



Digimarc Reports First Quarter 2026 Financial Results

Beaverton, Ore. – May 12, 2026 – Digimarc Corporation (NASDAQ: DMRC) reported financial results for the first quarter ended March 31, 2026.

"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," said Riley McCormack, Digimarc CEO. "In Q1 2026, we made significant progress against our strategy of building the trust layer for the modern world while delivering a 9% sequential increase in ending ARR⁽¹⁾ and expanding our subscription gross profit margin⁽²⁾ 400 basis points year-over year."

First Quarter 2026 Financial Results

Subscription revenue for the first quarter of 2026 was \$4.4 million compared to \$5.3 million for the first quarter of 2025. The decrease reflects \$1.5 million lower subscription revenue from the expiration of two commercial contracts in 2025, partially offset by an increase from new and existing commercial contracts.

Service revenue for the first quarter of 2026 was \$3.2 million compared to \$4.1 million for the first quarter of 2025. The decrease primarily reflects \$0.5 million of lower commercial service revenue from HolyGrail 2.0 recycling projects, as that work was previously completed.

Total revenue for the first quarter of 2026 was \$7.6 million compared to \$9.4 million for the first quarter of 2025.

ARR⁽¹⁾ as of March 31, 2026 was \$15.0 million compared to \$20.0 million as of March 31, 2025. The decrease primarily reflects the expiration of two commercial contracts, one in April 2025 that accounted for a total of \$3.7 million of ARR and the other in October 2025 that accounted for \$3.1 million of ARR, partially offset by \$1.8 million of net increases to ARR from new and existing commercial contracts.

Gross profit margin for the first quarter of 2026 was 60% compared to 65% for the first quarter of 2025. Subscription gross profit margin⁽²⁾ increased to 90% from 86% and service gross profit margin⁽²⁾ decreased to 57% from 65% for the first quarter of 2026 compared to the first quarter of 2025.

Non-GAAP gross profit margin for the first quarter of 2026 was 83% compared to 81% for the first quarter of 2025.

Operating expenses for the first quarter of 2026 were \$11.7 million compared to \$18.2 million for the first quarter of 2025. The decrease primarily reflects \$4.2 million of lower cash compensation costs largely due to lower headcount and \$3.2 million of lower cash severance costs resulting from the reduction in force in the first quarter of 2025, partially offset by \$1.0 million of legal costs associated with the corporate reorganization.

Non-GAAP operating expenses for the first quarter of 2026 were \$8.1 million compared to \$16.5 million for the first quarter of 2025.

Net loss for the first quarter of 2026 was \$7.0 million or (\$0.32) per diluted share compared to \$11.7 million or (\$0.55) per diluted share for the first quarter of 2025.

Non-GAAP net loss for the first quarter of 2026 was \$1.6 million or (\$0.07) per diluted share compared to \$8.5 million or (\$0.40) per diluted share for the first quarter of 2025.

At March 31, 2026, cash, cash equivalents and marketable securities totaled \$10.0 million compared to \$12.9 million at December 31, 2025. Free cash flow usage for the first quarter of 2026 was \$2.0 million compared to \$5.6 million for the first quarter of 2025.

(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) Cost of revenue, Gross profit and Gross profit margin for Subscription and Service excludes amortization expense on acquired intangible assets.

Conference Call

Digimarc will hold a conference call today (Tuesday, May 12, 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 and investor presentation will also be posted to the company's website shortly before the call.

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

Toll Free number: 877-407-0832

International number: 201-689-8433

Conference ID number: 13754826

Company Contact:

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About Digimarc

Digimarc Corporation (NASDAQ: DMRC) is building the trust layer for the modern world. As AI accelerates how we produce, share, and interact with the world, the risks of fraud, counterfeiting, and misinformation are growing exponentially. Our innovative, highly scalable, and ultra-secure solutions make it possible for consumers, businesses, and intelligent systems to instantly verify what's real, protect what matters, and transact with confidence. Digimarc's solutions for loss prevention, authentication, and digital are built to counter the speed and sophistication of today's AI-enabled threats. Trusted by the world's central banks to deter the counterfeiting of global currency, we exist to protect truth in every interaction, spanning both the physical and digital worlds. Learn more at Digimarc.com.

