,040
Intangibles, net	18,765	22,191
Goodwill	9,060	8,532
Lease right of use assets	3,350	3,659
Other assets	1,277	1,013
Total assets	<u>\$ 55,435</u>	<u>\$ 75,766</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 5,595	\$ 5,118
Deferred revenue	3,842	4,020
Total current liabilities	9,437	9,138
Long-term lease liabilities	4,549	5,213
Other long-term liabilities	62	56
Total liabilities	14,048	14,407
Shareholders' equity:		
Preferred stock	50	50
Common stock	22	21
Additional paid-in capital	421,592	415,049
Accumulated deficit	(378,880)	(350,778)
Accumulated other comprehensive loss	(1,397)	(2,983)
Total shareholders' equity	41,387	61,359
Total liabilities and shareholders' equity	<u>\$ 55,435</u>	<u>\$ 75,766</u>

(1) Aggregate cash, cash equivalents, and marketable securities was \$12.6 million and \$28.7 million at September 30, 2025 and December 31, 2024, respectively.

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

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (28,102)	\$ (30,362)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	430	570
Amortization of acquired intangible assets	4,393	4,268
Amortization and write-off of other intangible assets	989	651
Amortization of lease right of use assets under operating leases	309	263
Stock-based compensation	8,896	7,939
Increase (decrease) in allowance for doubtful accounts	681	96
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,207)	(1,321)
Other current assets	1,139	(9)
Other assets	(358)	(582)
Accounts payable and other accrued liabilities	245	(816)
Deferred revenue	443	(2,448)
Lease liability and other long-term liabilities	(628)	(586)
Net cash provided by (used in) operating activities	(12,770)	(22,337)
Cash flows from investing activities:		
Purchase of property and equipment	(474)	(199)
Capitalized patent costs	(465)	(313)
Proceeds from maturities of marketable securities	15,352	16,978
Purchases of marketable securities	(2,448)	(19,376)
Net cash provided by (used in) investing activities	11,965	(2,910)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	32,218
Purchase of common stock	(2,467)	(2,890)
Repayment of loans	(31)	(35)
Net cash provided by (used in) financing activities	(2,498)	29,293
Effect of exchange rate on cash	39	58
Net increase (decrease) in cash and cash equivalents	\$ (3,264)	\$ 4,104
Cash, cash equivalents and marketable securities at beginning of period	\$ 28,730	\$ 27,182
Cash, cash equivalents and marketable securities at end of period	12,562	33,686
Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (16,168)	\$ 6,504

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DIGIMARC

Digimarc Corporation (DMRC) Conference Call

Third Quarter 2025 Financial Results

October 30, 2025

Welcome: George Karamanos

Welcome to our Q3 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 Q3 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, this is a reminder that we are 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 Q3 performance, highlight our strategic progress across product innovation and commercial execution, share updates on our financial metrics such as ARR and cash burn, and provide clarity on where we are focused heading into the last quarter of the year.

In Q3, we made significant progress in advancing towards widespread adoption of our gift card solution and closed multiple upsell opportunities in the product authentication space, including our expansion to a 6th country with a global tobacco company. We quickly turned an inbound inquiry from a major pharmaceutical company into a paid pilot for a novel application of our product authentication solution that – depending on pilot results – may have wide applicability not only across other pharmaceutical companies but additional industries as well. We launched a revolutionary new digitized security label solution to help brands upgrade from analog, easy-to-replicate, and low value-add holograms. And we made significant progress advancing our digital authentication offerings while in parallel growing pipeline, setting ourselves up to take full advantage of this nascent and exciting market in 2026 and beyond.

We also continued to harvest the benefits of our recently completed corporate reorganization. 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. 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 and positive non-GAAP net income in Q4 2025, even with our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication.

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 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 as they eventually become ripe enough to actively pursue.

Slide 5

Our greatest near-term opportunity is retail loss prevention, and more specifically, our gift card solution. On this front, we made substantial progress in our march towards gaining widespread adoption, aided in large part by the industry's hyper-focus on finding a solution to the fraud that is creating an existential threat to their business.

The global gift card industry is estimated to represent approximately \$1 trillion of stored value, having reached this impressive milestone due to the many benefits these cards provide all stakeholders, most importantly consumers. Unfortunately, this large market opportunity has not escaped the attention of sophisticated, state-sponsored bad actors, and industry growth is currently being negatively impacted by the ever-more advanced attacks targeting this global currency.

