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, 2025	December 31, 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	$ 55,435	$ 75,766
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	$ 55,435	$ 75,766

(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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