Forward-Looking Statements

Except for historical information contained in this release, the matters described in this release contain various "forward-looking statements." These forward-looking statements include statements identified by terminology such as "will," "should," "may," "expects," "estimates," "predicts" and "continue" or other derivations of these or other comparable terms. These forward-looking statements are statements of management's opinion and are subject to various assumptions, risks, uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied from the statements in this release as a result of changes in economic, business and regulatory factors. More detailed information about risk factors that may affect actual results are outlined in the company's Form 10-K for the year ended December 31, 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 loss, Non-GAAP net 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 Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2026	2025
Revenue:		
Subscription	\$ 4,369	\$ 5,314
Service	3,210	4,054
Total revenue	7,579	9,368
Cost of revenue:		
Subscription (2)	456	744
Service (2)	1,378	1,407
Amortization expense on acquired intangible assets	1,208	1,132
Total cost of revenue	3,042	3,283
Gross profit:		
Subscription (2)	3,913	4,570
Service (2)	1,832	2,647
Amortization expense on acquired intangible assets	(1,208)	(1,132)
Total gross profit	4,537	6,085
Gross profit margin:		
Subscription (2)	90%	86%
Service (2)	57%	65%
Total	60%	65%
Operating expenses:		
Sales and marketing	2,082	5,078
Research, development and engineering	3,747	7,634
General and administrative	5,555	5,181
Amortization expense on acquired intangible assets	289	271
Total operating expenses	11,673	18,164
Operating loss	(7,136)	(12,079)
Other income, net	171	369
Loss before income taxes	(6,965)	(11,710)
Provision for income taxes	(1)	(20)
Net loss	\$ (6,966)	\$ (11,730)
Net loss per share:		
Net loss per share — basic	\$ (0.32)	\$ (0.55)
Net loss per share — diluted	\$ (0.32)	\$ (0.55)
Weighted average shares outstanding — basic	22,008	21,521
Weighted average shares outstanding — diluted	22,008	21,521

Digimarc Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2026	2025
GAAP gross profit	\$ 4,537	\$ 6,085
Amortization of acquired intangible assets	1,208	1,132
Amortization and write-off of other intangible assets ⁽³⁾	207	220
Stock-based compensation	347	137
Non-GAAP gross profit	\$ 6,299	\$ 7,574
Non-GAAP gross profit margin	83%	81%
GAAP operating expenses	\$ 11,673	\$ 18,164
Depreciation and write-off of property and equipment	(154)	(146)
Amortization of acquired intangible assets	(289)	(271)
Amortization and write-off of other intangible assets	(121)	(59)
Amortization of lease right of use assets under operating leases	(117)	(98)
Stock-based compensation	(1,662)	(1,123)
Corporate reorganization expenses	(1,223)	—
Non-GAAP operating expenses	\$ 8,107	\$ 16,467
GAAP net loss	\$ (6,966)	\$ (11,730)
Total adjustments to gross profit	1,762	1,489
Total adjustments to operating expenses	3,566	1,697
Non-GAAP net loss	\$ (1,638)	\$ (8,544)
GAAP net loss per diluted share	\$ (0.32)	\$ (0.55)
Non-GAAP net loss	\$ (1,638)	\$ (8,544)
Non-GAAP net loss per diluted share	\$ (0.07)	\$ (0.40)
Free cash flow		
Cash flows from operating activities	\$ (1,847)	\$ (5,486)
Purchase of property and equipment	(44)	(55)
Capitalized patent costs	(77)	(88)
Free cash flow	\$ (1,968)	\$ (5,629)

(3) In the second quarter of fiscal 2025, management updated its definition of Non-GAAP gross profit to adjust for the amortization of patent maintenance costs. The related amortization expense for the three months ended March 31, 2026 and 2025 is now reflected in "amortization and write-off of other intangible assets" above to calculate Non-GAAP gross profit, Non-GAAP net loss and Non-GAAP net loss per diluted share.