Digimarc's 28-year history working with the world's central banks to protect the vast majority of banknotes in circulation worldwide, combined with our decade-plus

experience at retail front-of-store, ideally positions us to help this industry re-accelerate its growth.

In addition to reducing fraud, and the many direct – and indirect – costs of that fraud being borne by brands, retailers, and consumers, our solution also allows the entire industry to improve the marketing, merchandising, and gift-ability of gift cards. These three elements were critical pillars of the industry's historic growth, and all three have been negatively impacted by existing security solutions. Along with fraud reduction, the ability for the industry to reinvest in these three pillars to yet again supercharge sales is becoming another selling point of our solution. Our solution also allows for reduced packaging waste and improved sustainability, a value proposition that is resonating with some iconic, global brands, and is compliant with the ever-increasing number of regulations being put in place, most front of mind currently in the US are the Maryland and New Jersey laws.

As more industry participants are exposed to our solution, additional benefits become clear — a wonderful by-product of being the first adaptable, extensible, and technology-driven security layer in this dynamic industry. We provide a solution that is more secure than the highest security solutions on market today while allowing the industry to regain the use of the powerful growth tools they've had to abandon these past few years.

Turning now to the results from our initial rollout, the first Digimarc-protected gift cards reached shelves in August. Major brands participating included Target, Home Depot, Nordstrom, and Blackhawk Network multi-retailer cards. The response has been extremely positive and all KPIs have been easily surpassed. These KPIs include multiple metrics measuring the effectiveness of our solution plus our impact on the industry's operational efficiency. 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.

The detailed results of our initial rollout have been widely shared within the industry and we expect multiple major retailers to start selling Digimarc-protected gift cards within the next 2 quarters, carrying an expanded number of Closed Loop brands as well as initial Open Loop cards. As a reminder, Closed Loop cards are gift cards that can only be redeemed at specific retailers. Open Loop cards are issued by the credit card companies and can be redeemed at any location where that credit card is accepted.

Slide 6

As a reminder, 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.

We are currently in commercial discussions with 8 gift card manufacturers (as well as one additional direct customer). These discussions are being shaped – as they always are -- by our desire to be an excellent partner to the industry, and thus balance a) the dynamic that laggards in adoption will likely bear compounding costs of fraud and b) the immediacy of a much broader rollout. Our plan is to ensure we contract for enough 2026 committed annual capacity so we can credibly address burgeoning industry concerns about whether there will be adequate capacity to avoid the potential for “involuntary laggards” and then quickly move from commercial discussions to working with our initial partner(s) to flawlessly execute on the expected impending ramp of Digimarc-protected gift card production. The timelines to deliver this large ramp are very tight, and therefore our goal is to

quickly move through the contracting stage and to only contract with a small subset of these 8 printers right now as we believe with the right partners, we can strike the optimal balance between our two goals.

Slide 7

Turning now to our product authentication solutions, we closed multiple upsell deals with existing Digimarc Validate customers, reflecting both increased contract value and the expansion of our solution to new geographies and new brands, including the expansion of our solution into the 6th country of a global tobacco company with operations in approximately 175 more countries. 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.

We also closed a paid pilot with a major pharmaceutical company that approached us with a pressing problem they had been unable to solve using other means. I am proud of how quickly and deeply the team diligenced the problem, allowing them to find a potential solution using existing Validate capabilities. I am equally as excited for us to successfully execute on the pilot, because if we can indeed solve this problem, our solution should be widely applicable across the entire pharma vertical, and other verticals as well.

We also launched a revolutionary new digitized security label solution to help brands upgrade from analog, easy-to-replicate, and low value-add holograms. This label can be authenticated by consumers and field agents with mobile or other devices, providing deterministic B2B or B2C authentication with analytics all in one place.

Slide 8

Touching now on our digital authentication solutions, as mentioned on our last three 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 as opposed to making decisions that might lead to short term revenue but would come at the cost of our ultimate potential scale. Not only did we exceed our annual target in the first 6 months of the year as we shared last quarter, but we are now in a position to harvest the fruits of this decision in 2026 and beyond.

The twin catalysts of the relentless advance of AI models and agents and the rapid progression of content credentials have 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.

