

Digimarc Reports Fourth Quarter and Fiscal Year 2025 Financial Results

Company achieves non-GAAP net income and positive free cash flow in Q4

Beaverton, Ore. – March 11, 2026 – [Digimarc](#) Corporation (NASDAQ: DMRC) reported financial results for the fourth quarter and fiscal year ended December 31, 2025.

"Digimarc is capitalizing on the convergence of key trends driving increased demand for our solutions, positioning ourselves to benefit from - not be the casualty of - the relentless advance of AI," said Riley McCormack, Digimarc CEO. "In Q4 2025, we achieved both positive non-GAAP net income and positive free cash flow. Looking ahead to 2026, we expect to generate significant ARR growth."

Fourth Quarter 2025 Financial Results

Subscription revenue for the fourth quarter of 2025 was \$5.3 million compared to \$5.0 million for the fourth quarter of 2024. The increase reflects \$1.4 million of patent license fees earned during the quarter and higher subscription revenue from new and existing commercial contracts, partially offset by a \$1.4 million decrease relating to the expiration of two previously disclosed commercial contracts in 2025.

Service revenue for the fourth quarter of 2025 was \$3.6 million compared to \$3.6 million for the fourth quarter of 2024.

Total revenue for the fourth quarter of 2025 was \$8.9 million compared to \$8.7 million for the fourth quarter of 2024.

Annual recurring revenue (ARR¹) as of December 31, 2025, was \$13.7 million compared to \$20.0 million as of December 31, 2024. The decrease reflects the expiration of two previously disclosed commercial contracts, a \$3.5 million contract in April 2025 and a \$3.1 million contract in October 2025, partially offset by a net increase in ARR from new and existing commercial contracts.

Gross profit margin for the fourth quarter of 2025 was 64% compared to 61% for the fourth quarter of 2024. Excluding amortization expense on acquired intangible assets, subscription gross profit margin for the fourth quarter of 2025 increased to 90% from 85% for the fourth quarter of 2024, while service gross profit margin for the fourth quarter of 2025 decreased to 57% from 59% for the fourth quarter of 2024.

Non-GAAP gross profit margin for the fourth quarter of 2025 was 84% compared to 78% for the fourth quarter of 2024.

Operating expenses for the fourth quarter of 2025 were \$10.0 million compared to \$14.4 million for the fourth quarter of 2024. The decrease reflects lower cash compensation costs of \$4.4 million, largely due to lower headcount, and lower professional services costs of \$0.6 million, partially offset by higher stock compensation costs of \$0.7 million.

Non-GAAP operating expenses for the fourth quarter of 2025 were \$6.5 million compared to \$11.9 million for the fourth quarter of 2024.

Net loss for the fourth quarter of 2025 was \$4.2 million or (\$0.19) per diluted share compared to \$8.6 million or (\$0.40) per diluted share for the fourth quarter of 2024.

Non-GAAP net income for the fourth quarter of 2025 was \$1.0 million or \$0.05 per diluted share compared to a non-GAAP net loss of \$4.6 million or (\$0.22) per diluted share for the fourth quarter of 2024.

At December 31, 2025, cash, cash equivalents, and marketable securities totaled \$12.9 million compared to \$28.7 million at December 31, 2024. Free cash flow for the fourth quarter of 2025 was positive \$0.7 million compared to negative \$4.4 million for the fourth quarter of 2024.

Fiscal Year 2025 Financial Results

Subscription revenue for fiscal year 2025 was \$19.8 million compared to \$22.4 million for fiscal year 2024. The decrease reflects a \$4.8 million decrease from the expiration of three previously disclosed commercial contracts, partially offset by higher subscription revenue from new and existing commercial contracts.

Service revenue for fiscal year 2025 was \$14.1 million compared to \$16.0 million for fiscal year 2024. The decrease reflects a \$1.8 million lower budget from the Central Banks for program work in 2025 compared to 2024.

Total revenue for fiscal year 2025 was \$33.9 million compared to \$38.4 million for fiscal year 2024.

Gross profit margin for fiscal year 2025 was 62% compared to 63% for fiscal year 2024. Excluding amortization expense on acquired intangible assets, subscription gross profit margin and service gross profit margin were largely unchanged from fiscal year 2024 to fiscal year 2025.

Non-GAAP gross profit margin for the fiscal year 2025 was 81% compared to 79% for fiscal year 2024.

Operating expenses for fiscal year 2025 were \$54.1 million compared to \$65.5 million for fiscal year 2024. The decrease reflects lower cash compensation costs of \$12.6 million, software and hardware costs of \$0.9 million, and marketing spend of \$0.8 million, partially offset by increased stock compensation costs of \$1.5 million and legal expenses of \$1.0 million. Fiscal year 2025 operating expenses included \$3.2 million of cash severance costs related to the corporate reorganization in February 2025.

Non-GAAP operating expenses for fiscal year 2025 were \$40.5 million compared to \$53.8 million for fiscal year 2024.

Net loss for fiscal year 2025 was \$32.3 million or (\$1.49) per diluted share compared to \$39.0 million or (\$1.83) per diluted share for fiscal year 2024.

Non-GAAP net loss for fiscal year 2025 was \$12.1 million or (\$0.56) per diluted share compared to \$21.1 million or (\$0.99) per diluted share for fiscal year 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 and investor presentation today (Wednesday, March 11, 2026) to discuss these financial results and to provide a business update. CEO Riley McCormack and CFO Charles Beck 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 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: 13754822

Company Contact:

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

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About Digimarc

Digimarc (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 counterfeiting of global currency, we exist to protect 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," "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, 2025, 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 income (loss), Non-GAAP income (loss) per diluted share, 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 Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2025	2024	2025	2024
Revenue:				
Subscription	\$ 5,339	\$ 5,024	\$ 19,844	\$ 22,418
Service	3,569	3,634	14,069	16,000
Total revenue	8,908	8,658	33,913	38,418
Cost of revenue:				
Subscription ⁽²⁾	532	754	2,633	2,959
Service ⁽²⁾	1,528	1,490	5,648	6,628
Amortization expense on acquired intangible assets	1,190	1,147	4,736	4,592
Total cost of revenue	3,250	3,391	13,017	14,179
Gross profit:				
Subscription ⁽²⁾	4,807	4,270	17,211	19,459
Service ⁽²⁾	2,041	2,144	8,421	9,372
Amortization expense on acquired intangible assets	(1,190)	(1,147)	(4,736)	(4,592)
Total gross profit	5,658	5,267	20,896	24,239
Gross profit margin:				
Subscription ⁽²⁾	90%	85%	87%	87%
Service ⁽²⁾	57%	59%	60%	59%
Total	64%	61%	62%	63%
Operating expenses:				
Sales and marketing	2,778	4,378	13,939	21,167
Research, development and engineering	3,997	6,336	20,482	26,209
General and administrative	2,891	3,378	18,505	17,073
Amortization expense on acquired intangible assets	285	274	1,132	1,097
Total operating expenses	9,951	14,366	54,058	65,546
Operating loss	(4,293)	(9,099)	(33,162)	(41,307)
Other income, net	88	473	884	2,341
Loss before income taxes	(4,205)	(8,626)	(32,278)	(38,966)
Provision for income taxes	(2)	(22)	(31)	(44)
Net loss	\$ (4,207)	\$ (8,648)	\$ (32,309)	\$ (39,010)
Loss per share:				
Loss per share — basic	\$ (0.19)	\$ (0.40)	\$ (1.49)	\$ (1.83)
Loss per share — diluted	\$ (0.19)	\$ (0.40)	\$ (1.49)	\$ (1.83)
Weighted average shares outstanding — basic	21,809	21,480	21,663	21,261
Weighted average shares outstanding — diluted	21,809	21,480	21,663	21,261

⁽²⁾ 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 December 31,		Twelve Months Ended December 31,	
	2025	2024	2025	2024
GAAP gross profit	\$ 5,658	\$ 5,267	\$ 20,896	\$ 24,239
Amortization of acquired intangible assets	1,190	1,147	4,736	4,592
Amortization and write-off of other intangible assets ⁽³⁾	213	215	873	849
Stock-based compensation	386	143	1,112	706
Non-GAAP gross profit	\$ 7,447	\$ 6,772	\$ 27,617	\$ 30,386
Non-GAAP gross profit margin	84%	78%	81%	79%
GAAP operating expenses	\$ 9,951	\$ 14,366	\$ 54,058	\$ 65,546
Depreciation and write-off of property and equipment	(167)	(158)	(597)	(728)
Amortization of acquired intangible assets	(285)	(274)	(1,132)	(1,097)
Amortization and write-off of other intangible assets	(202)	(35)	(531)	(276)
Amortization of lease right of use assets under operating leases	(112)	(95)	(421)	(358)
Stock-based compensation	(2,684)	(1,947)	(10,854)	(9,323)
Non-GAAP operating expenses	\$ 6,501	\$ 11,857	\$ 40,523	\$ 53,764
GAAP net loss	\$ (4,207)	\$ (8,648)	\$ (32,309)	\$ (39,010)
Total adjustments to gross profit	1,789	1,505	6,721	6,147
Total adjustments to operating expenses	3,450	2,509	13,535	11,782
Non-GAAP net income (loss)	\$ 1,032	\$ (4,634)	\$ (12,053)	\$ (21,081)
GAAP loss per share (diluted)	\$ (0.19)	\$ (0.40)	\$ (1.49)	\$ (1.83)
Non-GAAP net income (loss)	\$ 1,032	\$ (4,634)	\$ (12,053)	\$ (21,081)
Non-GAAP income (loss) per diluted share	\$ 0.05	\$ (0.22)	\$ (0.56)	\$ (0.99)
Free cash flow				
Cash flows from operating activities	\$ 991	\$ (4,235)	\$ (11,779)	\$ (26,572)
Purchase of property and equipment	(96)	(13)	(570)	(212)
Capitalized patent costs	(189)	(118)	(654)	(431)
Free cash flow	\$ 706	\$ (4,366)	\$ (13,003)	\$ (27,215)

⁽³⁾ In the second quarter of fiscal year 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 twelve months ended December 31, 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 income (loss), and Non-GAAP income (loss) per diluted share.

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

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,820	\$ 12,365
Marketable securities	3,046	16,365
Trade accounts receivable, net	6,513	6,412
Other current assets	1,961	4,189
Total current assets	<u>21,340</u>	<u>39,331</u>
Property and equipment, net	1,104	1,040
Intangibles, net	17,045	22,191
Goodwill	9,056	8,532
Lease right of use assets	3,238	3,659
Other assets	1,175	1,013
Total assets	<u>\$ 52,958</u>	<u>\$ 75,766</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 4,359	\$ 5,118
Deferred revenue	3,993	4,020
Total current liabilities	<u>8,352</u>	<u>9,138</u>
Long-term lease liabilities	4,314	5,213
Other long-term liabilities	63	56
Total liabilities	<u>12,729</u>	<u>14,407</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	22	21
Additional paid-in capital	424,665	415,049
Accumulated deficit	(383,087)	(350,778)
Accumulated other comprehensive loss	(1,421)	(2,983)
Total shareholders' equity	<u>40,229</u>	<u>61,359</u>
Total liabilities and shareholders' equity	<u>\$ 52,958</u>	<u>\$ 75,766</u>

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

	Twelve Months Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (32,309)	\$ (39,010)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	597	728
Amortization of acquired intangible assets	5,868	5,689
Amortization and write-off of other intangible assets	1,404	820
Amortization of lease right of use assets under operating leases	421	358
Stock-based compensation	11,966	10,029
Increase (decrease) in allowance for doubtful accounts	567	17
Changes in operating assets and liabilities:		
Trade accounts receivable	(718)	(687)
Other current assets	1,951	(128)
Other assets	(257)	(156)
Accounts payable and other accrued liabilities	(434)	(1,608)
Deferred revenue	28	(1,838)
Lease liability and other long-term liabilities	(863)	(786)
Net cash provided by (used in) operating activities	<u>(11,779)</u>	<u>(26,572)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(570)	(212)
Capitalized patent costs	(654)	(431)
Proceeds from maturities of marketable securities	20,197	22,555
Purchases of marketable securities	(6,878)	(33,194)
Net cash provided by (used in) investing activities	<u>12,095</u>	<u>(11,282)</u>
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	32,218
Purchase of common stock	(2,879)	(3,416)
Repayment of loans	(32)	(37)
Net cash provided by (used in) financing activities	<u>(2,911)</u>	<u>28,765</u>
Effect of exchange rate on cash	50	(2)
Net increase (decrease) in cash and cash equivalents	<u>\$ (2,545)</u>	<u>\$ (9,091)</u>
Cash, cash equivalents and marketable securities at beginning of period		
	\$ 28,730	\$ 27,182
Cash, cash equivalents and marketable securities at end of period		
	12,866	28,730
Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (15,864)</u>	<u>\$ 1,548</u>

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DIGIMARC

Digimarc Corporation (DMRC) Conference Call Fourth Quarter 2025 Financial Results

March 11, 2026

Welcome: Charles Beck

Welcome everyone to our Q4 earnings call. I'm Charles Beck, Digimarc's CFO, and I'm joined today by Riley McCormack, Digimarc's CEO. On the call today, Riley will provide a business update, and I will discuss Q4 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 the presentation we 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, Charles, and hello everyone.

On this call, we will walk through Digimarc's Q4 performance, highlight our strategic progress across product innovation and commercial execution, share updates on our financial metrics such as ARR and free cash flow, and provide clarity on where we are focused in 2026.

Since our last call, we made significant progress in advancing adoption of our Secure Gift Card solution. We achieved a critical milestone by signing our first commercial order and are laying the rails for future orders by advancing initial rollout plans with eight North American retailers, including four of the largest. We signed IP licensing agreements with two of the world's largest and most respected technology companies, providing validation of the relevance and value of our inventions by two companies widely regarded as leaders in the new era of AI. We secured an upsell with an existing customer to expand their use of our Anti-counterfeiting solution to allow for the authentication of tax stamps, a new application for our solution. We added two new logos in the digital space, one a global consumer goods company and the other an AI-powered content generation company, demonstrating that business model or vertical does not impact the need for digital trust and integrity solutions. And we signed a deal with another major CPG to enable their participation in end-to-end market demonstrations of Digimarc Recycle in Germany, the second European country running a scaled validation of our solution's real-world ability to create higher quality and quantities of plastic recyclate.

Touching on our financial highlights in Q4, we achieved both positive non-GAAP net income and positive free cash flow in the quarter, two milestones Digimarc hasn't

achieved in over 12 years. We ended the year with just under \$13M of cash and investments, and no debt. And we expect to generate significant ARR growth in 2026.

Slide 4

As a reminder, our three focus areas are Retail Loss Prevention, Product Authentication, and Digital Trust and Integrity, and we serve these markets with the seven solutions you see listed on this slide. In addition, and as demonstrated by the business highlights just discussed, we continue to selectively engage outside of our three focus areas when the opportunities represent low-distraction revenue and/or advance our positioning in longer-term strategic areas.

Before we dive into the details of our progress in the quarter, I want to remind investors of the focused strategy we communicated last year as it provides important context for an issue that is front-of-mind for all investors, but particularly those in the software space.

Last year we shared that 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 we believe that the future will belong to companies that make that currency scalable. This is why we are building the trust layer for the modern world -- a foundation that is needed more now than ever and is emerging as a significant opportunity we were created to lead.

