

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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