After deep analysis across three vectors: market demand, our technological differentiation, and buyer synergy, we have narrowed our focus in the digital authentication space to four use cases (multiple flavors of leak detection, internal compliance, piracy prevention, and royalty monitoring). Our pipelines of both opportunities and partners are growing prior to widespread marketing efforts, and we are now resourcing this area with the expectation it will be a significant contributor to our 2026 growth (and beyond).

Slide 9

We are confident in the opportunities provided in our three key focus areas and are excited by the results our increased focus is 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...and allow these massive, but not-yet-quite-ripe for the picking opportunities to provide the potential for another layer of tomorrow's growth.

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 Q3 was \$15.8 million compared to \$18.7 million for Q3 last year. The decrease reflects \$3.5 million from the DRS contract that lapsed in Q2 this year. Excluding this headwind, ARR grew \$600 thousand 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. As I have stated previously, we expected these impacts as we sharpened our go-to-market focus. We believe the churn is now largely behind us except for the renegotiation of the retailer contract we mentioned last quarter, which will reduce ARR by \$3.1 million in the fourth quarter. Despite this headwind, we expect ARR to trough in Q4'25, and to re-accelerate

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.

thereafter into 2026, largely from increasing penetration of our gift card solution and growth in digital authentication.

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Total revenue was \$7.6 million, a decrease of \$1.8 million or 19% from \$9.4 million in Q3 last year.

Subscription revenue, which accounted for 60% of total revenue for the quarter, decreased 13% from \$5.3 million to \$4.6 million. The decrease largely reflects the impact of the expired DRS contract I referenced on the prior slide.

Service revenue decreased 27% from \$4.2 million to \$3.1 million, reflecting lower government service revenue from the Central Banks, as expected given the lower 2025 program budget we have discussed on prior earnings calls, and no revenue from HolyGrail recycling projects in Q3 of this year as the projects concluded earlier this year.

Subscription gross profit margin² was 86% for the quarter, flat with Q3 last year. On the last earnings call, I shared that we expected to see a downward blip in our subscription margins for anticipated costs we would incur to migrate our customers from legacy platforms to Illuminate. Due to some incredible work from our team, we actually saw an immediate reduction in our costs with subscription costs decreasing 13% year-over-year. We expect to generate additional savings as we continue our work.

Service gross profit margin² was 57% for the quarter, down 4 points from 61% in Q3 last year. The decrease was due to a more favorable mix of revenue and costs last year. As a reminder, we expect service gross profit margin to typically be in the mid-50's.

Operating expenses were \$12.8 million for the quarter, down \$4.5 million or 26% from \$17.3 million in Q3 last year. The large reduction in costs reflects lower compensation

² Subscription and Service gross profit margins exclude amortization expense on acquired intangible assets.

costs due to the reorganization in Q1 this year and lower other cash costs from our streamlining efforts. We still expect even more cost savings in Q4 from our streamlining efforts as not all the benefits were fully realized in Q3.

Non-GAAP operating expenses, which exclude non-cash and non-recurring items, were \$8.6 million for the quarter, down \$5.5 million or 39% from \$14.1 million in Q3 last year. Again, the decrease is due to the impact of the reorganization and streamlining efforts.

Net loss per share for the quarter was 38 cents versus 50 cents in Q3 last year. Non-GAAP net loss per share for the quarter was 10 cents versus 28 cents in Q3 last year.

We remain on track to generate positive non-GAAP net income in Q4, even with our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication.

Slide 13

Regarding cash flow, we ended the quarter with \$12.6 million in cash and short-term investments. Free cash flow³ usage was down considerably from \$7.3 million in Q3 last year to \$3.1 million in Q3 this year, a decrease of \$4.2 million or 58%. The decrease largely reflects the significant reduction in our total expenses.

Slide 14

Looking forward, we remain on track to deliver positive free cash flow in Q4 despite our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication. Looking further ahead, we expect to rebuild our cash balance via operating cash flow throughout 2026.

For further discussion of our financial results, and risks and prospects for our business,

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

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.

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.

Operator, we will now open the call for questions.

Investor Presentation



Third Quarter 2025
October 30, 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.