Today, as investors weigh the ever-increasing risk that AI's rapid advancement poses to workflow and task automation software functionality, Digimarc's strategic focus positions us as one of the select software companies poised to *benefit* from this irreversible trend. As opposed to threatening our business, AI's advance is instead driving an increased need for solutions that make trust verifiable and authenticity scalable, the two things that all our solutions are purposefully built to do.

Moreover, our competitive moats are not reliant on the size of our code base and/or our number of pre-built integrations. Instead, they are built upon our vast Intellectual Property (IP), our multiple network effects, and our ability to bridge the physical and digital domains, all of which remain unaffected by the advent of AI.

As a result, we are well positioned amongst our software peers because we welcome even greater AI disruption. Instead of compromising our opportunity set and/or eroding our competitive moats, this disruption is acting as a tailwind to our business by expanding the trust vacuum our solutions are built to fill.

Slide 5

Our greatest near-term opportunity is in Retail Loss Prevention, and more specifically, our Secure Gift Card solution. On this front, we have made substantial progress towards gaining widespread adoption, aided by the industry's hyper-focus on finding an answer to the fraud that is creating an existential threat to their business.

Results to date demonstrate the power of our solution -- strong fraud reduction, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.

Due to the positive impact that we expect our Secure Gift Card solution to have on our 2026 (and beyond) results, we wanted to provide investors with additional information and transparency to ensure they have a full understanding of the opportunity ahead. We have posted a Gift Card Investor Supplemental on the investor relations section of our website, a hyperlink to which can be found on this slide.

The US serviceable addressable market (SAM) for our solution is an estimated 3 billion to 5 billion cards annually. The global SAM is 7.5 billion to 17 billion cards annually. Commercial activity against that SAM is accelerating, supported by ecosystem

partnerships, growing regulatory pressure for secure packaging, and large retailers preparing for initial rollouts in 2026.

With key workstreams to enable large gift card printers now largely complete, our focus for 2026 is commencing large-scale rollouts of Digimarc-enabled firmware across retailers' front-of-store scanners and catalyzing significant adoption of our solution by the gift card brands that are sold through those stores. As a reminder, our current Go-To-Market model is to monetize the gift card side of the network and provide our scanner detection software for free.

One of the longest lead time dependencies, and the greatest source of historic timing risk, has been the scanner vendors shipping generally available (GA) versions of their firmware running our latest software. This is a prerequisite for retailers to begin their in-store firmware refresh process, which itself is a requirement for the industry to capture the value from printers, brands, and program managers licensing our solution.

Over the last few months, the three major scanner vendors have all publicly committed to timelines to complete this critical gatekeeping activity. More recently, based on evergreened commitments these vendors continue to make to their largest retailer customers, we believe it is a matter of weeks until the most relevant scanner models from these industry-leading vendors have GA firmware that incorporates our latest software.

With the expectation that this historically significant risk factor is weeks away from being predominantly behind us, we are advancing the rollout plans of Digimarc-enabled firmware with our initial cohort of retailer partners and are excited with the information we can publicly share.

We currently expect all Schnucks locations to be carrying Digimarc-secured gift cards this spring and approximately 600 stores of a major US retailer to be doing the same

this summer, with plans to greatly expand that number for Holiday 2026. In addition, we are in various stages of planning initial rollouts with an additional six retailers, including three of the largest in North America. When including the major US retailer that I referenced a moment ago, our initial cohort of retailers includes a humbling list of widely respected industry leaders, including four of the largest retailers in North America.

Turning now to gift card enablement, earlier in this current quarter we closed our first Secure Gift Card commercial order, representing over \$500 thousand in ARR. This order is comprised of gift cards from six Closed-Loop and Open-Loop brands and represents the first batch of gift cards that will appear in Schnucks stores in early spring and the approximately 600 stores of the major US retailer in mid-summer.

As we describe in greater detail in our Gift Card Investor Supplemental, we expect our pricing to increase over three stages based on our solution's adoption maturity and scale. Using our current "Digimarc-subsidized" pricing, this first order represents less than 0.1%, or 10 basis points, of our US SAM described earlier.

We are in conversation with additional Open-Loop and Closed-Loop brands, comprising both 3rd party and 1st party issuers, supporting the retailer rollout planning already discussed. In all instances our conversations with the brands are being aided by the retailers and the gift card networks, both of whom hold enormous power in the ecosystem. Recall that one of the most powerful aspects of this opportunity is that fraud is a zero-sum game. The belief that laggards will face an increasing percentage of an ever-increasing amount of fraud remains at the very front of ecosystem participants' minds.

Slide 6

In our last few Quarterly Investor Presentations, we have shown a slide that described the Gift Card Ecosystem at a very high level. This updated slide replaces that slide and is included in the Gift Card Investor Supplemental that I

referenced earlier. It provides more detail of the ecosystem we are enabling as we lay the rails for what we expect to accomplish in 2026 and beyond.

Slide 7

Turning now to Product Authentication, ARR from our Anti-counterfeiting solution continues to grow, driven by customer upsells and 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 be reactive 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 solution provides superior results when compared to competing analog solutions such as tags, codes, inks, or labels.

We closed multiple upsell deals with existing customers of our anti-counterfeiting solution, 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.

We closed an upsell with an existing customer to expand their use of our anti-counterfeiting solution to allow for the authentication of tax stamps, representing a new application of our solution. We also secured an upsell with one of the world's leading pharmaceutical companies as they expand our solution across more of their products around the world.

A prospect who originally contacted us to explore the use of our Anti-counterfeiting solution is now progressing in our digital pipeline, something that happened almost immediately after we told them about our offering in this space. This shows the synergistic nature of our authentication focus and related solution suite as well as the greenfield nature of our work in the Digital Trust and Integrity space. Piracy of their digital assets was a problem this organization had previously thought unsolvable until they engaged with us.

Looking ahead, we are soon to enter print trials for the application of our solution to cigarette tipping paper, bringing our solution down to the “stick” level where a large percentage of the counterfeiting occurs. There are an estimated 5 trillion cigarettes sold each year, representing a sizeable unit Total Addressable Market (TAM), assuming our solution meets the market needs.

Slide 8

Turning now to Digital Trust and Integrity, we exceeded our conservative 2025 ARR assumptions in this space and look to accelerate our traction throughout 2026. Problems of trust and integrity in the digital domain existed prior to the advent of AI, but AI has created new ones, while making prior ones worse and/or harder to solve. The work of C2PA has created wide awareness that our technology addresses many of these problems, and 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.

I want to use this call to provide more background information on one of our four solutions in this area, Leak Detection, and specifically the version of our solution that provides leak detection for web content. We featured this solution in a recent press release and case study with a Fortune 100 global technology company.

Our Leak Detection for Web Content solution addresses a significant gap in the data loss prevention (DLP) space: low-tech, image-based leaks of internal company information. Risk assessments sometimes refer to this as the “mobile picture path,” and it has long remained an identified risk without a risk reduction method.

These leaks happen when an employee, contractor, or people working at trusted third parties like suppliers or outsourcing firms use their phones to take pictures of screens showing sensitive and confidential information. These images can be shared externally on social media, news sites, online forums, and more, causing harm to the owners of that sensitive and confidential information.

Companies like Coca-Cola, HP, TD Bank, and even CrowdStrike have made the news in recent months due to image-based leaks exposing everything from dashboards, IT security details, customer data, product designs and images, and factory layouts. These stories reveal how low-tech leaks can bypass the best DLP stacks, resulting in financial losses, lost competitive advantage, and legal and reputational harm.

While photo-based leaks are nearly impossible to prevent -- especially when people work remotely -- Digimarc enables companies to identify leakers quickly so they can take action, prevent future leaks, and gain insights to build a more trustworthy workforce and extended ecosystem.

Our Leak Detection for Web Content solution adds a covert security layer to on-screen content without impacting the user experience or interfering with day-to-day work activity. When sensitive information is captured via screenshot or photo, Digimarc’s covert, resilient security layer is captured along with it. Then when an image is discovered online, our customers simply upload it to the

Illuminate platform to help identify the source of the leak -- fast, effective, and scalable across global workforces and ecosystems.

Our other version of Leak Detection provides leak detection for media assets, and in Q4 we signed a deal with a global consumer goods company to help them address unauthorized sharing of sensitive digital content by trusted channels under embargo. Our customer has already received tangible benefits from our solution's real-world efficacy, and we expect to grow our deal with them over time.

We also signed an Internal Compliance deal with an AI-powered content generation company interested in supporting attribution, auditability, and responsible commercialization of their user-generated content as rights-holder scrutiny of GenAI intensifies.

Slide 9

While we are focused on our authentication use cases, we continue to support identification use cases that could drive future growth. We are advancing our position in these longer-term strategic areas and are confident in our ability to win when the time is right to pursue them.

An example of this is in recycling, where we are progressing well in both the Belgium and Germany end-to-end market demonstrations of our solution's ability to impact real-world change. Digimarc-enabled product volume is expected to reach critical mass in sortation centers by mid-year in Belgium and by Q3 in Germany. We believe these live "cradle-to-rebirth" activities will result in the production of new fractions of PCR feedstock that is not possible using current sorting technologies. This would provide tangible proof of our solution's ability to – among other things -- create new end markets for recycled plastic, something that is critical for the industry's ability to comply with the sunrise of the EU's Packaging and Packaging Waste Regulation (PPWR).

We also closed an upsell deal with one of our Engage customers in Q4 and have multiple opportunities in our pipeline across both our Automate and Engage solutions.

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

Financial Results: Charles Beck

Slide 11

Thank you, Riley.

Ending ARR¹ for Q4 was \$13.7 million compared to \$20.0 million for Q4 last year. The decrease reflects the loss of two large customer contracts outside of our focus areas, the \$3.5 million DRS contract in Q2 and the \$3.1 million retailer contract that I stated on the last call would lapse in Q4. Excluding these two items, ARR grew \$400 thousand year-over-year. That growth, however, was largely muted by higher other customer churn and choosing to be strategically price-aggressive on solutions outside of our focus areas. As I have stated previously, we expected higher churn as we sharpened our go-to-market focus.

For 2026, we expect to deliver significant ARR growth, with contributions from all focus areas, but the largest single driver being our Secure Gift Card solution.

On that front, our goal is to progress our targeted retailers and brands towards meaningful adoption for Holiday 2026, for which we would expect orders in summer and early fall. We also expect there to be a continued ramp for the Spring 2027 refresh cycle (and beyond), for which we would expect orders in late fall and early winter. Time is of the essence as we work to maximize Holiday orders, and we are singularly focused

on hitting the necessary deadlines to do exactly that.

As we begin to penetrate the large opportunity ahead of us in the gift card space, we will be transparent with the percentage of our ARR generated from gift card orders. At least initially, we do not believe these deals will have our typical annual contract terms, but will instead have a shorter duration. As I alluded to earlier, the gift card market is characterized by the presence of recurring orders that occur at least 2 times a year, if not more frequently, which provides us some ability to project the next twelve months' revenue based on incoming orders. This accounting for a shorter duration will likely understate our true run-rate demand, especially as we are increasing our penetration of retail stores, brands, and the percentage of SKUs issued by those brands.

Slide 12

Total revenue for Q4 was \$8.9 million, an increase of \$200 thousand or 3% from \$8.7 million in Q4 last year.

Subscription revenue, which accounted for 60% of total revenue for the quarter, increased 6% from \$5.0 million to \$5.3 million. The increase reflects \$1.4 million of license fees paid during the quarter from the two IP licensing deals that Riley referenced earlier. The increase from these two deals, as well as growth in other areas, was partially offset by the impact of the two previously mentioned customer contracts that ended during 2025.

While we don't talk about IP licensing often, it is a normal and recurring part of our business, although that revenue can be lumpy. For background, we have generated well over \$100 million of IP licensing revenue over our company's history. The reason we are highlighting the deals we signed in Q4 is that, in addition to their size, they were with two technology market leaders and highlight the value of our IP. As a reminder, we do not include IP licensing deals in ARR.

Service revenue decreased 2% from a rounded down \$3.6 million to a rounded up \$3.6

million, reflecting slightly lower commercial service revenue.

Subscription gross profit margin² was 90% for the quarter, 5 points higher than Q4 last year, largely reflecting lower subscription platform costs. Our platform costs are now \$200 thousand lower per quarter than they were at the beginning of 2025. We expect further reductions in these costs in 2026 as we continue to focus on ways to optimize our platform.

Service gross profit margin² was 57% for the quarter, down 2 points from 59% in Q4 last year. The decrease was due to a more favorable mix of revenue and costs last year.

Operating expenses were \$10.0 million for the quarter, down \$4.4 million or 31% from \$14.4 million in Q4 last year. Important to note, we incurred \$500 thousand of costs during the quarter directly related to the two IP license deals previously mentioned, otherwise operating expense would have been down \$4.9 million year over year.

The large reduction in expenses reflects lower headcount costs due to the reorganization in Q1 of 2025 as well as lower non-headcount cash costs from our ongoing corporate streamlining efforts. While we will continue to be vigilant in pursuing ways to operate more efficiently and effectively to ensure that we are maximizing the return of every dollar we spend, as mentioned on the last call, we are increasing our overall investment in the business to support the growth ahead.

Non-GAAP operating expenses, which exclude non-cash and non-recurring items, were \$6.5 million for the quarter, down \$5.4 million or 45% from \$11.9 million in Q4 last year. Excluding the aforementioned \$500 thousand of IP license costs, non-GAAP operating expenses would have been \$5.8 million lower, exceeding the target we set out on our Q4 earnings call a year ago. Again, the decrease is mostly due to the impact of the reorganization and our ongoing non-headcount streamlining efforts.

Net loss per diluted share for the quarter was 19 cents versus 40 cents in Q4 last year.

Non-GAAP net income per diluted share for the quarter was 5 cents versus a non-GAAP net loss per diluted share of 22 cents in Q4 last year.

Slide 13

Regarding cash flow, we ended the quarter with \$12.9 million in cash and short-term investments, with no debt. We generated positive free cash flow³ of \$700 thousand in the quarter compared to negative free cash flow of \$4.4 million in Q4 last year, an improvement of \$5.1 million. That improvement was despite a negative change in working capital of \$1.0 million year-over-year, largely due to the timing of customer receipts, otherwise the improvement would have been even greater.

For Q1, we expect a free cash flow loss of \$1.0 million to \$2.0 million. Included in this number are some of the additional headcount investments I mentioned earlier that we are making to accelerate our growth as well as approximately \$500 thousand of year-end related public company compliance costs that we incur in Q1 of every year.

Also included in this number is approximately \$1.0 million in expenses we expect to pay in Q1, largely related to one-time tax and legal costs associated with implementing a new corporate structure. We expect a large cash-on-cash return from this investment as the new corporate structure will allow us to realize substantial on-going cash savings, primarily through implementing an alternative long-term employee equity incentive program favored by tax conscious entities such as REITs.

In addition to these substantial on-going cash savings, we believe this new program will maximize shareholder value in three other ways when compared to the current program by a) reducing future dilution, b) helping us to attract and retain the key talent needed to drive and support our expected growth, and c) directly tying the realization of all equity-based compensation issued under this new program, including time-based awards, to shareholder value creation. One last point to note regarding this new structure: it will require the issuance of a new CUSIP number, something a few investors have

historically expressed a desire for us to do.

The details of our new corporate structure, including a robust Q&A section, will be described in greater detail in our S-4 filing due out tomorrow, which incorporates our annual proxy statement.

For further discussion of our financial results, and risks and prospects for our business, please see our Form 10-K 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 foundation that is needed more now than ever and is emerging as a significant opportunity we were created to lead.