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

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,818	\$ 9,820
Marketable securities	1,145	3,046
Trade accounts receivable, net	7,092	6,513
Other current assets	1,988	1,961
Total current assets	<u>19,043</u>	<u>21,340</u>
Property and equipment, net	989	1,104
Intangibles, net	15,244	17,045
Goodwill	8,923	9,056
Lease right of use assets	3,121	3,238
Other assets	1,190	1,175
Total assets	<u>\$ 48,510</u>	<u>\$ 52,958</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 6,004	\$ 4,359
Deferred revenue	4,227	3,993
Total current liabilities	<u>10,231</u>	<u>8,352</u>
Long-term lease liabilities	4,073	4,314
Other long-term liabilities	140	63
Total liabilities	<u>14,444</u>	<u>12,729</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	22	22
Additional paid-in capital	425,789	424,665
Accumulated deficit	(390,053)	(383,087)
Accumulated other comprehensive loss	(1,742)	(1,421)
Total shareholders' equity	<u>34,066</u>	<u>40,229</u>
Total liabilities and shareholders' equity	<u>\$ 48,510</u>	<u>\$ 52,958</u>

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

	Three Months Ended	
	March 31,	
	2026	2025
Cash flows from operating activities:		
Net loss	\$ (6,966)	\$ (11,730)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	154	146
Amortization of acquired intangible assets	1,497	1,403
Amortization and write-off of other intangible assets	328	193
Amortization of lease right of use assets under operating leases	117	98
Stock-based compensation	2,009	1,260
Increase (decrease) in allowance for doubtful accounts	21	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(566)	(149)
Other current assets	(44)	1,331
Other assets	(44)	(105)
Accounts payable and other accrued liabilities	1,624	1,549
Deferred revenue	231	689
Lease liability and other long-term liabilities	(208)	(171)
Net cash provided by (used in) operating activities	(1,847)	(5,486)
Cash flows from investing activities:		
Purchase of property and equipment	(44)	(55)
Capitalized patent costs	(77)	(88)
Proceeds from maturities of marketable securities	2,128	6,564
Purchases of marketable securities	(227)	(2,864)
Net cash provided by (used in) investing activities	1,780	3,557
Cash flows from financing activities:		
Purchase of common stock	(885)	(1,545)
Repayment of loans	(3)	(15)
Net cash provided by (used in) financing activities	(888)	(1,560)
Effect of exchange rate on cash	(47)	26
Net increase (decrease) in cash and cash equivalents	\$ (1,002)	\$ (3,463)
Cash, cash equivalents and marketable securities at beginning of period		
	\$ 12,866	\$ 28,730
Cash, cash equivalents and marketable securities at end of period		
	9,963	21,567
Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (2,903)	\$ (7,163)

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DIGIMARC

Digimarc Corporation (DMRC) Conference Call First Quarter 2026 Financial Results

May 12, 2026

Welcome: Charles Beck

Welcome everyone to our Q1 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 Q1 2026 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 Q1 performance, highlight our strategic progress across product innovation and commercial execution, share updates on financial metrics such as ARR and free cash flow, and provide clarity on where we are focused in 2026.

In Q1, we made significant progress in advancing adoption of our Secure Gift Card solution. As we shared on our last call, during Q1 we achieved a critical milestone by signing our first commercial order covering six Closed-Loop and Open-Loop brands. We also made headway in laying the rails for additional orders and are currently advancing initial rollout plans with fifteen North American retailers, including eight of the 20 largest as measured by sales, an increase from eight and four, respectively, since our call only two months ago. We secured upsells with three existing customers of our Anti-counterfeiting solution. We continued to execute against the large opportunity in Digital Trust & Integrity, securing a six-figure upsell with an existing customer while progressing a natural and exciting extension of our trust layer strategy that provides a critical, unmet need for scalable agentic AI. And we continue to add key talent across our company, especially in our Go-To-Market functions, including the recent addition of two accomplished sales leaders who have hit the ground running.

Touching on our financial highlights in Q1, we grew Ending ARR⁽¹⁾ 9% sequentially while also expanding our subscription gross margin⁽²⁾ 400 basis points year-over-year. We ended the quarter with \$10.0M of cash and investments, and no debt. And we expect to implement our new corporate structure shortly, allowing us to realize the benefits discussed on our last call.

Slide 4

As a reminder, our three focus areas are Retail Loss Prevention, Product Authentication, and Digital Trust & Integrity, and we serve these markets with the seven solutions you see listed on this slide. In addition, 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.