Q3'25 Highlights

Digimarc continues to make significant progress towards reaccelerating ARR growth with its newly refocused organization

Business Highlights

- The first Digimarc-protected gift cards reached shelves in August; major brands included Target, Home Depot, Nordstrom, and BHN (Multi-Retailer cards). We expect multiple major retailers to start selling Digimarc-protected gift cards within the next 2 quarters, carrying cards from an expanded number of Closed Loop brands as well as initial Open Loop cards.
- We are in discussions with 8 printers, as well as one additional direct customer, to support this broader roll-out, with the plan to select a handful as our initial GTM partners.
- We closed multiple upsell opportunities in the product authentication space, including the expansion of our solution to the 6th country of a global tobacco company.
- We also closed a pilot with a major pharmaceutical company for a novel application of our product authentication solution that may have applicability across the pharma vertical as well as multiple additional verticals.
- We unveiled a revolutionary new digitized security label solution to help brands prevent product counterfeiting [[press release](#)].

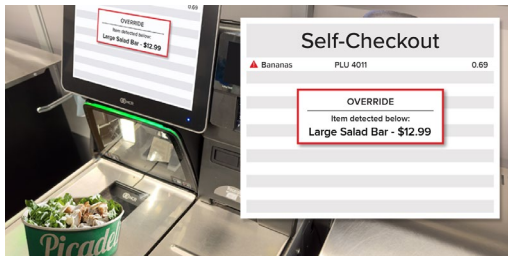
Financial Highlights

- We reduced Q3'25 operating expenses by 26% and non-GAAP operating expenses⁽¹⁾ by 39% from Q3'24, largely reflecting the impact of cost savings from the Q1'25 reorganization and ongoing streamlining efforts. We expect non-GAAP operating expenses to decrease even further in Q4'25.
- We reduced Q3'25 free cash flow⁽¹⁾ usage by 58% and non-GAAP loss⁽¹⁾ by 64% from Q3'24.
- We remain on track to generate both positive non-GAAP net income and positive free cash flow in Q4'25, even with our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication.