Digimarc is capitalizing on the convergence of key trends driving increased demand for our solutions, positioning ourselves as one of the select software companies to benefit from – not be a casualty of – the relentless advance of AI.

We are advancing our Secure Gift Card solution by aligning key industry partners as we progress towards widespread adoption of our solution. We signed our first commercial order and are advancing initial rollout plans with eight retailers, including four of the largest in North America.

ARR from our Anti-counterfeiting solution continues to grow, driven by customer upsells and new customer wins. We also continue to grow the universe of form factors to which our solution is applicable, securing an upsell for tax stamps and entering print trials for tipping paper, which continues to grow our TAM.

We believe our decision to prioritize the long-term opportunity in Digital Trust & Integrity is paying off. We exceeded our conservative 2025 ARR assumptions in this space and look to accelerate our traction throughout 2026 as early results show the near-universal needs for solutions in this greenfield area.

We continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe.

We signed IP licensing agreements with two of the world's largest and most respected technology companies, providing validation of the relevance and value of our inventions by two companies widely regarded as leaders in the new era of AI.

We signed a deal with a major CPG to enable their participation in end-to-end market demonstrations of Digimarc Recycle in Germany, the second European country running a scaled validation of our solution's real-world impact.

We achieved both positive non-GAAP net income and positive free cash flow in Q4'25, two milestones Digimarc hasn't achieved in over 12 years.

We expect to generate significant ARR growth in 2026.

Operator, we will now open the call for questions.

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

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

Investor Presentation



Fourth Quarter 2025
March 11, 2026

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.

Highlights

Digimarc achieves both positive non-GAAP net income and positive free cash flow in Q4'25; expects to deliver significant ARR growth in FY'2026

Business Highlights

- Secured our first Secure Gift Card commercial order (signed in Q1) covering 6 Closed-Loop and Open-Loop brands.
- Advanced rollout plans with 8 North American retailers, including 4 of the largest:
 - Expect all Schnucks stores to be carrying Digimarc-secured gift cards by early spring;
 - Expect ~600 stores of a major US retailer to be carrying Digimarc-secured gift cards by mid-summer, with plans to greatly expand that number for the Holiday season;
 - Progressing initial rollout plans with an additional 6 North American retailers, including 3 additional major retailers.
- Signed IP licensing agreements with two of the world's largest and most respected technology companies.
- Secured an upsell with an existing customer to expand their use of our Anti-counterfeiting solution to allow for the authentication of tax stamps, a new application for our solution.
- Added two new Digital Trust and Integrity logos, demonstrating the industry-agnostic need for solutions in this space.
- Signed a deal with a major CPG to enable their participation in end-to-end market demonstrations of Digimarc Recycle in Germany, the second European country [running a scaled validation of our solution's real-world impact](#).

Financial Highlights

- We achieved both positive non-GAAP net income⁽¹⁾ of \$1.0M and positive free cash flow⁽¹⁾ of \$0.7M during Q4'25.
- We ended the year with \$12.9M of cash and investments, and no debt.
- We expect to deliver significant ARR growth in FY 2026.

Three Core Focus Areas

Digimarc is capitalizing on the convergence of key trends driving increased demand for our solutions, positioning ourselves to benefit from the relentless advance of AI.

Retail Loss Prevention



Solutions:

- Secure Gift Cards
- Product Swap Prevention

Product Authentication



Solutions:

- Anti-counterfeiting

Digital Trust & Integrity



Solutions:

- Leak Detection
- Piracy Prevention
- Internal Compliance
- Royalty Monitoring

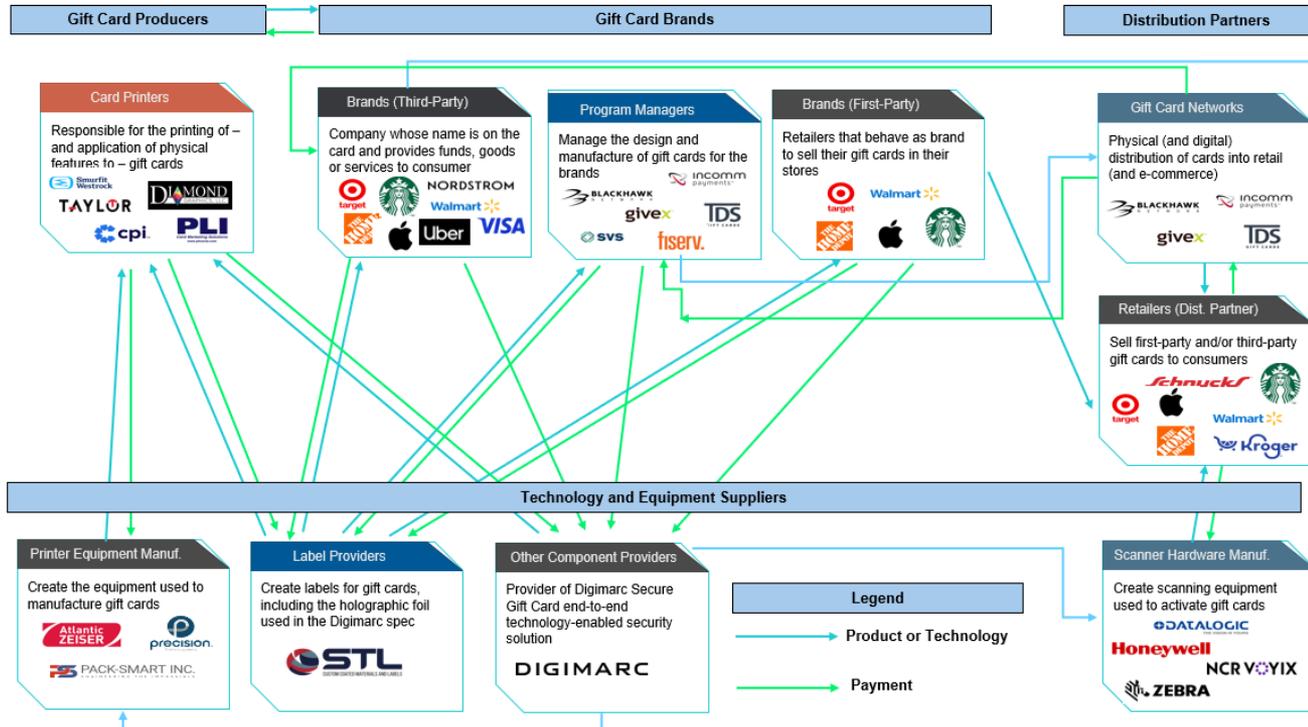
Retail Loss Prevention

Secured first Secure Gift Card commercial order; advancing initial rollout plans with 8 North American retailers, including 4 of the largest.

- Results to date demonstrate the power of our solution -- strong fraud-reduction outcomes, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.
- Due to the impact that we expect our Secure Gift Card solution to have on our 2026 (and beyond) results, we have published a [Gift Card Investor Supplemental](#) that can also be found on our [website](#).
- The US serviceable addressable market (SAM) for our solution is an estimated 3 billion to 5 billion cards annually. The global SAM is 7.5 billion to 17 billion cards annually.
- Key workstreams to enable large gift card printers are now largely complete. Our focus for 2026 is commencing large-scale rollouts of Digimarc-enabled firmware across retailers' front-of-store scanners and catalyzing significant adoption of our solution by the gift card brands that are sold through those stores.
- Advancing rollout plans with 8 North American retailers, including 4 of the largest:
 - Expect all Schnucks stores to be carrying Digimarc-secured gift cards by early spring;
 - Expect ~600 stores of a major US retailer to be carrying Digimarc-secured gift cards by mid-summer, with plans to greatly expand that number for the Holiday season;
 - Progressing initial rollout plans with an additional 6 North American retailers, including 3 additional major retailers.
- Secured our first Secure Gift Card commercial order in Q1, covering 6 Closed-Loop and Open-Loop brands
 - >\$500k of ARR, representing less than 0.1% (10 basis points) of our US SAM using our current "Digimarc-subsidized" pricing.
- In conversation with additional Open-Loop and Closed-Loop brands, comprising both 3rd party and 1st party issuers.
- 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 Overview

The gift card ecosystem consists of several interdependent constituents, including brands, retailers, card printers, gift card networks, program managers, scanner hardware manufacturers, printer equipment manufacturers, program managers, scanner hardware manufacturers, printer equipment manufacturers, and label providers.



Note: Logos shown above are provided for illustrative purposes only

Product Authentication

ARR from our Anti-counterfeiting solution 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 [Anti-counterfeiting](#) solution provides far superior results when compared to competing analog solutions such as tags, codes, inks, or labels.
- 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.
- Secured an upsell with an existing customer to expand their use of our anti-counterfeiting solution to allow for the authentication of tax stamps, representing a new application for our solution.
- Secured an upsell with one of the world's leading pharmaceutical companies as they continue to expand our solution across more of their products around the globe.
- A prospect for our Anti-counterfeiting solution is now in our digital pipeline, showing the synergistic nature of our authentication focus and related solution suite as well as the greenfield nature of our work in the Digital Trust and Integrity space.
- We are entering print trials for the application of our solution to cigarette tipping paper.

Digital Trust & Integrity

We exceeded our conservative 2025 ARR assumptions and look to accelerate our traction throughout 2026

- AI is creating a vacuum of trust and authenticity, especially acute in the digital world.
- The work of C2PA has created wide awareness that our technology can address many digital trust and integrity problems, and 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.
- 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 and are now in market with four solutions.
- Published a [Case Study](#) and [Press Release](#) featuring the adoption of our [Leak Detection for Web Content](#) solution by a global technology company.
- Signed a [Leak Detection for Media Assets](#) deal with a global consumer goods company who immediately received tangible proof of our solution's real-world efficacy; expect to grow the deal over time.
- Signed an [Internal Compliance](#) deal with an AI-powered content generation company interested in supporting attribution, auditability, and responsible commercialization of their user-generated content as rights-holder scrutiny of GenAI intensifies.

Future Identification Opportunity Areas

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

Digimarc Recycle



Belgium [end-to-end market demonstration](#) slated to be live by mid-year. Signed a deal for with a major CPG to enable their participation in the German [end-to-end market demonstration](#), which is slated to be live by Q3. We remain positioned for additional ARR in the future.

Digimarc Retail Experience



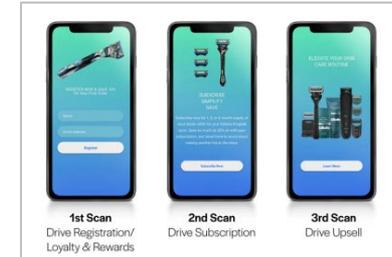
Continue to support Netto Marken Discount's use of our technology at their front of store. Has begun to pop-up in Retail Loss Prevention conversations.

Digimarc Automate



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

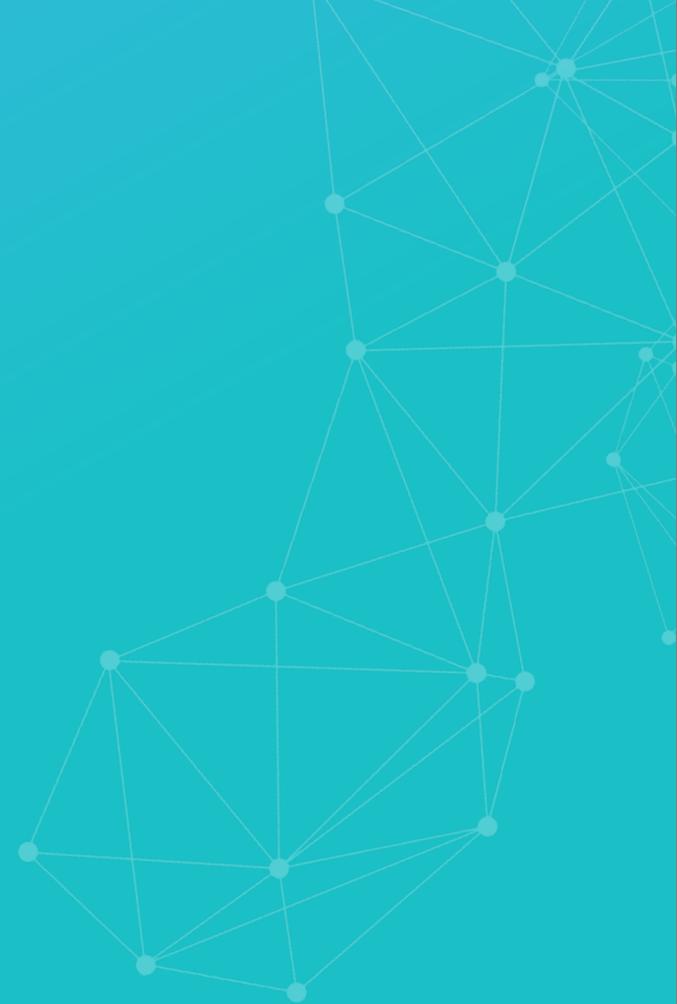
Digimarc Engage



We have marquee customers, including two of the largest global CPGs, as the industry approaches Digital Link Sunrise 2027. Closed an upsell with one in Q4. GS1 published a case study of our work with [Bayer](#). Expect another GS1 case study, on another customer, to be published shortly.



Financial Update



Annual Recurring Revenue

Q4'25 Ending ARR⁽²⁾ was \$13.7M vs \$20.0M in Q4'24

- ARR was negatively impacted by the loss of two large customer contracts outside of our focus areas, the \$3.5M DRS contract in Q2'25 and the \$3.1M retailer contract in Q4'25.
- Despite these headwinds, we expect ARR to re-accelerate in 2026, largely from increasing penetration of our gift card solution.

(\$'s in 000's)	YoY \$ Change
Q4'24 ending ARR ⁽²⁾	\$19,964
DRS contract	(\$3,500)
Retailer contract	(\$3,090)
Other net activity ⁽³⁾	\$373
Q4'25 ending ARR ⁽²⁾	\$13,747

Financial Summary

Q4'25 non-GAAP net income⁽¹⁾ was \$1.0M, an improvement of \$5.7M

- The large reduction in expenses reflects lower headcount costs due to the reorganization in Q1'25 as well as lower non-headcount cash costs from our ongoing corporate streamlining efforts.