Slide 5

Starting with an update on Retail Loss Prevention, we continue to make progress towards gaining widespread adoption of our Secure Gift Card solution, 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 – significant fraud-reduction, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.

As a reminder, 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. We appreciate the feedback we have received regarding the benefit this supplemental has provided in helping investors better understand the opportunity ahead.

We are experiencing a noticeable uptick in market pull for our solution as the level of retailer, brand, and gift card network engagement has increased meaningfully, even from our last earnings call just two months ago. Before I provide more details on that increased engagement, I want to provide an update on the two rollouts we shared on our last call. First, the rollout to all Schnucks locations is underway. Next, the summer rollout with the other retailer mentioned will be more limited than originally planned, with the full ~600 location rollout now targeted for January 2027.

As discussed on our March call, the greatest source of timing risk has been the scanner vendors shipping generally available (GA) versions of their firmware running our latest software. While eight scanner models were GA'd in the requisite timeframe we highlighted on that call, two were not, including one model critical to this retailer's front end. This delay had nothing to do with our software. Instead, it was related to base functionality key to enabling the retailer to push any firmware update in a scalable fashion, leading to the smaller summer launch. The scanner vendor has subsequently shipped the updated firmware, which is currently undergoing normal acceptance testing by the retailer. Importantly, this retailer's commitment to their customers, and their belief that our solution will help protect those customers, remains unchanged. We look forward to partnering with them in the months and years ahead.

April is a busy month in the gift card industry as both large gift card networks host summits enabling their ecosystems to co-ordinate ahead of the Holiday season. As a result of these summits as well as many other meetings -- including an event at our headquarters attended by representatives from two very large retailers and a leading program manager -- we are now advancing rollout plans with 15 North American retailers, including 8 of the 20 largest as measured by sales. This represents a meaningful increase in both metrics since our Q4 call only 2 months ago.

This momentum is being driven not only by us but also by key industry participants, and in the last few weeks alone we have heard about retailers proactively engaging with major brands to encourage their adoption of our solution as well as with other retailers to increase the incentive for widely sold brands to speed their adoption. Similar momentum-building actions are being undertaken by the networks and key brands, and we are focused on orchestrating the multiple moving parts to ensure initial rollouts proceed as quickly and excellently as possible.

As discussed on our last call, in Q1, we closed our first Secure Gift Card commercial order, representing over \$500 thousand of ARR⁽¹⁾. This order included gift cards from

six Closed-Loop and Open-Loop brands. Just as we are on the retailer side, we continue to expand our number of brand engagements, including some of the largest Open-Loop and Closed-Loop issuers, comprising both third party and first party opportunities.

In addition to being a large market itself, we have discussed the value we see in Secure Gift Cards opening opportunities in the much larger Retail Loss Prevention market. Lighting up retailers for our gift card solution provides us a key technological footprint, as our software will be widely distributed across their front of store scanners. It also creates Digimarc champions in both Operations and Loss Prevention, two teams that often have competing priorities and where we stand out with our ability to deliver value to both. This unique position should aid us in cross-selling additional solutions into our retailer customers as well as provide us differentiated and invaluable voice of market for the advancement of new solution candidates.

We are already seeing encouraging signs that provide validation of this strategy. Multiple retailers have expressed an early interest in our Product Swap Prevention solution, including one very large retailer who in addition asked about our ability to solve another problem they (and the industry) are facing, counterfeit coupons. Without losing focus on the opportunity immediately in front of us, we are excited to engage further across all these opportunities, including the exploration of this new potential solution for counterfeit coupons as we believe our work in Product Authentication provides us a valuable foundation upon which to build.

Slide 6

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, putting brands in a reactive position 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 proactive solution provides superior results when compared to competing analog solutions such as tags, codes, inks, or labels.

We closed three upsell deals with existing customers of our Anti-counterfeiting solution. These brands represent leading companies from different industries, pharmaceuticals, food and beverage, and consumer goods, highlighting the wide applicability of our solution across many different verticals.

We are fortunate to have some of the largest and well-known companies in the world as valued customers. As we have repeatedly stated, when we solve our customers' most challenging problems, we expect to benefit from further upsell and cross-sell revenue generation for a long time.

Slide 7

Turning now to Digital Trust & Integrity, we continue to execute against this large and greenfield opportunity. 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.