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

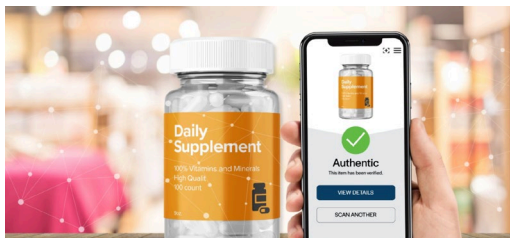


Secure Your Gift Cards and Restore Consumer Trust

Product Authentication

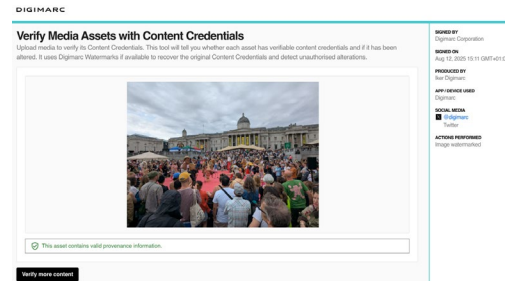


Secure Authentication for Agents in the Field



Covert Security and Powerful Protection for Consumers

Digital Authentication



Protect and Verify Digital Footprint



Track and Monetize Digital Assets

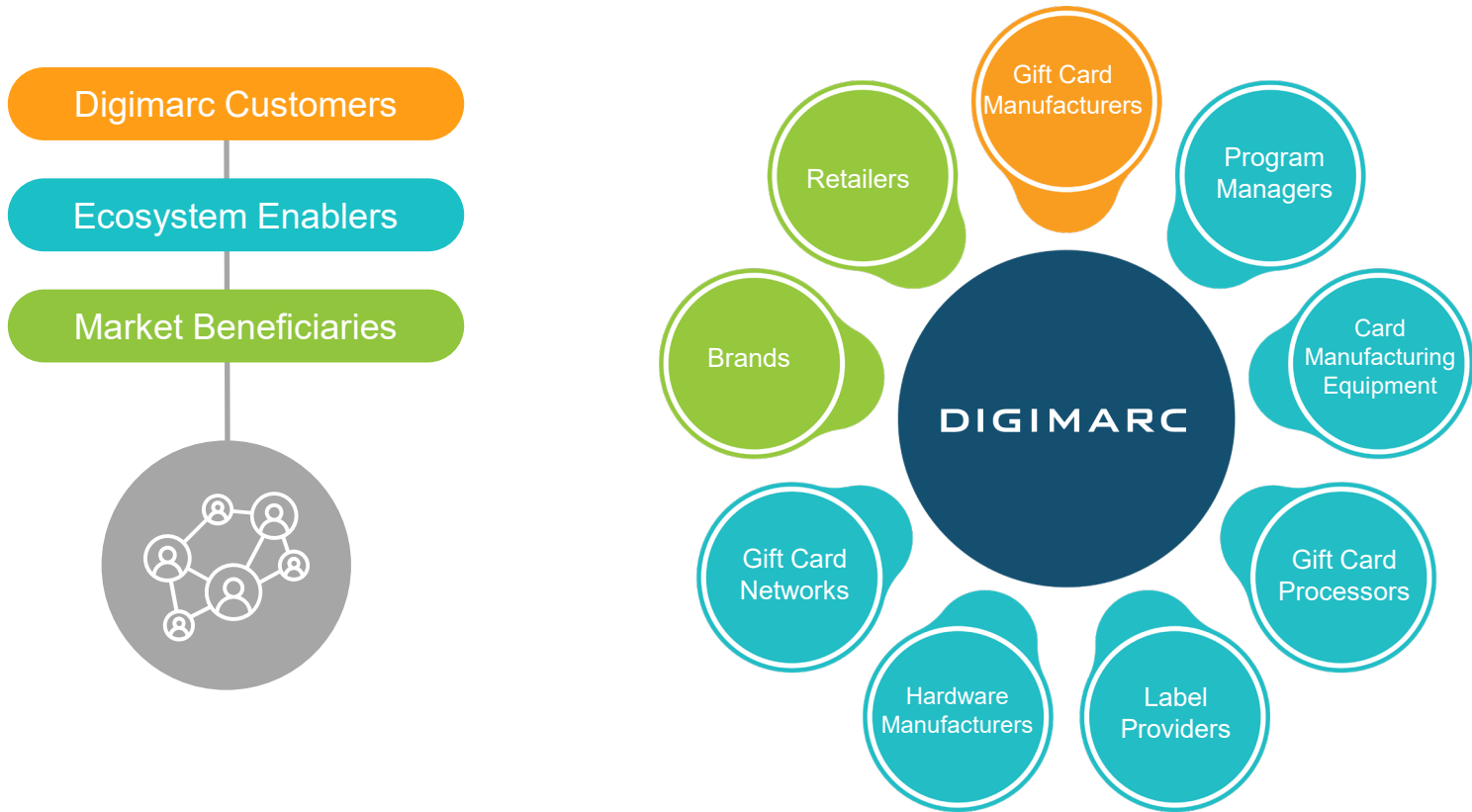
Retail Loss Prevention

We expect multiple major retailers to start selling Digimarc-protected gift cards within the next two quarters

- Our solution is more secure, less expensive, and – as the only digital solution – more extensible than existing solutions. This has caught the attention of many ecosystem participants as the industry needs a solution to the rampant gift card fraud creating an existential threat to their business.
- Beyond reducing the direct and indirect costs of fraud, our solution provides additional marketing, merchandising, gift-ability, environmental, and compliance benefits. This list of stated-benefits continues to grow in lockstep with ecosystem awareness.
- 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. Moreover, retailers bear a large amount of the costs (appeasements, capex, reduced sales, loss of operational efficiencies, etc.) of fraud today, alongside the brands.
- 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.
- The first Digimarc-protected gift cards reached shelves in August and all KPIs have been easily surpassed. We expect multiple major retailers to start selling Digimarc-protected gift cards within the next 2 quarters, carrying an expanded number of Closed Loop (only redeemable at specific retailers) brands as well as initial Open Loop (redeemable at any retailer) cards.
- An estimated 5+ billion gift cards are printed each year in the US alone. While we are currently directing most of our focus on this market, we are also progressing conversations in multiple additional countries with the potential to have our first non-US retailer begin rollout in 1H 2026.
- We are in discussions with 8 gift card manufacturers, as well as one additional direct customer, to support this broader roll-out, with the plan to select a handful as our initial GTM partners.

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 closed multiple upsell opportunities in the product authentication space, including the expansion of our solution to the 6th country of a global tobacco company.
- We also closed a pilot with a major pharmaceutical company for a novel application of our product authentication solution that may have applicability across the pharma vertical as well as multiple additional verticals.
- We unveiled a revolutionary new digitized security label solution to help brands prevent product counterfeiting [[press release](#)].
- 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.
- This is an exciting and nascent market. As previously shared, we have been intentional in how we address to optimize this segment for long-term success.
- We have now narrowed our focus to four use cases:
 - Multiple flavors of leak detection
 - Internal compliance
 - Piracy prevention
 - Royalty monitoring
- Our pipelines of both opportunities and partners are growing even prior to widespread marketing efforts, and we are now resourcing this area with the expectation it will be a significant contributor to our 2026 growth (and beyond).