(\$'s in 000's, except per share amounts)	Q4'25	Q4'24	YoY % Improvement
Subscription revenue	\$5,339	\$5,024	6%
Service revenue	\$3,569	\$3,634	(2%)
Subscription gross profit margin ⁽⁴⁾	90%	85%	+5 Points
Service gross profit margin ⁽⁴⁾	57%	59%	-2 Points
Operating expenses	\$9,951	\$14,366	31%
Non-GAAP operating expenses ⁽¹⁾	\$6,501	\$11,857	45%
Net loss	(\$4,207)	(\$8,648)	51%
Non-GAAP net income (loss) ⁽¹⁾	\$1,032	(\$4,634)	N/A
Net loss per diluted share	(\$0.19)	(\$0.40)	53%
Non-GAAP net income (loss) per diluted share ⁽¹⁾	\$0.05	(\$0.22)	N/A

Free Cash Flow

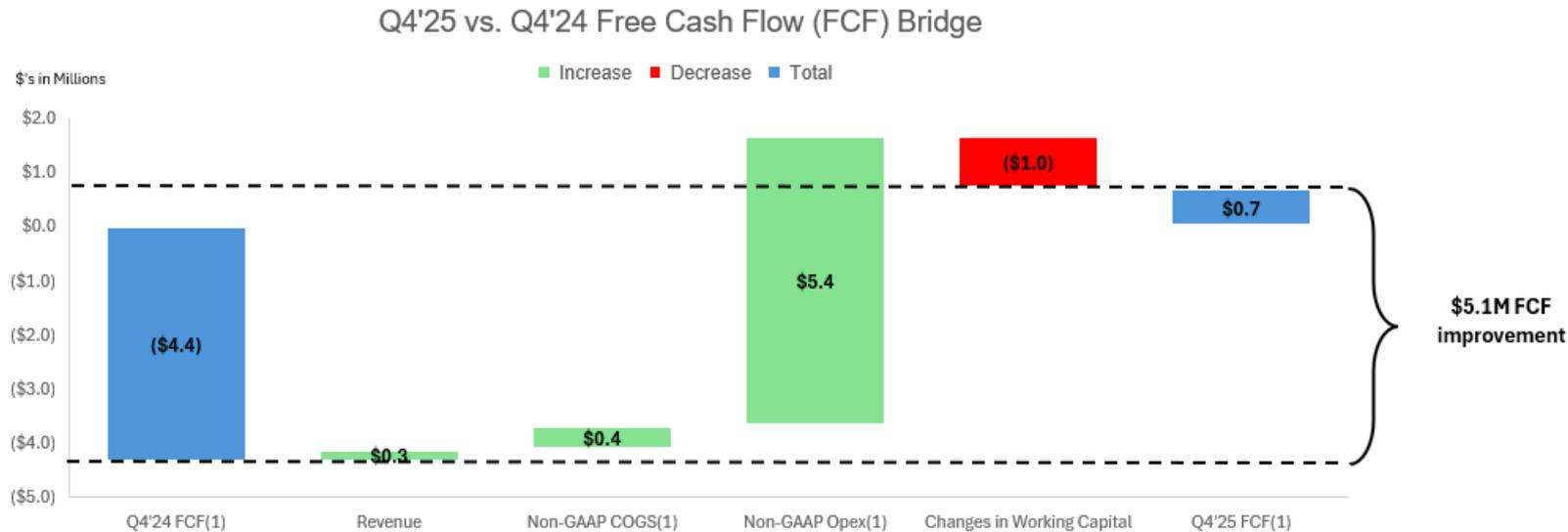
Q4'25 free cash flow⁽¹⁾ was \$0.7M, an improvement of \$5.1M from Q4'24

- The improvement in free cash flow usage was largely attributable to lower expenses.
- We ended Q4'25 with \$12.9M of cash and short-term investments, and no debt.
- For Q1'26, we expect a free cash flow usage between \$1.0M and \$2.0M, which includes the impact of additional headcount investments to accelerate growth, approximately \$500K of year-end related public company compliance costs, and \$1.0M of expenses we expect to pay in Q1, largely related to one-time tax and legal costs associated with implementing a new corporate structure.

(\$'s in 000's)	Q4'25	Q4'24	YoY \$ Improvement
Free cash flow ⁽¹⁾	\$706	(\$4,366)	\$5,072
Non-GAAP net income (loss) ⁽¹⁾	\$1,032	(\$4,634)	\$5,666

Free Cash Flow Bridge

Lower expenses are driving the \$5.1M improvement in free cash flow in Q4'25 vs. Q4'24

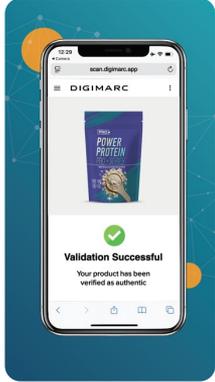


Concluding Remarks

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, positioning ourselves as one of the select software companies to benefit from – not be a casualty of – the relentless advance of AI.
- We are advancing our Secure Gift Card solution by aligning key industry partners as we progress towards widespread adoption of our solution. We signed our first commercial order and are advancing initial rollout plans with eight retailers, including four of the largest in North America.
- ARR from our Anti-counterfeiting solution continues to grow, driven by customer upsells and new customer wins. We also continue to grow the universe of form factors to which our solution is applicable, securing an upsell for tax stamps and entering print trials for tipping paper, which continues to grow our TAM.
- We believe our decision to prioritize the long-term opportunity in Digital Trust & Integrity is paying off. We exceeded our conservative 2025 ARR assumptions and look to accelerate our traction throughout 2026 as early results show the near-universal needs for solutions in this greenfield area.
- We continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe.
- We signed IP licensing agreements with two of the world's largest and most respected technology companies, providing validation of the relevance and value of our inventions by two companies widely regarded as leaders in the new era of AI.
- We signed a deal with a major CPG to enable their participation in end-to-end market demonstrations of Digimarc Recycle in Germany, the second European country running a scaled validation of our solution's real-world impact.
- We achieved both positive non-GAAP net income and positive free cash flow in Q4'25, two milestones Digimarc hasn't achieved in over 12 years.
- We expect to generate significant ARR growth in 2026.

Q&A



Footnotes

- (1) This presentation contains non-GAAP financial measures including Non-GAAP operating expenses, Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share 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 downsell. 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 EVRYTHNG acquisition.

Gift Card Investor Supplemental

March 2026

DIGIMARC



Safe Harbor Statement

This presentation may include “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1933, as amended, and Section 27A of the Securities Act of 1933, as amended, which reflect management’s opinions and expectations about Digimarc’s business, markets and financial performance that are based on management’s current understanding and expectations. Although we believe these statements are based on reasonable expectations and beliefs, these statements are subject to assumptions, risks, uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied by such statements.

Any forward-looking statements made by us 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.



Presentation Abstract

- This presentation provides a comprehensive overview of
 1. the gift card industry,
 2. the gift card supply chain ecosystem,
 3. gift card economics,
 4. the growing incidence and sophistication of gift card fraud,
 5. current solutions available to address fraud,
 6. Digimarc's Secure Gift Card solution and its ecosystem-wide impact, and
 7. Digimarc's Serviceable Addressable Market (SAM).
- The purpose of this presentation is to provide Digimarc investors a clear understanding of the industry dynamics, risks, and opportunities shaping the gift card market, with a focus on how Digimarc's fraud prevention solution fits within the overall gift card ecosystem.



Executive Summary

- The gift card industry represents a large and growing global market. It serves as a material driver of revenue and profits for brands and retailers as well as the interdependent ecosystem of gift card networks, suppliers and partners that support them.
- Gift card fraud continues to grow, impacting brands' and retailers' reputations, threatening industry growth and profitability, and bringing increased regulatory pressure. In response, the gift card industry is increasingly collaborating to find solutions.
- Existing security measures, primarily relying on physical packaging and analog tamper-evident features, are increasingly ineffective against organized fraud networks.
- Digimarc's Secure Gift Card solution is highly differentiated and cost-effective vs. existing solutions.
- Results to date demonstrate the power of Digimarc's solution -- strong fraud-reduction, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.
- The US serviceable addressable market (SAM) for Digimarc's solution is an estimated 3 billion to 5 billion cards annually. The global SAM is 7.5 billion to 17 billion cards annually.
- Key workstreams to enable large gift card printers are largely complete, and the focus for 2026 is commencing large-scale rollouts of Digimarc-enabled firmware across retailers' front-of-store scanners and catalyzing significant adoption of its solution by the gift card brands that are sold through those stores.

Gift Card Industry In Numbers

- **Popularity:** Ranked as the most-requested holiday item for 19 consecutive years (50% request rate).¹
- **Brand Uplift:** A shopper using a gift card is estimated to generate 42% higher revenue and 30% higher profit compared to the same shopper without a gift card. ²
- **Gift Card Program Contribution:** Typically account for 3% - 5% of a brand's total revenue, with top performing programs comprising as much as 8% of a brand's revenue.²
- **US Sales:** Estimated at \$180 billion to \$230 billion across all types of gift cards. 60% - 75% of sales are physical.³
- **US Production:** Estimated 3 billion to 5 billion physical gift cards are produced each year. This represents Digimarc's US serviceable addressable market opportunity.³
- **Global Production:** Estimated 7.5 billion to 17 billion physical gift cards are produced each year. This represents Digimarc's global serviceable addressable market opportunity.⁴
- **Fraud-Related Losses:** Estimated to be close to \$5 billion per year, equal to 2% to 3% of industry gift card sales.⁵

Notes:

- (1) See slide 6 for more details.
- (2) See slide 10 for more details.
- (3) See slide 13 for more details.
- (4) See slide 53 for more details.
- (5) See slide 34 for more details.

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Market Overview: The Popularity of Gift Cards

Gift cards have become the most popular item on holiday wish lists, with 50% of people requesting them in 2025 and 64% of people buying them as gifts for others.

- Neiman Marcus was the first company to create and sell gift cards, introducing them in 1994.
- Over the years, the gift card industry has continued to evolve and incorporate different use cases, form factors, and security features.
- Gift cards have been the most popular item on holiday wish lists for the past 19 years, with 50% of people requesting them in 2025.¹
- 64% of consumers buy gift cards as holiday gifts, making them a ubiquitous consumer shopping item with widespread retail and online distribution.²
- This popularity has positioned gift cards as a significantly profitable revenue stream and traffic driver for retailers as well as an effective customer acquisition and brand loyalty tool for brands, while also presenting new challenges related to security and fraud prevention.

Sources:

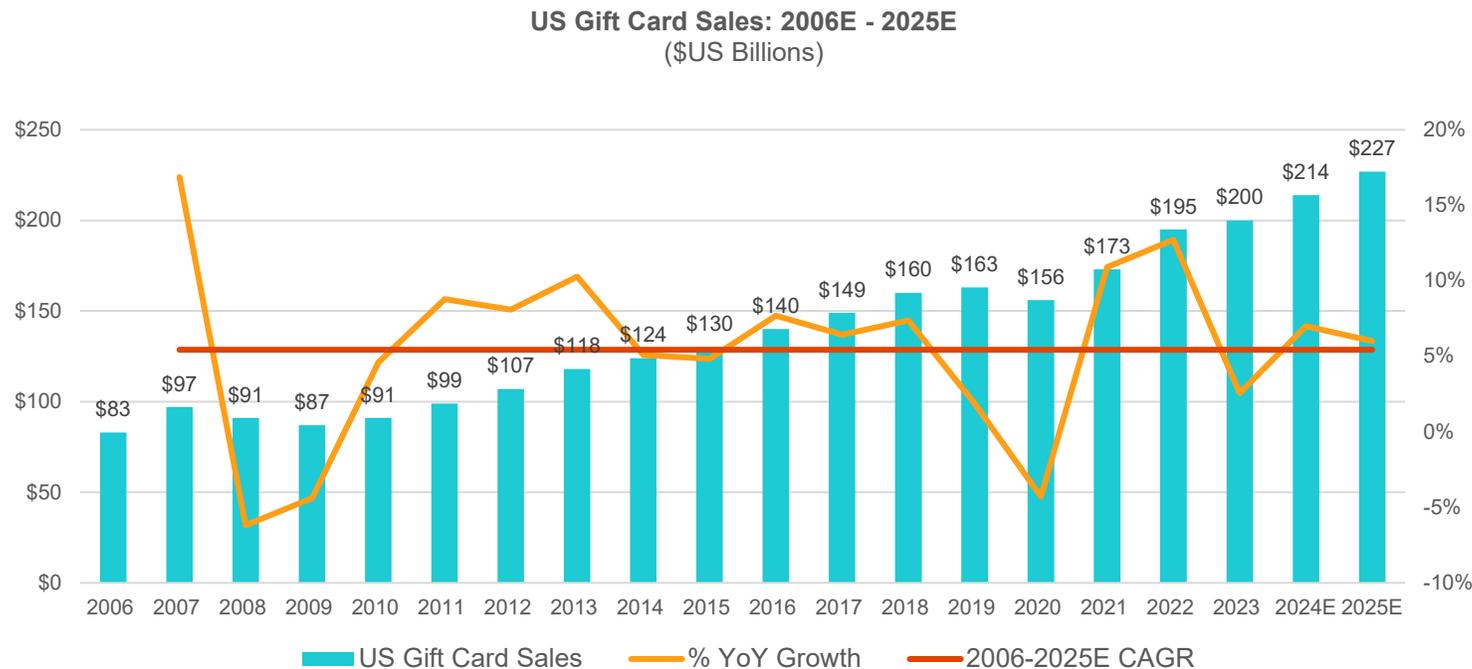
(1) NRF, 2025 October Holiday Consumer Survey

(2) Capital One Shopping, "Gift Card Statistics", November 2025

Market Overview: US Gift Card Sales Volumes

US gift card sales are estimated to have tripled over the past 20 years.

- Research estimates for the size of the gift card industry vary widely, ranging from ~\$200 billion to ~\$450 billion in the US.¹
- Using relatively conservative estimates provided by Wallethub, the US gift card market has grown from \$83 billion in 2006 to \$227 billion in 2025, representing a 5.4% CAGR during this time period.²
- The industry is expected to grow between 5% and 15% over the next 10 years.¹



Source:

(1) Wallethub, Mordor Intelligence, Data Bridge Market Research, Precedence Research. CONFIDENTIAL

(2) Wallethub, Statista, March 2025

Market Overview: Key Industry Growth Drivers

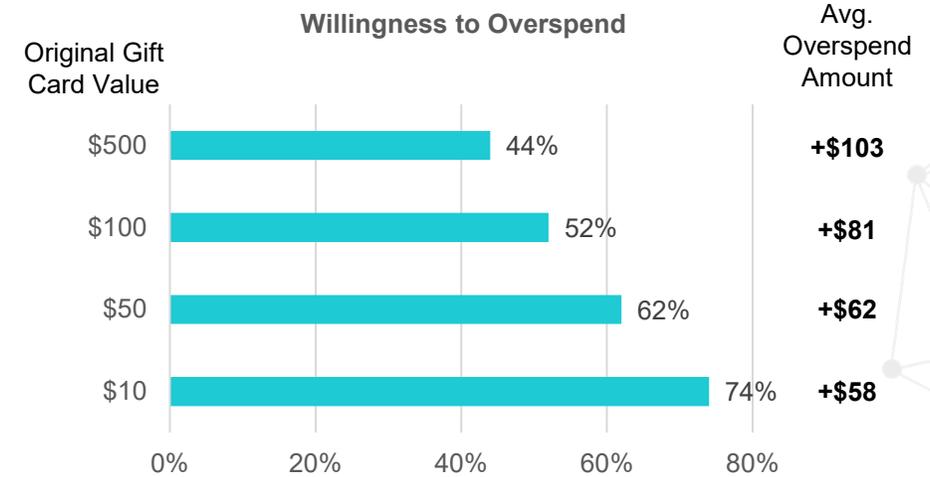
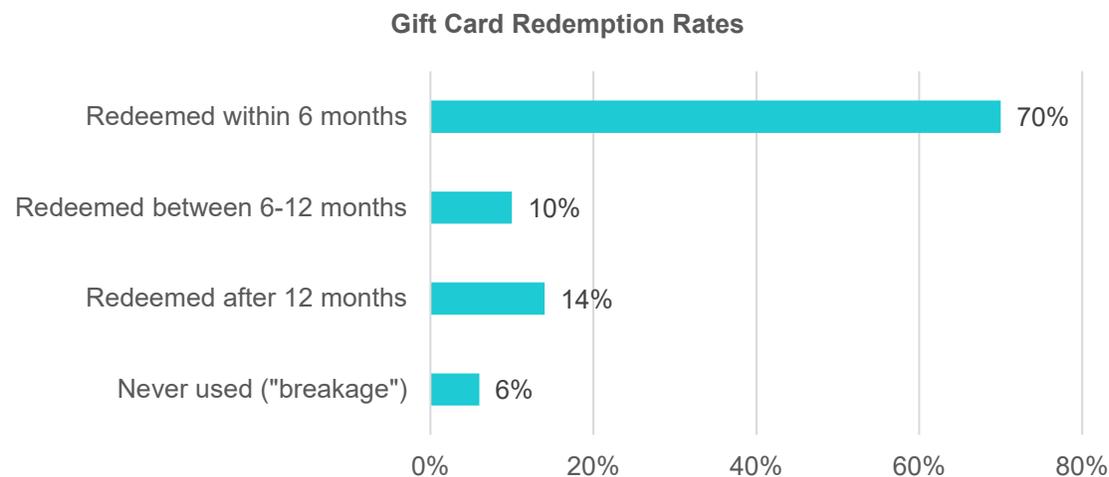
Gift card industry growth has benefitted significantly from favorable changes in consumer preferences, technological advancements, and the emergence of new use cases and verticals.