We secured a 6-figure upsell with the global technology company that has adopted the Leak Detection for Web Content solution we discussed on our last call. We progressed discussions with the important industry group we have previously mentioned that is searching for an industry solution to a problem they previously felt unsolvable. As a result, we expect to soon enter direct conversations with leading companies in this industry regarding our ability to help them solve this (and other) problems made worse by the advance of AI. And we're seeing engagement with U.S. government innovation programs. Digimarc has been included as a potential participant in a SOFWERX Field-Forward Technology Sprint, an early but tangible signal that our technology is relevant in contested, mission-critical environments.

Touching quickly on product innovation in the large and rapidly evolving Digital Trust & Integrity space, we are progressing a natural extension of our trust layer strategy that directly aligns with our existing IP and operating history and addresses a critical, unmet need for scalable agentic AI. While the ultimate direction in how we attack this opportunity is being shaped by real-time industry engagement, the idea that enterprises will require an ultra-scalable way to verify what is real, authentic, and authorized as AI systems become more autonomous is gaining widespread acceptance. And providing an ultra-scalable way to verify what is real, authentic, and authorized is an area we believe we have a unique right to win.

Agents act at machine speed, negotiating, transacting, and moving information without any human review. This not only increases the attack surface, it makes the agents themselves part of that surface. Existing software security architectures were built on the underlying assumption of human involvement, a premise that is rapidly eroding. As agents shift from content creation for human review to truly autonomous action, technology must replicate human experience and judgment, or agentic utility will remain constrained by limitations placed on the tasks they are entrusted to undertake.

Slide 8

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.

The Belgian and German market demonstrations of our Recycling solution remain on track and we are eager for the results. 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, providing tangible proof of our solution’s ability to – among other things – create new end markets for recycled plastic. As a reminder we believe this capability is crucial to the industry’s ability to comply with the sunrise of the EU’s Packaging and Packaging Waste Regulation (PPWR).

We have also closed two upsell deals with existing Engage customers, one in Q1 and another already in Q2.

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

Financial Results: Charles Beck

Slide 10

Thank you, Riley.

Ending ARR⁽¹⁾ for Q1 was \$15.0 million compared to \$20.0 million for Q1 last year. The decrease reflects the previously disclosed loss of two customer contracts in 2025, which

accounted for \$6.8 million of ARR. Excluding these two items, ARR grew \$1.8 million year-over-year, which included \$500 thousand of ARR from gift cards in Q1 this year. Sequential ARR growth was 9%.

Looking ahead, we still expect to deliver significant ARR growth in 2026, although the composition of that growth has changed. As a result of the scanner delays Riley mentioned, we no longer expect Gift Cards to be the largest contributor. This is purely a result of timing of initial rollouts as opposed to our conviction in the opportunity. There is tangible market pull for our solution, and the level of retailer, brand, and gift card network engagement has meaningfully increased.

Slide 11

Total revenue for Q1 was \$7.6 million, a decrease of \$1.8 million, from \$9.4 million in Q1 last year with the change equally split between subscription and service revenue.

Subscription revenue, which accounted for 58% of total revenue for the quarter, decreased \$900 thousand from \$5.3 million to \$4.4 million. Excluding the impact of the two contracts I referenced earlier, which accounted for \$1.5 million of subscription revenue in Q1 last year, subscription revenue would have increased by \$600 thousand.

Service revenue decreased \$800 thousand from \$4.1 million to \$3.2 million. Service revenue in Q1 last year included \$500 thousand of revenue from HolyGrail 2.0 recycling projects compared to none this year. We don't expect further service revenue from HolyGrail 2.0, as that program has ended, and HolyGrail 2030 is focused on deploying end-to-end market demonstrations.

Subscription gross profit margin⁽²⁾ was 90% for the quarter, 4 points higher than Q1 last year, largely reflecting lower subscription platform costs. We continue to drive down our platform costs, which year-over-year are now down \$300 thousand.

Service gross profit margin⁽²⁾ was 57% for the quarter, down 8 points from 65% in Q1 last year. The decrease was due to an abnormally favorable mix of revenue and costs in

Q1 last year. Service gross profit margin has routinely been in the high 50's.