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 and industry planning for German market is progressing. We remain positioned for additional ARR in the future. [Circular Packaging – HolyGrail 2030](#)

Digimarc Retail Experience



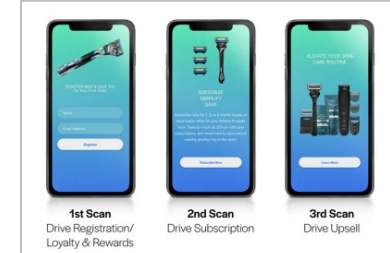
Continue to support Netto Marken Discount's use of our technology at their front of store. Has begun to pop-up in gift card retailer conversations.

Digimarc Automate



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

Digimarc Engage



We have marquee customers, including two of the largest global CPGs, as the industry approaches Digital Link Sunrise 2027. We also expect multiple positive case studies to be published in the near future.



Financial Update



Annual Recurring Revenue

Q3'25 Ending ARR⁽²⁾ was \$15.8M vs \$18.7M in Q3'24

- ARR was negatively impacted by churn of the \$3.5M DRS contract in Q1'25.
- Looking forward, ARR will be negatively impacted by \$3.1M in Q4'25, reflecting the conclusion of the renegotiation with our retailer customer.
- Despite this headwind, we expect ARR to trough in Q4'25, and to re-accelerate thereafter into 2026, largely from increasing penetration of our gift card solution and growth in digital authentication.

(\$'s in 000's)	YoY \$ Change
Q3'24 ending ARR ⁽²⁾	\$18,674
DRS contract termination	(\$3,500)
Other net activity ⁽³⁾	\$639
Q3'25 ending ARR ⁽²⁾	\$15,813

Financial Summary

Q3'25 non-GAAP loss⁽¹⁾ was (\$2.2M), an improvement of \$3.9M or 64% from Q3'24

- The large reduction in operating expenses primarily reflects lower compensation costs due to the reorganization in Q1'25.
- Looking forward, we expect a further reduction in our run-rate of expenses in Q4'25 as not all the benefits from our ongoing streamlining efforts were fully realized in Q3'25.
- We remain on track to generate positive non-GAAP net income in Q4'25, even with our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication.

(\$'s in 000's, except per share amounts)	Q3'25	Q3'24	YoY % Change
Subscription revenue	\$4,567	\$5,252	(13%)
Service revenue	\$3,060	\$4,191	(27%)
Subscription gross profit margin ⁽⁴⁾	86%	86%	0 Points
Service gross profit margin ⁽⁴⁾	57%	61%	-4 Points
Operating expenses	\$12,810	\$17,266	(26%)
Non-GAAP operating expenses ⁽¹⁾	\$8,611	\$14,092	(39%)
Net loss	(\$8,152)	(\$10,754)	(24%)
Non-GAAP net loss ⁽¹⁾	(\$2,186)	(\$6,040)	(64%)
Net loss per share – diluted	(\$0.38)	(\$0.50)	(24%)
Non-GAAP net loss per share – diluted ⁽¹⁾	(\$0.10)	(\$0.28)	(64%)