- **Brands** leverage gift card programs to enhance brand visibility, increase brand loyalty, cost-efficiently acquire new customers, boost upfront revenue, and capture customer overspend, with purchases often exceeding the card's value.
- **Retailers** gain the same benefits as brands for their first-party cards plus additional benefits from selling third-party gift cards, including increased customer traffic and higher average basket sizes. For most retailers, their gift card aisles/end-caps are the most profitable areas of their stores.
- **New Industry Verticals** are expanding their use of gift cards in experiential categories such as travel, spas and gaming.
- **Consumers** prefer cashless transactions and find cashback and discount offers linked to gift card purchases appealing. Many consumers prefer purchasing gift cards as they offer a way to control spending while still enjoying retail experiences. Technological advancements such as the integration of gift cards with mobile wallets and apps has made them more accessible and convenient.
- **Corporations** use gift cards for rewards and employee incentives. The B2B sector is a major source of industry growth, with businesses using gift cards for employee performance bonuses, incentives, and loyalty programs.

Market Overview: Redemption and Spend Behavior

80% of gift cards are fully redeemed within 12 months of receipt. When redeemed, gift cards drive significant customer overspend for brands.

- 70% of gift cards are redeemed within 6 months and 80% are redeemed within 12 months.
- At any given moment between 10% and 19% of gift card balances remain untouched, and 6% of gift cards are never used.¹
- Partial redemptions prompt shoppers to return multiple times, boosting foot traffic.
- For a \$100 gift card, 52% of shoppers spend more than the value of their gift cards, with average overspend of \$81.²
- Gift card users are 2.5x more likely to pay full price than those paying with cash or credit.³



Source:

(1) Oxygen Financial, Paytronix

(2) BHN EQ Global Spring Gifting Report, n=2019, US 18+, January 2024

(3) Forbes, "Gift Cards: A Strategy For Retailers And Consumers", February 2024

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Market Overview: Revenue and Profit Uplift to Brand

Brands are estimated to generate 42% higher revenue and 30% higher profit from a shopper using a gift card vs. the same shopper without a gift card.

- Gift card programs typically account for 3% - 5% of a brand's total revenue, with top performing programs comprising as much as 8% of a brand's revenue.¹
- Combined with the pure profit brands receive from unused gift cards ("breakage"), brands are estimated to generate 42% higher revenue and 30% higher profit dollars from a gift card recipient than from a customer spending \$100 without a gift card.²

Estimated Brand Revenue and Profit Dollar Uplift From Purchase Made with Gift Card
(Assumes 40% Gross Margin Product)

	No Gift Card	With Gift Card				% Uplift vs. No Gift Card Scenario			
		No Overspend	Yes Overspend	Gift Card Never Used	Wtd. Avg	No Overspend	Yes Overspend	Gift Card Never Used	Wtd. Avg
% of Gift Card Users		42%	52%	6%	100%				
Status Quo Revenue	\$100	\$100	\$100	\$100	\$100				
Add'l Rev From GC Overspend	\$0	\$0	\$81	\$0	\$42				
Total Revenue	\$100	\$100	\$181	\$100	\$142	0%	81%	0%	42%
COGS	(\$60)	(\$60)	(\$109)	\$0	(\$82)				
GC-Related Costs and Fees (3)	\$0	(\$8)	(\$8)	(\$8)	(\$8)				
Total Expenses	(\$60)	(\$68)	(\$117)	(\$8)	(\$90)	14%	95%	(86%)	50%
Profit (\$)	\$40	\$32	\$64	\$92	\$52	(21%)	60%	129%	30%

Source/Notes:

(1) Blackhawk Network, January 2026 Gift Card Essentials

(2) Analysis assumes that the gift card user already intended to shop at the brand's store or website. In reality, gift cards drive new customer growth for a brand, with 44% of consumers stating their intention to visit a store they would not have otherwise visited because they received a gift card (First Data, 2017 Prepaid Consumer Insights Study). In such a scenario, the gift card recipient's spend would be 100% incremental to the brand.

(3) Costs include revenue splits with ecosystem participants (retailer, gift card network, payment processor) as well as gift card manufacturing costs.

Market Overview: Gift Card Market Segmentation

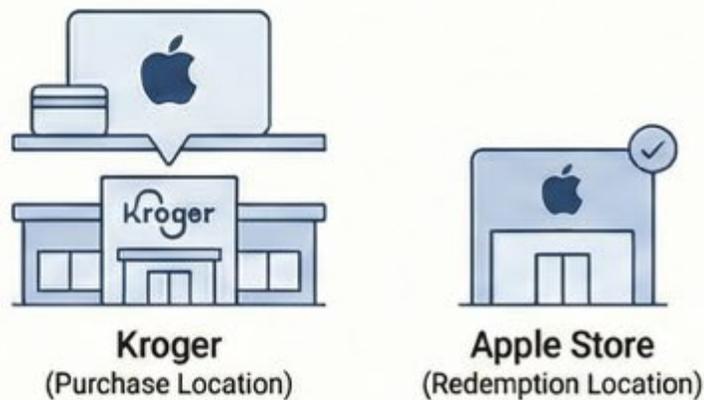
The gift card market is analyzed through four primary lenses: format (physical vs. digital), redemption scope (closed-loop vs. open-loop), distribution channel (first-party vs. third-party) and customer base (B2C vs. B2B).

- **Physical vs. Digital (Format)** Approximately 60% - 75% of cards sold are physical. Although the share of digital gift cards continues to increase, physical gift card volumes continue to grow.
- **Closed-Loop vs. Open-Loop (Redemption Scope)** Closed-loop cards (tied to specific brands/retailers) comprise approximately 85% of gift card sales volumes. Open-loop cards (issued by the major credit card companies and redeemable anywhere that credit cards are accepted) comprise the remaining 15%.
- **First-Party vs. Third-Party (Distribution Channel)** First-party cards are sold directly by brands/retailers (e.g., a Starbucks card sold in a Starbucks). Third-party cards are distributed via vendors like grocery stores, home improvement stores, pharmacies, and online marketplaces (e.g., a Starbucks card sold at Walmart). First-party gift card sales volumes are likely larger than third-party gift card sales volumes.
- **B2C vs. B2B (Customer Base)** The B2C channel is the most prevalent gift card distribution channel and represents sales directly to consumers via physical or digital retail storefronts. The B2B channel mainly represents gift cards purchased by corporations as part of employee benefits/incentives and loyalty programs.

Understanding Gift Cards: The 3 Main Types

Distinct categories determine where a card can be bought and where its value can be redeemed.

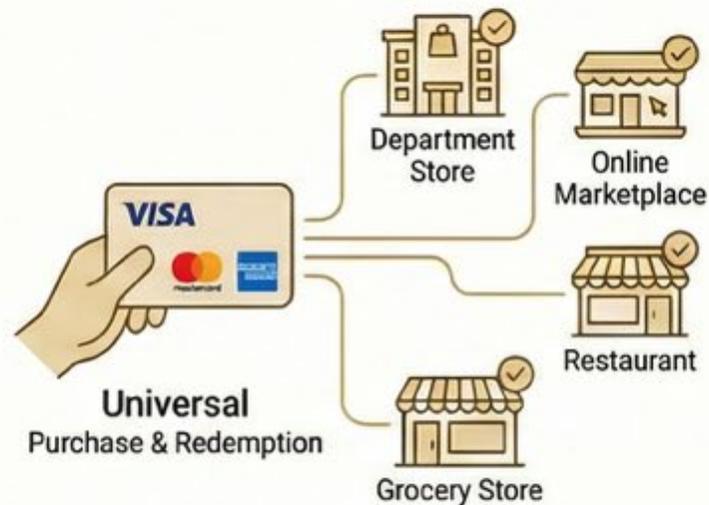
1. 3rd Party Closed Loop



Sold at many different retailers but can only be used at one specific business.

Example: An Apple gift card bought at Kroger, redeemable only at Apple.

2. 3rd Party Open Loop



Can be purchased and redeemed at any retailer that accepts major credit cards.

Example: Visa, Mastercard, or American Express branded gift cards.

3. First Party Direct



Sold by a retailer for use exclusively at that same retailer.

Example: A Walmart gift card that is both sold and redeemed at Walmart.

Market Overview: US Gift Card Production Volumes

An estimated 3 billion to 5 billion physical gift cards are produced each year in the US.

- Approximately 60% - 75% of gift cards sold are physical cards and the remainder are digital cards.
- 40% - 60% more gift cards are produced each year than are actually sold.
- Based on Digimarc's data aggregating the total physical print volumes from the top printers, an estimated 3 billion gift cards are produced each year in the US.
- However, this figure is intentionally conservative as it assumes these printers account for more than 75% of US gift card production and therefore the actual amount is likely higher.
- Using a low-end range of market value of gift cards sold in the US would imply 4.8 billion gift cards produced each year.

US Gift Card Production (mm)

	Digimarc Bottom-Up	Market Est. Top-Down	Source / Comments
US Gift Card Sales (\$mm)	\$178,571	\$226,840	Source for Market Estimate: Wallethub
Average Initial Value per Card (\$)	\$50	\$50	Source: Capital One
Number of Gift Cards Sold (mm)	3,571	4,537	
% Physical	60%	75%	Digimarc estimate
Number of Physical Gift Cards Sold (mm)	2,143	3,403	
Produced But Unsold Cards (Waste) (mm)	857	1,361	40-60% more gift cards are produced than actually sold
Total Physical Gift Cards Produced (mm)	3,000	4,764	

Notes:

Market Estimate Top-Down scenario: Total physical cards produced is calculated based on the following assumptions: low end market estimates for annual US gift card sales, \$50 initial value per gift card, 75% of cards being physical and 40% more cards produced than sold.

Digimarc Bottom-Up scenario: US gift card \$ sales estimate is driven from 3 billion produced cards, which is based on printer production volume data aggregated by Digimarc. Assumes \$50 initial value per gift card, 60% of cards being physical and 40% more cards produced than sold.

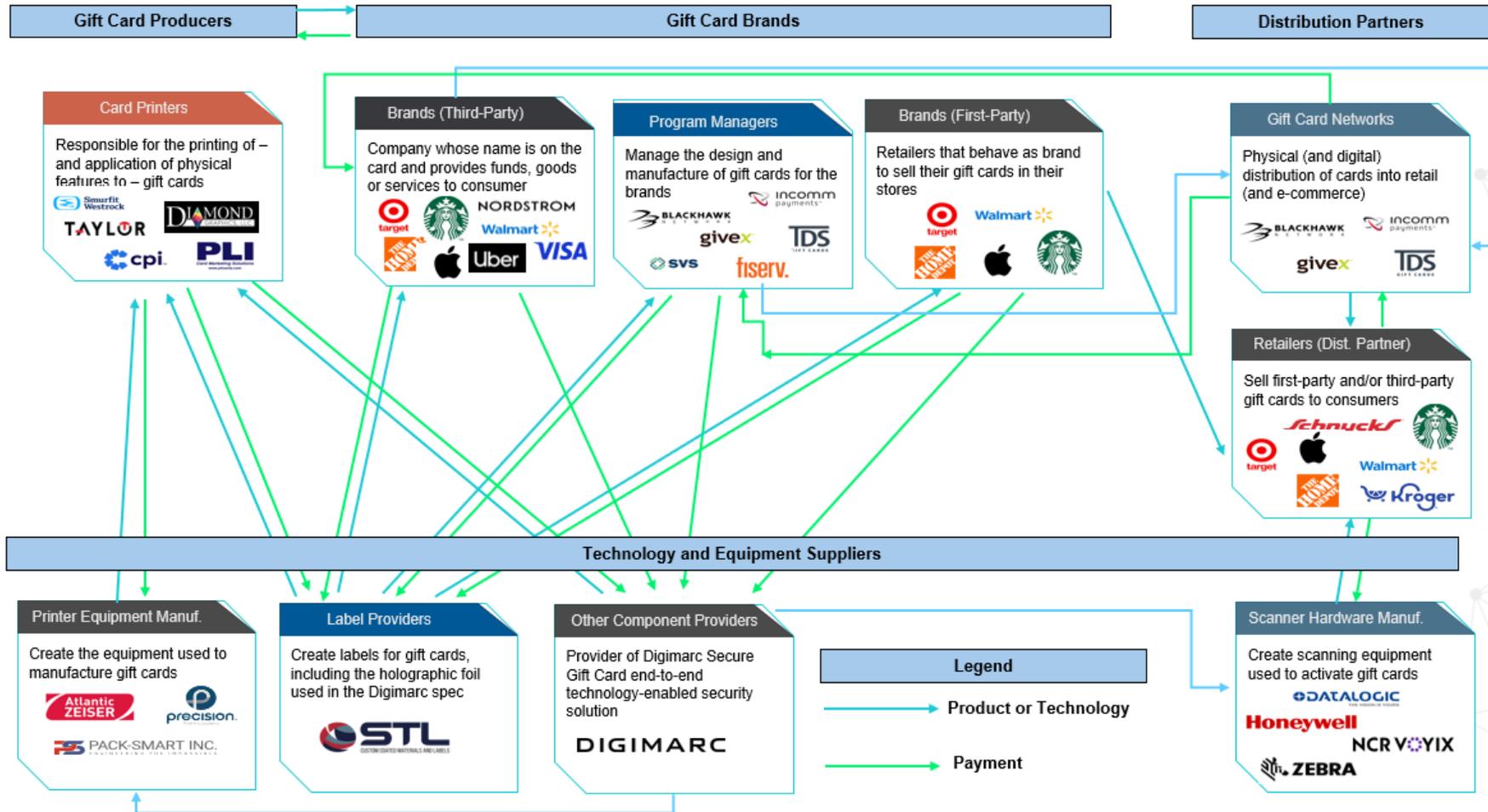
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Gift Card Ecosystem Overview

The gift card ecosystem consists of several interdependent constituents, including brands, retailers, card printers, gift card networks, program managers, scanner hardware manufacturers, printer equipment manufacturers, printer equipment manufacturers, and label providers.



Gift Card Ecosystem Overview

Digimarc plays a central role and interfaces with every entity in the ecosystem as a paid licensor and/or an unpaid technology enablement partner.

- **Digimarc as a Technology Enablement Partner:** Digimarc supplies its software and SDKs to printers, gift card equipment manufacturers and POS hardware providers and routinely collaborates with these entities to ensure their hardware and software can embed and/or read the digital watermarks.
- **Digimarc as a Licensor:** Digimarc licenses its Secure Gift Card solution to printers, brands and program managers.

Ecosystem Player	Example Companies	Function	Digimarc Relationship	Digimarc-Specific Commentary
Brands	Apple, Home Depot, Nordstrom Starbucks, Target, Uber, Visa, Walmart	Company whose name is on the gift card and provides funds, goods or services to consumer	Customer	Utilize Digimarc watermark security layer on gift card
Retailers (Distribution Partner)	Apple, Home Depot, Kroger, Schnucks, Starbucks, Target, Walmart	Sell first-party and/or third-party gift cards to consumers	Partner	Utilize Digimarc-enabled scanner hardware to activate untampered gift cards
Card Printers	CPI, Diamond, PLI, Taylor, Westrock	Print and assemble gift cards and gift card packaging	Customer or Partner	Configure printing lines to print watermarks on gift card
Gift Card Networks	Blackhawk, Givex, InComm, TDS	Distribute physical and digital gift cards into retailers and e-commerce	Partner	Distribute Digimarc-secured gift cards to retailers
Program Managers	Blackhawk, Fiserv, Givex, InComm, SVS, TDS	Provide outsourced design, procurement, and marketing for some brands	Partner or Customer	Can either be a direct customer or influence adoption by brands
Scanner Hardware Manufacturers	Datalogic, Honeywell, NCR, Zebra	Supply scanning equipment used by retailers to activate gift cards	Partner	Incorporate Digimarc reader SDK into scanner firmware
Printer Equipment Manufacturers	Atlantic Zeiser, Pack-Smart, Precision	Supply the equipment used to manufacture gift cards to printers	Partner	Incorporate Digimarc software and SDK into their print line hardware
Label Providers	STL	Provide consumable physical security features to printers	Partner	R&D partner to incorporate material science features into Digimarc gift card spec
Gift Card Processors	Fiserv, InComm, SVS, Target	Manage the issuance, redemption, and balance tracking of gift cards	None	Current Digimarc solution requires no change to activation process Could be a future partner based on Digimarc product roadmap

Ecosystem Overview – Brands

Brands are important decision-makers in the ecosystem, determining whether to -- and how to -- implement a gift card program.

- Brands manage their gift card programs through a set of interconnected functions that span design, procurement, distribution, logistics, security and fraud prevention.
- Some brands outsource some or all of these functions to third-party program managers.
- Brands (or their program managers) determine:
 - The form factor of the card (physical vs. digital)
 - Security features (scratch-off labels, secure pack, or enhanced solutions like Digimarc)
 - Production volumes
 - Packaging and merchandising strategy
- Brands sell gift cards through their owned retail stores (first-party) and non-owned retail stores (third-party).
- Digimarc sells its Secure Gift Card solution directly to brands or indirectly via their program managers and/or printers.



Ecosystem Overview – Retailers

Retailers play a central role in the gift card ecosystem by operating in-store and digital gift card malls that offer both open-loop and closed-loop cards from a wide range of brands.

- Retailers are responsible for merchandising gift card aisles and end-caps—though many retailers who carry third-party gift cards work with gift card networks to manage placement, assortment, and replenishment on their behalf.
- Gift card sections are often among the most profitable areas of the physical store on a per-square-foot basis, making effective merchandising and category management strategically important.
- Retailers must also comply with evolving state regulations governing gift card sales, secure packaging requirements, and fraud-prevention standards.
- Retailers are responsible for ensuring store associates are properly trained to activate gift cards accurately and securely at the POS.
- Digimarc works with retailers to ensure their front-of-store scanners are running firmware carrying Digimarc SDK versions capable of reading its Secure Gift Card solution.

Ecosystem Overview – Printers

Gift card printers specialize in the manufacturing, personalization, and fulfillment of gift cards.

- Key functions of printers include:
 - **Card Manufacturing and Printing:** Produce gift cards using various materials
 - **Customization and Specialization:** Offer branding, personalization and security features
 - **Fulfillment:** Manage the secure distribution process
 - **Packaging and Display Solutions:** Create custom packaging, carriers, and retail -purchase displays
 - **Security and Data Management:** Ensure secure handling of sensitive data during production.
- The larger printers have invested in gift card innovation ahead of projected demand, deploying new technologies and security features in an attempt to differentiate their offerings.
- Digimarc works with printers both as a vendor as well as a partner to certify their production lines can produce its Secure Gift Card solution.



Ecosystem Overview – Gift Card Networks

Gift card networks aggregate gift cards from multiple brand issuers and distribute them into physical and digital gift card malls hosted by retailers or e-commerce sites.

- Gift card networks have a deep understanding of gift card flows, including merchandising, sale, activation and redemption.
- Importantly, gift card networks exhibit significant influence over the acceptance of new security methods.
- Blackhawk Network and InComm are the two largest gift card networks, comprising the majority of third-party gift card distribution in the US. Most gift card issuers work with both Blackhawk and InComm.
- Digimarc works with the gift card networks as a vendor as well as a partner to help drive increased adoption of its Secure Gift Card solution.



Ecosystem Overview – Program Managers

Gift card program managers design, implement, and oversee gift card programs on behalf of brands who choose to outsource this function.

- Program managers act as an outsourced hub for card production, compliance, marketing, and fraud prevention, providing brands with potential economies of scale due to bulk purchases as well as outsourced expertise.
- Key responsibilities include of gift card program managers include:
 - **Strategic Planning and Growth:** Developing program strategy, identifying growth opportunities, defining KPIs, and creating product roadmap across various channels.
 - **Operations Management:** Managing the daily operations, including card production and fulfillment, inventory tracking, and troubleshooting any issues.
 - **Vendor and Partner Management:** Establishing and maintaining relationships with key players in the value chain.
 - **Financial and Data Analysis:** Monitoring performance using analytics and reporting tools to track sales trends, transaction volumes, customer acquisition costs, and redemption rates.
 - **Risk and Compliance:** Ensuring the program complies with all regulations and implementing robust fraud prevention strategies such as Digimarc's Secure Gift Card solution.
 - **Marketing and Customer Experience:** Collaborating with marketing teams on promotional campaigns and loyalty programs, managing cardholder customer support and user experience.
- Digimarc works with program managers as a vendor as well as a partner to influence brand decisions on security features.

Ecosystem Overview – Scanner Hardware Manufacturers

Scanner manufacturers are responsible for providing, maintaining, and innovating the hardware and software used to scan products, manage inventory, and process transactions in retail stores.

- Scanner hardware providers develop robust, high-speed units that can withstand constant, heavy usage while still delivering value-add features across both hardware (e.g. 360-degree scanning) and firmware (e.g. AI-enabled imaging and incorporation of Digimarc SDK).
- The scanner hardware market is highly consolidated, with Zebra and Datalogic dominating flat-bed scanners and Zebra, Datalogic, and Honeywell together comprising the majority of the market for handheld retail scanning devices. NCR rebrands models from all three primary OEMs.
- Approximately 10% - 20% of flatbed scanner and handheld scanner capacity gets replaced each year.
- Prior versions of Digimarc's SDKs are already embedded in almost all installed scanners shipped in the last ten years.
- The latest versions of Digimarc's SDKs can be propagated two ways:
 - Firmware refresh of existing installed scanners; or
 - Added by default to new scanner hardware.
- **Digimarc's extensive global scanner footprint is a valuable asset that should drive low-friction demand for future products in retail loss prevention (see slide 56).**

Ecosystem Overview – Printing Equipment Manufacturers

Gift card printer equipment manufacturers specialize in designing and manufacturing automated, high-speed machinery used by printers to produce, personalize, and package gift cards.

- These companies focus on end-to-end solutions that transform blank card stock into finished, activated products in a single process, offering high-volume, secure technology that ensures data integrity.
- Key printing processes that the printer equipment manufacturers' offerings address include:
 - **Card Personalization:** High-speed printing, encoding, laser marking and scratch-off applications
 - **High-speed Packaging and Fulfillment:** Card affixing to carrier forms, secure packaging in tamper-evident ways and automated bundling of finished cards into packs
- Key printer equipment technologies and features include:
 - **Modular Design:** Systems are built using modules (feeders, encoders, printers, inspectors), allowing manufacturers to customize the machine for specific, evolving needs.
 - **Real-Time Vision Verification:** High-speed camera systems check every card for correct personalization, ensuring that the printed name matches the encoded chip, and that scratch-off labels are properly placed.
 - **Data Integrity & Security:** Ensuring 0%-defect manufacturing and managing secure data.
 - **High Output Speeds:** Some systems can handle up to 24,000–35,000 products per hour.
- Digimarc works with printer equipment manufacturers to incorporate its Gift Card Embedder and Quality Control SDKs into their relevant components.

Ecosystem Overview – Label Providers

Gift card label providers specialize in creating, manufacturing, and selling specialized adhesive labels and security seals for gift cards.

- Label providers engineer labels that protect the PIN or activation code on the back of gift cards. These labels are designed to break, leave a "void" pattern, or destruct upon tampering, alerting consumers and retailers to potential theft.
- These labels and seals act as a critical link in the secure packaging and activation process of cards, protecting them against fraud while ensuring they function properly in retail systems.
- Superior Tape & Label (“STL”) is the largest provider of scratch-off labels to the gift card industry.
- Digimarc conducts significant R&D with STL to benefit from STL’s cutting-edge material science expertise to constantly improve the security of the Digimarc Secure Gift Card solution specification (spec).

Ecosystem Overview – Gift Card Processors

Gift card processors manage the entire financial-related lifecycle of physical and digital gift cards for retailers.

- Gift card processors enable secure, real-time activation, redemption, balance inquiries, and reloading at the POS or online.
- Key functions include:
 - **Transaction Processing:** Authorize, redeem, and void transactions in real-time, securely updating card balances.
 - **Security and Fraud Prevention:** Use encryption to prevent unauthorized, fraudulent use and protect card data.
 - **Reporting and Analytics:** Provide detailed insights into sales, redemption rates, and customer spending patterns.
 - **Omnichannel Support:** Integrate with in-store POS, web, and mobile app platforms.
- Digimarc's secure gift card solution does not currently require changes to the activation process and therefore there has not yet been a need to collaborate with the gift card processors. However, they could be future partners based on Digimarc's product roadmap.

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Gift Card Economics: Per Card Cost Drivers

For a brand, pricing per card is influenced by several factors, including the types of security features and personalization embedded, materials used, production complexity and order volumes.

- Gift card pricing is influenced by several factors:
 - **Security Features:** The greatest differentiator. Holograms, destructible materials, secure NFC chips, and tamper-evident packaging substantially increase cost.
 - **Materials & Form Factor:** More elaborate carriers or larger packaging formats raise print and assembly costs.
 - **Production Complexity:** Multi-step assembly lines (e.g., affixing cards to carriers, adding pull-tabs, applying cold glue) increase labor and run-time requirements.
 - **Personalization Requirements:** Variable printing (e.g., PIN windows, label placement, encoded data) creates additional production steps.
 - **Volumes & Seasonality:** Holiday buying cycles and order aggregation influence pricing power and printer capacity.

Gift Card Economics: Form Factors and Costs

The three most common gift card form factors include “M6”, “Card on Carrier” and “Secure Pack.”



- **M6 (basic card):** The most common and least expensive configuration. M6 cards are attached to a single card carrier with perforations separating the carrier and the gift card. These cards feature de minimus security features, often just a scratch-off label concealing the PIN. Typical scaled cost: \$0.08 - \$0.11 per card.



- **Card on Carrier (or Card-Affixed):** Unlike M6 cards where the gift card is a part of the carrier, card on carrier form factors feature a separate gift card that is glued onto the carrier. While visually appealing, card on carrier provides minimal incremental security beyond the scratch-off label. Typical scaled cost: \$0.10 - \$0.13 per card.



- **Secure Pack:** A card fully enclosed within cardboard packaging featuring tamper-evident components such as confetti-cuts, cold glue, specialty inks, holograms, and pull-tabs. These features are designed to make unauthorized access to sensitive redemption data more detectable. Secure pack configurations are typically adopted by brands with higher fraud exposure and/or to be compliant with certain state laws. Typical scaled cost: \$0.21 - \$0.50 per card.

Gift Card Economics: Digital Security Features

Digital gift card security features such as secure NFC or Digimarc's Secure Gift Card solution also add to the cost of a gift card.

- There are two newer digital security technologies that can be added to any of the gift card form factors, augmenting or replacing analog security elements: Secure NFC chips and Digimarc's Secure Gift Card solution.
- Secure NFC utilizes encrypted wireless communications protocols to either move activated funds to secure digital wallets or to enable a secure redemption transaction (akin to the tap-to-pay process for credit cards).
- While the technology is highly secure, the lack of NFC reader ubiquity and high per-unit costs (up to \$1.75 per card) have been significant barriers to adoption and will likely remain so in the foreseeable future.
- Digimarc Secure Gift Card and Secure NFC are addressed in greater detail in the section titled "Current Solutions to Address Gift Card Fraud."



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Gift Card Fraud: Scope

Gift card security features have thus far failed to prevent fraud from occurring.

- Gift card fraud can occur in many ways, including:
 - Physical gift card tampering
 - Magnetic stripe skimming
 - Buying gift cards with stolen credit cards
 - Hacking into a gift card company's database
 - Social engineering and phishing
 - Phony in-store refunds where stolen goods are returned back to a store to receive store credit in the form of a gift card
- Notably, traditional activation barcodes are easy to read and reproduce, plus the protective scratch-off labels covering redemption codes and PINs can be easily removed and replaced, granting a bad actor access to all the information needed to compromise a gift card.
- Organized crime rings exploit vulnerabilities in gift card systems, such as stealing or hacking card data, using stolen credit cards to purchase gift cards, digitally draining balances and selling stolen or tampered gift cards online.

Gift Card Fraud: Scope

Gift card fraud can occur at the point of activation and at the point of redemption.

- Gift card fraud encompasses two distinct events: activation fraud and redemption fraud.
 - **Activation fraud** occurs when a scammer manipulates a card before it is purchased to gain access to sensitive codes and PIN numbers, enabling them to drain the funds shortly after the card is activated but before the purchaser can utilize those funds.
 - **Redemption fraud**, also known as social engineering fraud, involves bad actors tricking gift card holders into proactively sharing the sensitive codes and PIN numbers after card purchase, via text scams, bogus customer service inquiries, etc.
- Today, Digimarc addresses activation fraud. A physical gift card is vulnerable to activation fraud at any point along the supply chain. The most vulnerable attack surface in the supply chain is in-store, including cards that are purchased online and delivered from stores.
- The vast majority of physical cards are purchased from -- or fulfilled through -- brick-and-mortar stores.

How Gift Card Tampering Works



1. Remove Cards from Store

Criminals first take unactivated gift cards directly from store displays.



2. Steal Card Information

They defeat the packaging to record the card number and PIN.



3. Return Card to Shelf

The compromised card is placed back in the store for someone to buy.



4. Consumer Buys & Activates Card

An unsuspecting customer purchases the card and loads it with funds.



5. Scammer Spends the Funds

Using the stolen info, the criminal drains the card's value.

Gift Card Fraud: Impact of Fraud

Estimated gift card fraud-related losses are ~\$5 billion per year, or 2% - 3% of industry sales.

- Retailers, gift card networks, and brands share the liability of covering losses incurred by consumers. This includes the direct cost of refunds (“appeasements”), as well as the financial costs of resolving the issue which run multiples of the direct appeasement amount.
- Brands and retailers also face reputational damage and erosion of consumer trust due to the prevalence of fraud. Once a gift card giver or recipient realizes they purchased/received a tampered card, their propensity to purchase a gift card in the future is significantly undermined.
- A 2022 AARP survey found that over 1 in 3 adults have experienced some form of gift card fraud.¹
- Total gift card fraud reported by the FTC for the first nine months of 2025 was \$199 million, up 25% over the comparable period in 2024 (\$158 million). However, less than 5% of mass market consumer fraud events are reported by consumers to government agencies or the BBB.² This amount includes all types of gift card fraud, not just activation fraud.
- Extrapolating these figures would imply that the actual consumer losses due to gift card fraud are close to \$5 billion per year, equal to 2% - 3% of industry gift card sales.
- Retailers, brands and payment networks have faced numerous lawsuits due to these losses.