Free Cash Flow

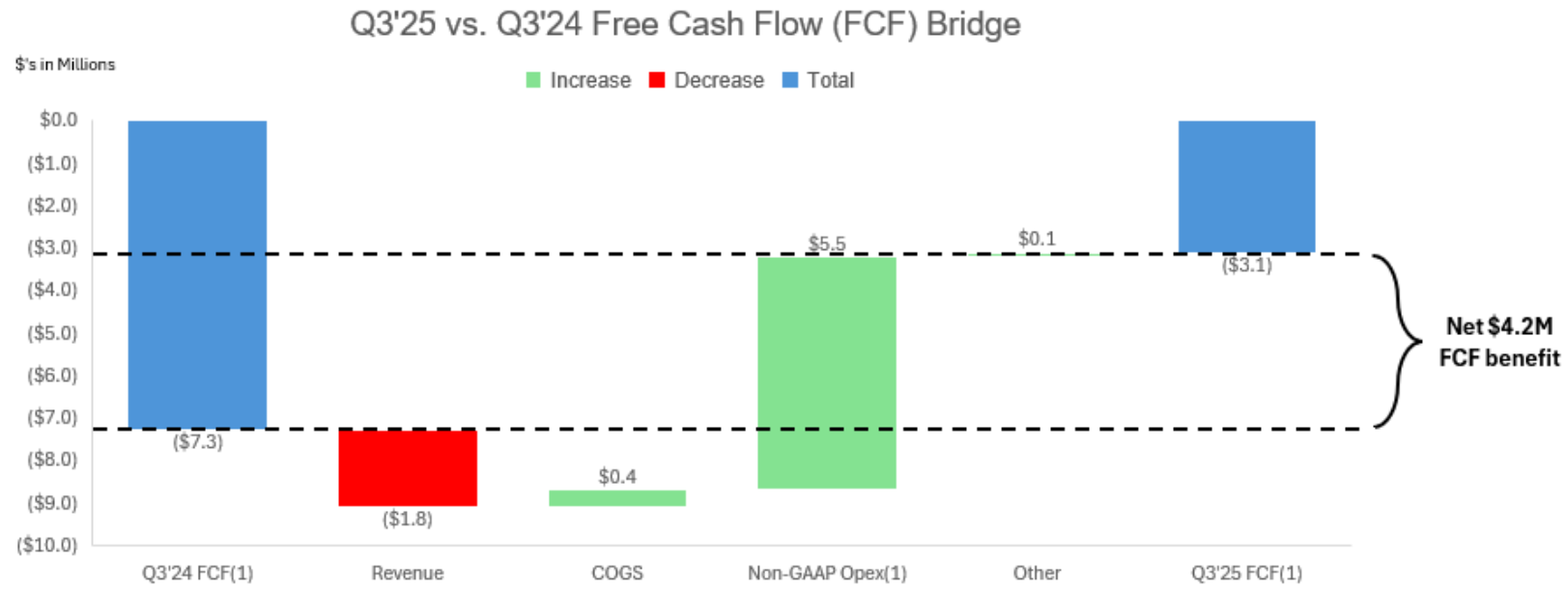
Q3'25 free cash flow⁽¹⁾ was (\$3.1M), an improvement of \$4.2M or 58% from Q3'24

- The improvement in free cash flow usage was largely attributable to lower operating expenses.
- We ended Q3'25 with \$12.6M of cash and short-term investments, and no debt.
- Internally we use non-GAAP net income 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 remain on track to deliver positive free cash flow in Q4'25, even with our recent decision to invest in more resources to accelerate growth in our focus areas of retail loss prevention and digital authentication.
- We expect to rebuild our cash balance via operating cash flow throughout 2026.

(\$'s in 000's)	Q3'25	Q3'24	YoY \$ Improvement
Free cash flow ⁽¹⁾	(\$3,074)	(\$7,269)	\$4,195
Non-GAAP net loss ⁽¹⁾	(\$2,186)	(\$6,040)	\$3,854

Free Cash Flow Bridge

Lower expenses are driving the \$4.2M improvement in free cash flow in Q3'25 vs. Q3'24

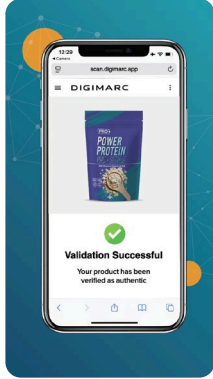
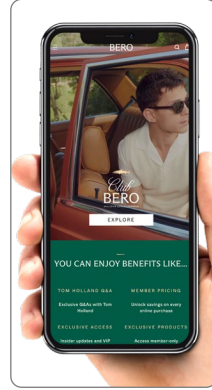


Concluding Remarks

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 as we progress towards widespread adoption of our solution.
- Our weight-based shrink solution delivers triple digit ROI and expands the distribution of our detection software at retail front of store as well as provides an attractive upsell opportunity for retailers on-boarding for our gift card solution.
- Digimarc Validate continues to drive both new logos as well as upsell and cross sell business. We are also expanding our product capabilities via customer-driven requests and our revolutionary new digitized security label solution.
- We believe our decision to prioritize the long-term opportunity in digital authentication is paying off. We have narrowed our focus to four use cases, our pipelines of both opportunities and partners are growing, and we are now resourcing this area with the expectation it will be a significant contributor to our 2026 (and beyond) growth.
- We continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe.
- We remain on track to achieve both positive non-GAAP net income and positive free cash flow in Q4'25 and will seek to expand both in fiscal 2026 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.