Source:

(1) AARP, “AARP Survey: 1 in 3 Adults Hit by Gift Card Payment Scams”, April 2022

(2) Keith Anderson Research Paper, “To Whom Do Victims of Mass-Market Consumer Fraud Complain?”, May 2021

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Gift Card Fraud: Regulatory Landscape

In 2025, 22 states introduced legislation targeting gift card fraud – up from just 8 in 2024.

- States are starting to play a growing role in addressing gift card fraud. Regulations vary widely by state but generally fall into five categories:
 - More secure packaging and concealment of sensitive data such as numeric codes used for activation or redemption (such as CVV, PIN or activation codes)
 - Store signage/visible warnings in gift card aisles and at checkout
 - Stronger employee training to detect fraudulent gift cards
 - Making it a crime to steal unactivated gift cards
 - Cashback requirements that require retailers to give cash for low-value balances (typically less than \$15).
- Partly in response, the industry has formalized a Government Relations Task Force and created the Gift Card Fraud Prevention Alliance in 2025 to take a more proactive and collaborative stance with the regulators and the gift card ecosystem.

Gift Card Fraud: Regulatory Landscape

Maryland and New Jersey have enacted secure gift card packaging laws that went into effect in 2025. New York could be the third state to pass such a law.

- Maryland was the first US state to pass a law requiring secure packaging for in-store gift cards and retailer training to detect fraud. The law passed in 2024 and went into effect in Summer 2025, requiring more secure packaging for open-loop gift cards starting in July 2025 and closed-loop gift cards starting in October 2025.
- New Jersey also passed a similar law in 2025 which became enforceable in February 2026.
- New York and Hawaii are two other states that are currently debating the implementation of secure packaging laws with high probability of success.
- 2026 is expected to be a contentious year for the gift card industry given that it is an election year for states with 30+ governors and several Attorneys General up for re-election. State governments are likely to look for headlines and consumer protection is a hot topic right now.
- To comply with new gift card packaging regulations, brands are increasingly having to move to secure pack form factor.
- Digimarc-enabled gift cards also fully comply with new secure packaging regulations while being priced at a discount to secure pack.
- As more states inevitably adopt similar legislation, this will directly drive sales of Digimarc's solution.

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Current Solutions to Address Gift Card Fraud

The prevailing methods to protect against activation fraud, such as scratch-off labels, cold glue, holograms, pull-tabs, and confetti-cuts are entirely physical and can be easily defeated by thieves.

- When adopting a gift card fraud prevention/reduction solution, a decision maker (brand or program manager) will evaluate the following characteristics to better understand the total cost of ownership and ROI:
 - **Difficulty to compromise:** Buyers will pay more for a more secure solution
 - **Changes required to existing systems and processes:** Cross-functional collaboration requirements and operational downtime requirements - buyers want to minimize implementation time and complexity
 - **Cost to implement:** Capex vs. opex decision, expected payback period, quantifiable ROI
 - **Consumer friction:** Buyers want to ensure limited-to-no impact on customer experience and customer support
- Many gift card issuers will layer on multiple physical solutions (e.g., secure pack form factor) to make it more difficult for fraudsters but unfortunately these efforts are not proving successful.
- These analog solutions often depend on cashiers or store employees spotting tampered cards, making human vigilance the only true line of defense.

Current Solutions to Address Gift Card Fraud

Digimarc's Secure Gift Card solution has modest upfront set up costs for printers and retailers but delivers significantly improved protection against activation fraud and a lower total cost per card for brands who move from secure pack to card on carrier or M6.

Overview of Gift Card Fraud Prevention Solutions

Technology / Solution	Difficulty to Compromise	Changes Required to Existing Systems or Processes	Cost per Card	Consumer Friction	Comments
<u>Physical Solutions</u>					
Scratch-Off Labels	Low	Low	Low	Low	Easy to retrieve sensitive info. and repackage; requires manual detection
Holograms	Low	Low	Medium	Low	Easy to copy
Specialty Inks	Low	Low	Medium	Low	Easy to retrieve sensitive info. and repackage; requires manual detection
Cold Glue	Low	Low	Low	Medium	Easy to retrieve sensitive info. and repackage; requires manual detection
Confetti-Cuts	Low	Low	Low	Medium	Easy to retrieve sensitive info. and repackage; requires manual detection
Pull-Tabs	Low	Medium	Medium	Medium	Easy to retrieve sensitive info. and repackage; requires manual detection
Secure Pack (Sum of the above)	Low	Low	High	Medium	Easy to retrieve sensitive info. and repackage; requires manual detection
<u>Backend Security and Infrastructure</u>					
Geofencing	Low	High	High	Low	High incremental cost per card
Balance Inquiry Checks	Low	Medium	Low	Low	Fraudsters can circumvent these checks by understanding historical activation and redemption patterns by brand; results in extra gift card waste
PIN on Demand	High	High	High	High	Requires additional manual step by cashier; adds 8-10 seconds to each transaction
<u>Digital Solutions - End-to-End Security Layer</u>					
Digital Watermarking	High	Medium	Medium	Low	Modest upfront setup cost for printers but lower cost per card to buyers
Secure NFC	High	High	High	Low	Offers high card security but at very high cost per card Requires significant reworking of supply chain

Current Solutions to Address Gift Card Fraud

Pricing and security feature comparison of Digimarc Secure Gift Card solution alternatives.

- **M6:** These cards feature minimal security features, often just a scratch-off label concealing the PIN.
- **Card on Carrier:** Feature a separate gift card that is glued onto the carrier. While visually appealing, card on carrier provides minimal incremental security beyond the scratch-off label.
- **Secure Pack:** A card fully enclosed within cardboard packaging featuring tamper-evident components such as scratch-off labels, holograms, specialty inks, cold glue, confetti-cuts, and pull-tabs.
- **Secure NFC:** Able to be applied to any form factor, Secure NFC cards contain a near-field communication (“NFC”) chip encoded with security features.

Gift Card Fraud Prevention Solutions by Cost

Gift Card Form Factor	Cost			Security Feature Examples						
	Low	High	Median	Scratch-Off		Specialty	Cold	Confetti-	Pull-	Secure
				Labels	Holograms	Inks	Glue	Cuts	Tabs	NFC
M6	\$0.08	\$0.11	\$0.09	x						
Card on Carrier	\$0.10	\$0.13	\$0.11	x						
Secure Pack	\$0.21	\$0.50	\$0.27	x	x	x	x	x	x	
Secure NFC	\$0.60	\$1.75	\$1.00							x

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Product Vision & Design Principles



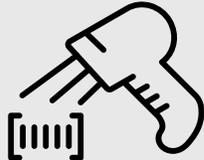
Industry Collaboration

Solution for the entire ecosystem, developed with the entire ecosystem



Automate Tamper Evidence

Fraud detection part of activation step



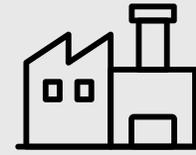
Avoid POS Changes

No complex changes for retailers



Improve CX

Streamline end-to-end experience



Low Printer Impact

Avoid significant disruption to existing manufacturing workflows



Phased Approach

Start simple, evolve as solution matures

“More secure than secure pack, with all the marketing and merchandising benefits of card-affixed, at the same price or less than the price of secure pack today...let alone the price of secure pack tomorrow”

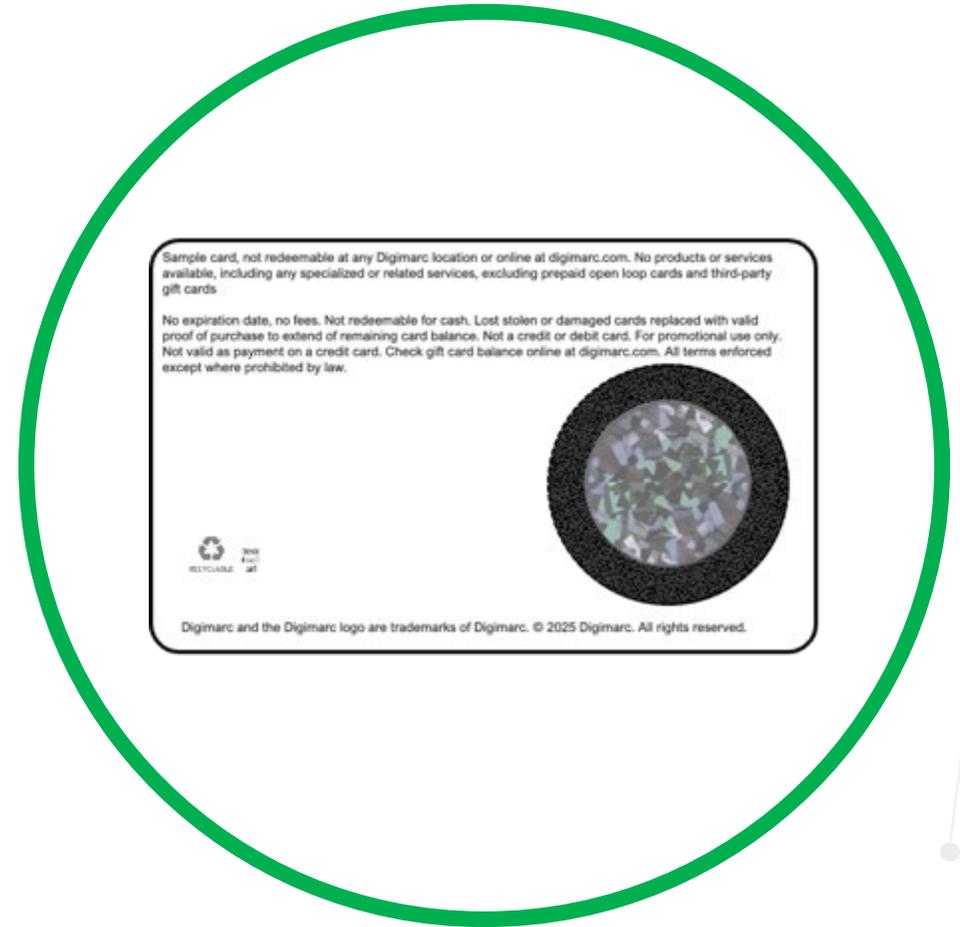
Digimarc Solution: Technology Overview

Digimarc's Secure Gift Card solution represents a significant improvement over existing solutions.

- The Digimarc Secure Gift Card solution combats fraud by replacing traditional activation barcodes with encrypted, tamper-evident digital watermarks that are printed directly onto cards and labels covering the sensitive redemption data.
- During the checkout process, existing front-of-store scanners that are enabled with Digimarc's scanner SDK read these digital watermarks and deliver the contained information to the retailer's POS software to activate the card.
- The watermarks are designed to be tamper-evident – any attempt to access the sensitive redemption information protected by the digital watermark breaks the signal, which in turn renders the tampered gift card unable to be activated at POS. Untampered cards read flawlessly.
- By covering the sensitive redemption information with an encrypted, tamper-evident activation code, the Digimarc solution automates the detection of tampering and removes the current requirement that cashiers or consumers visually inspect and notice that a card has been compromised prior to activation.

Digimarc Solution: Watermark Replaces Barcode 128

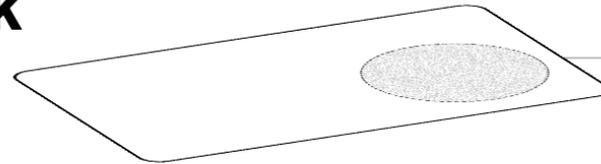
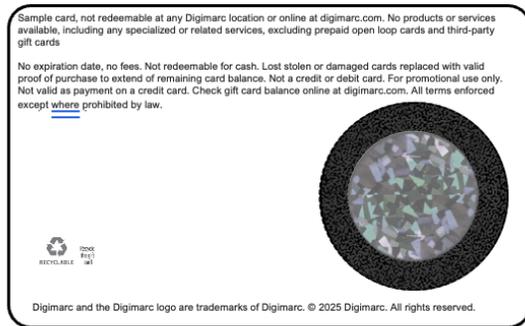
Digimarc's Secure Gift Card solution replaces traditional activation barcodes on gift cards, enabling gift card activation only if the watermarked area remains untampered.



Digimarc Solution: Security Card Stack

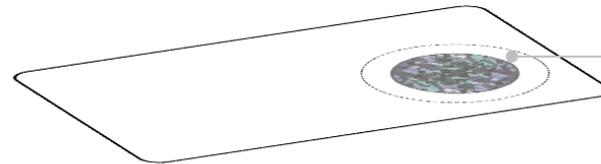
Digimarc's Secure Gift Card solution contains four layers of information placed on the card stock.

Security Card Stack



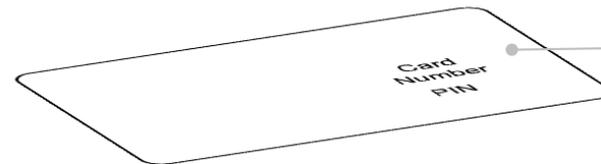
Tamper Evident Watermark

Printed during personalization step over the sticker and surrounding card stock. Barcode scanner authentication and activation by scanning sticker and surrounding area – replacing code 128.



Tamper Evident Sticker

Label to cover the CVV/Pin. Removal or tampering of Sticker results in unreadable Watermark



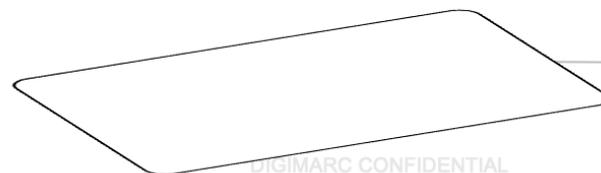
Account # & Pin Cover

Below the sticker is the human readable Pin and PAN for mobile/online redemption & balance check. The cover can't be removed without damaging the tamper evident sticker.



Static Artwork content

Intentionally placed to prevent barcode swapping and deter copying.



Card Stock

Digimarc Solution: Product Development

Digimarc continues to improve on its Secure Gift Card solution.

- Since introducing its initial gift card product (“V1.0”) in Summer 2025, Digimarc has continued iterating to make the gift card solution more secure and flexible to industry needs.
- Key product feature enhancements between V1.0 and its latest offering include:
 - Introduced “ScratchSense”, an AI-trained model that looks at the gift card scratch-off label to determine if it has been tampered with. Provides a complementary layer of security to the tamper-evident watermarks.
 - Added flexibility on size of watermarked area in response to customer requests to accommodate more font sizes, longer PINs, and more locations where PIN can be placed under scratch-off label.
 - Introduced functionality to support cards that have a magstripe by printing the activation code across both the packaging and the card. Renders the card unable to be activated if it has been disturbed/moved within the packaging as is often the case when bad actors attempt to skim the magstripe.

Digimarc Solution: Proven Effectiveness in Preventing Fraud

Digimarc's Secure Gift Card is >3x more secure than secure pack.

- In partnership with the gift card ecosystem, Digimarc has conducted thorough threat vector analyses across tens of thousands of cards in-lab.
- Detailed testing showed Digimarc-protected cards drastically increased effort required to effectively tamper with the card.
- As it relates to threat vectors, risks were assessed against all (but not limited to) the following:
 - Direct Tamper Attacks (Peel up label, scratch off label, replace with 128, etc.)
 - Barcode Swapping
 - Photocopy Attacks
 - Watermark Replication
- **Results: The risk score decreased from 72 to 20**



Traditional Card Design
Risk Score: 72



Digimarc Secure Card Design
Risk Score: 20

Digimarc Solution: Product Roadmap

Digimarc is collaborating closely with many ecosystem participants to inform its product roadmap and remain several steps ahead of fraudsters.

Near-term Strategy

- Digimarc advances both the on-card security layer as well as the functionality of its scanner SDK depending on how best to thwart each specific attack vector.
- Digimarc aims to update the scanner SDK as infrequently as possible and make its solution backwards compatible, so retailers are able to update their point-of-sale firmware on their own timelines without being subject to Digimarc's product release schedule.

Future Product Focus

- **Gift card merchandising.** A covert version of the Digimarc digital watermark can be placed on the gift card or the gift card carrier to speed up merchandisers' workflows, including performing real-time inventory checks, validating item prices, and identifying product locations.
- **Gift card redemption.** Digimarc's technology can also address gift card redemption by removing open-source redemption barcodes as well as human-readable numbers and replacing them with a covert version of its digital watermark. Requires changes to the existing redemption framework.
- **Digital wallet connection.** Digimarc technology can also be used to verify and authenticate the loading of gift card balances onto digital wallets.

Digimarc Solution: Schnucks Pilot Overview

In summer 2025, Schnucks became the first retailer to pilot Digimarc's Secured Gift Card solution.

DIGIMARC | CASE STUDY

Digimarc-protected gift cards *prevent fraud* at Schnucks checkout

Gift card fraud is more pervasive than ever, eroding consumer trust and costing retailers, brands, and consumers hundreds of millions of dollars annually. Why? Because bad actors are able to quickly defeat new physical safeguards — often as soon as they are introduced. That's why Schnucks Markets decided to implement Digimarc's technology-enabled gift card security solution.



Digimarc-protected gift cards are **3x more secure** than cards with traditional physical security alone.*



Challenge

Schnucks Markets, a regional grocery retailer, faced rising incidents of gift card fraud. Not only were the direct and indirect financial costs adding up, but customers were also losing brand trust. It was clear to management that traditional physical security layers built into card packaging weren't deterring bad actors—and manual card inspections by cashiers couldn't reliably detect tampered cards.



Digimarc Solution

Digimarc partnered with Schnucks, Blackhawk Network, Westrock, STL Labels, Zebra Technologies, and four major brands to implement its new security solution: replacing gift card activation barcodes with Digimarc's tamper-evident solution. Tampered cards wouldn't activate, automatically stopping fraud at point of activation, whereas untampered cards activated instantly upon scanning. No changes to merchandising, network activation, or POS systems were required.



Results

Over a 10-week period across 10 St. Louis Schnucks stores:

- There were **no reports of fraud** on Digimarc-secured cards—a significant improvement compared to 1) incidents of fraud on cards not secured by Digimarc over this same period and 2) incidents of fraud on participating brands' cards over a comparable period prior to adopting Digimarc.
- 100% of Digimarc-protected gift cards activated successfully.
- 87% of cashiers said cards protected by the Digimarc solution activated as fast or faster than traditional gift cards, resulting in faster checkout.
- Cashiers no longer needed to open complex packaging or examine gift cards for fraud, which further streamlined checkout.
- No training was needed for customers at self-service checkout.

"We are confident the watermarked gift cards developed by the Digimarc team will significantly mitigate the persistent gift card fraud prevalent within the retail sector. From the initial planning and discovery phases through the completion of the pilot program, the Digimarc team consistently prioritized and addressed our concerns while maintaining a seamless experience for both our customers and our checkers." — Dianna Kaiser, Schnucks Store Auditor and Compliance Officer

www.digimarc.com/resources/guides-papers/digimarc-gift-card-risk-intelligence

Digimarc Solution: Ecosystem Benefits

The benefits of adopting Digimarc's watermarks accrue to several members of the gift card ecosystem, including brands, retailers, printers and gift card networks.

- **Brands:** Reduce fraud, lower costs (gift card bill of materials, customer service, and appeasement), improve marketing, gain regulatory compliance, remove excess packaging, increase retailer partner satisfaction
- **Retailers:** Reduce fraud, lower costs (customer service and appeasement), improve checkout speeds, improve merchandising, gain regulatory compliance, avoid future capex
- **Printers:** Increase market share, lower operational and inventory complexity, gain higher line utilization rate, increase production speeds, avoid future capex
- **Gift Card Networks:** Reduce fraud, increase gift card program sales, gain market leadership, protect industry growth and profitability



Digimarc Solution: Implementation Requirements

Digimarc's solution implementation requires modest changes to the card manufacturer supply chain as well as updates to retailers' scanner firmware.

Gift Card Ecosystem Activation Steps for Digimarc

Ecosystem Participant	Implementation Requirements	Implementation Partner(s)	Complexity	Completion Time	
				Low	High
Printer Equipment Manufacturers	Update quality control (QC) software to add Digimarc SDK	Digimarc	Low	0 Days	2 Weeks
Card Printers	Ensure print line readiness (purchase printer heads if necessary, update embedder and QC software)	Printer equipment mfrs.	Low/Medium	Weeks	Months
	Purchase supplies necessary to print to Digimarc spec (e.g. holographic scratch-off label, white ink)	STL, consumable suppliers	Low	Days	1 Month
	Get certified by Digimarc	Digimarc	Medium	2 Weeks	1 Month
Label Providers	Print or manufacture holographic scratch-off label	In-house	Low	1 Day	3 Weeks
Gift Card Networks	Enter new SKUs into retailer system	Retailers	Low	1 Day	1 Day
Brands / Program Managers	Redesign gift card	In-house / program manager	Low/Medium	Days	Months
	Ensure requisite printer readiness	Printer	Low/Medium	0 Days	Wks/Mths
	Place gift card orders	Printer	Low	Weeks	3 Months
Scanner Hardware Manufacturers	Update firmware with Digimarc SDK	Digimarc	Low	3 Months	4 Months
	Deliver firmware back to Digimarc to sign off	Digimarc	Low		
	Quality assurance (QA)	In-house	Medium/High		
	Cybersecurity testing	In-house	Medium		
Retailers (Distribution Partner)	Ship to retailers	Retailers	Low		
	Conduct in-lab testing of firmware	In-house / systems integrators	Low/Medium	1 Week	2 Weeks
	Rollout firmware according to normal firmware rollout procedures	In-house / systems integrators	Low/Medium	2 Weeks	3 Months
	Merchandise cards	In-house / merchandising partner	Low	1 Week	1 Month

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Gift Card Opportunity: Serviceable Addressable Market

Digimarc's US Serviceable Addressable Market opportunity is 3 billion to 5 billion gift cards.

Card Volume Opportunity

- Digimarc is initially focused on penetrating the US closed-loop and open-loop gift card markets.
- Digimarc expects other geographic regions to fast follow should its solution be adopted by US brands and retailers.

Pricing Strategy – Three Stages

- **Stage 1:** Today, the solution is competitively priced below the cost differential of secure pack and card on carrier in order to subsidize start-up costs and early adopters.
- **Stage 2:** As market adoption increases, that price differential should shrink to parity, delivering significantly increased fraud protection at the same cost as secure pack.
- **Stage 3:** Ultimately pricing should capture a share of quantified fraud reduction in addition to new capabilities and features.

Serviceable Addressable Market (SAM)

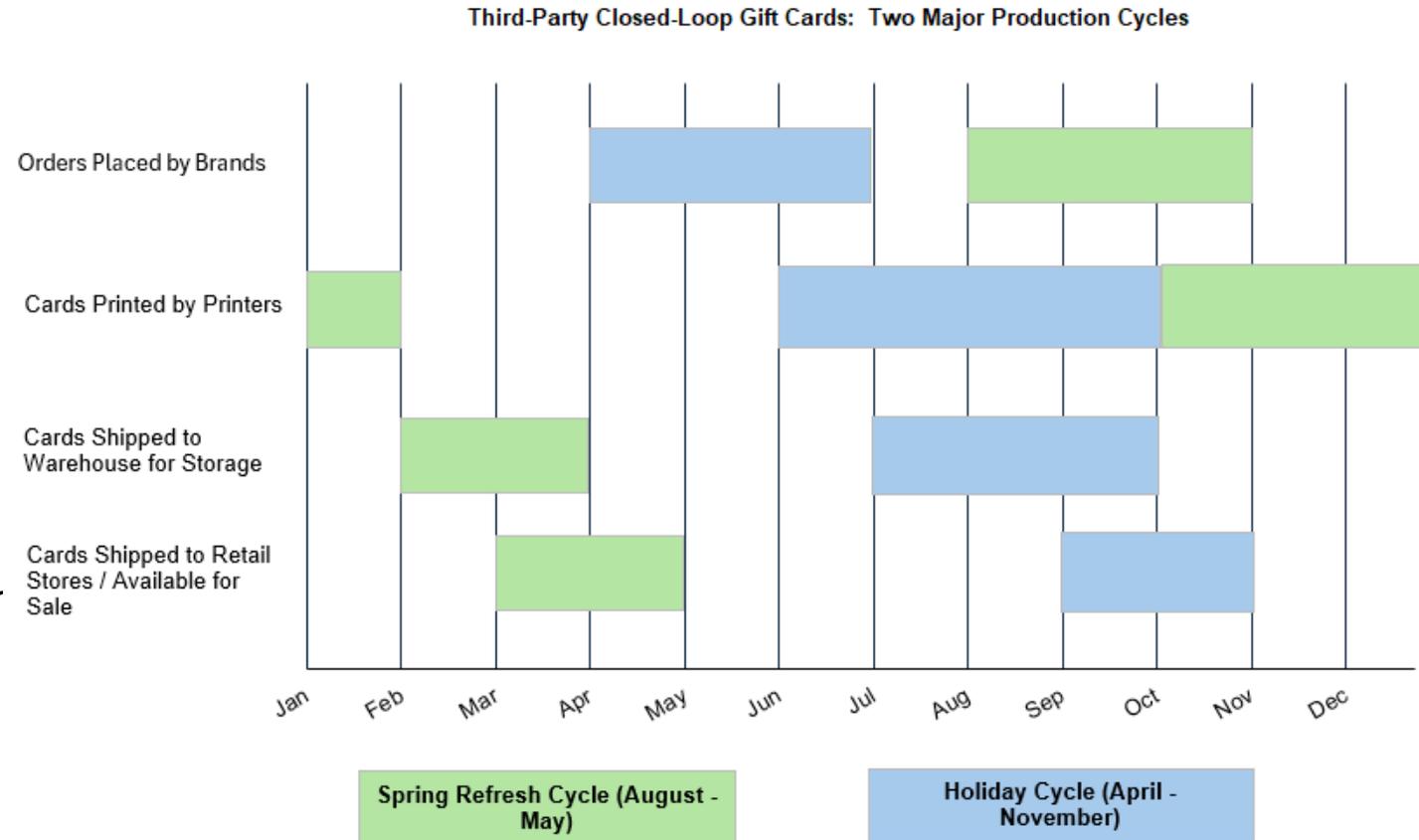
(Millions of Cards)

	US		Global		Comments
	Low	High	Low	High	
Total Gift Cards Sold	3,571	4,537	8,929	15,879	Low = Bottom-up analysis, High: Top-down analysis Global est. = 2.5x - 3.5x US volumes
% Physical	60%	75%	60%	75%	
Physical Cards Sold	2,143	3,403	5,357	11,909	
(+) Physical Cards Wasted	857	1,361	2,143	4,764	
(=) Physical Cards Produced	3,000	4,764	7,500	16,673	

Gift Card Opportunity: Production Seasonality

Third-party closed-loop gift card issuers tend to purchase the bulk of their gift cards in two distinct buying cycles: **Holiday (April – November)** and **Spring Refresh (August – May)**.

- **Third-party open-loop** gift card issuers experience relatively consistent ordering patterns with printers throughout the year.
- **First-party** gift card issuers tend to experience more variability in their purchasing cadence and often take advantage of better pricing from printers during seasonally slow periods.
- **Third-party closed-loop** gift card issuers tend to purchase the bulk of their gift cards in two distinct buying cycles: **Holiday (April – November)** and **Spring Refresh (August – May)**.



Gift Card Opportunity: Summary

Digimarc is working closely with all gift card ecosystem participants to monetize its Secure Gift Card solution and capture a 3 billion to 5 billion card licensing opportunity.

- The gift card industry represents a large and growing global market. It serves as a material driver of revenue and profits for brands and retailers as well as the interdependent ecosystem of gift card networks, suppliers and partners that support them.
- Gift card fraud continues to grow, impacting brands' and retailers' reputations, threatening industry growth and profitability, and bringing increased regulatory pressure. In response, the gift card industry is increasingly collaborating to find solutions.
- Existing security measures, primarily relying on physical packaging and analog tamper-evident features, are increasingly ineffective against organized fraud networks.
- Digimarc's Secure Gift Card solution is highly differentiated and cost-effective vs. existing solutions.
- Results to date demonstrate the power of Digimarc's solution -- strong fraud-reduction, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.
- The US serviceable addressable market (SAM) for Digimarc's solution is an estimated 3 billion to 5 billion cards annually. The global SAM is 7.5 billion to 17 billion cards annually.
- Key workstreams to enable large gift card printers are largely complete, and the focus for 2026 is commencing large-scale rollouts of Digimarc-enabled firmware across retailers' front-of-store scanners and catalyzing significant adoption of its solution by the gift card brands that are sold through those stores.

Gift Card Opportunity: Beyond Gift Cards

Digimarc's Secure Gift Card solution will drive cross-sell opportunities for other Digimarc Retail Loss Prevention solutions.

- Digimarc has 10+ years of established relationships with the major scanner hardware manufacturers and 5+ years of its scanner software being run at scale at major retailers in the US and Europe.
- Most of the existing scanner hardware installed base can read Digimarc watermarks with just simple activation; however, a firmware refresh is needed to activate Digimarc's Secure Gift Card solution as it requires the most recent versions of Digimarc's SDK.
- Retailers that adopt Digimarc's Secure Gift Card solution deliver two critical foundations for Digimarc's delivery of additional Retail Loss Prevention solutions:
 - Fully Digimarc-enabled Front of Store scanners
 - Champions in both Operations and Loss Prevention, two functions whose objectives often compete
- Digimarc is already in market with its [Product Swap Prevention](#) solution ([video](#)) and expects to continue collaborating with stakeholders across Ops and Loss Prevention to roll-out additional solutions.
- Digimarc's vision in Retail Loss Prevention is to be a high ROI solutions provider to retailers, helping them significantly cut shrink, improve operations, increase customer trust and loyalty, and expand profitability.

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Appendices – Helpful Resources

- Gift Card Industry
 - [Blackhawk Gift Card Essentials eBook – January 2026](#)
 - [Capital One Shopping Gift Card Statistics – November 2025](#)
- Digimarc Gift Card Product Information
 - [Digimarc Risk Intelligence for Gift Cards](#)
 - [Digimarc Gift Card Solution – Printer FAQs](#)
- Scanner Hardware Readiness
 - [Honeywell – November 2025](#)
 - [Zebra – December 2025](#)
 - [Datalogic – January 2026](#)
- Schnucks Pilot
 - [Schnucks Pilot Press Release – December 2025](#)
 - [Schnucks Pilot Case Study – December 2025](#)





Thank You