Operating expenses were \$11.7 million for the quarter, down \$6.5 million or 36% from \$18.2 million in Q1 last year. The large decrease reflects \$7.4 million in lower cash compensation costs, due to lower headcount and \$3.2 million in severance costs incurred last year, lower consulting costs of \$500 thousand and lower software and hardware costs of \$300 thousand. These cost savings were partially offset by higher one-time legal and other costs of \$1.2 million related to the corporate reorganization and \$500 thousand higher stock compensation expense.

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 our two prior calls, 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 \$8.1 million for the quarter, down \$8.4 million or 51% from \$16.5 million in Q1 last year. The large decrease reflects the aforementioned lower cash compensation, consulting and software and hardware costs.

Net loss per diluted share for the quarter was 32 cents versus 55 cents in Q1 last year. Non-GAAP net loss per diluted share for the quarter was 7 cents versus 40 cents in Q1 last year.

Slide 12

Regarding cash flow, we ended the quarter with \$10.0 million in cash and short-term investments, with no debt. We used a little under \$2.0 million in free cash flow⁽³⁾ and \$900 thousand to buy back stock as part of our employee stock program. The stock buyback of 169 thousand shares was higher than in recent quarters as more shares typically vest in Q1 than in other quarters due to the timing of our annual compensation

cycle.

Slide 13

Free cash flow usage improved \$3.7 million from Q1 last year. The improvement was despite a headwind to revenue and an unfavorable change in working capital and other activity of \$3.4 million year-over-year. The change in working capital was largely due to the timing and amount of cash receipts and payments. Reiterating what I have shared previously, working capital can swing significantly quarter to quarter based on timing, which is why we believe that non-GAAP net income/loss is a better proxy for normalized free cash flows. Our non-GAAP net loss improved \$6.9 million, or 81%, from \$8.5 million in Q1 last year to \$1.6 million in Q1 this year. As a reminder, in Q1 each year we incur roughly \$500 thousand of costs related to public company year-end expenses. Excluding these costs, our Q1 non-GAAP loss this year would have been \$1.1 million.

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

Before I wrap up, I did want to mention that we will be attending two upcoming investor conferences. The first is Needham, which is tomorrow, and the second is Oppenheimer, which is in mid-August. We will keep you all informed of any other investor conferences we plan to attend. Also, we expect to finalize our new corporate structure, which was approved by shareholders, on or around May 16th. The new corporate structure will result in a CUSIP change. Our transfer agent Broadridge will be contacting investors directly on how to exchange shares.

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

Concluding Remarks: Riley McCormack

Slide 14

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, 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 grew Ending ARR⁽¹⁾ 9% sequentially while expanding our Subscription Gross Margin⁽²⁾ 400 basis points year-over-year.

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 progressing initial rollout plans with fifteen North American retailers, including eight of the 20 largest as measured by sales, a significant increase in both metrics since our last earnings call only two months ago.

ARR from our Anti-counterfeiting solution continues to grow, driven by customer upsells and new customer wins. In Q1, we secured three upsells from existing customers representing leading companies from three different verticals.

We continued to execute against the large opportunity in the exciting and greenfield Digital Trust & Integrity space, securing a 6-figure upsell with a global technology

company, advancing engagement with important force multipliers, and progressing a natural and exciting extension of our trust layer strategy that directly aligns with our existing IP and operating history and provides a critical, unmet need for scalable agentic AI.

We added key talent across our Go-To-Market functions, including two accomplished sales leaders.

And we continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe. We are eager for the results of the two upcoming end-to-end market demonstrations of our Recycling solution, as we believe they will show our ability to help the industry comply with the sunrise of the EU's Packaging and Packaging Waste Regulation (PPWR).

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



First Quarter 2026
May 12, 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

Grew Ending ARR⁽¹⁾ 9% sequentially; advancing Secure Gift Card rollout plans with 15 North American retailers, including 8 of the top 20 largest⁽²⁾

Business Highlights

- Secured our first Secure Gift Card commercial order covering six Closed-Loop and Open-Loop brands.
- Advancing rollout plans with 15 North American retailers, including 8 of the top 20 largest⁽²⁾.
 - Up from 8 North American retailers, including 4 of the top 20 largest⁽²⁾, in the last two months.
- Secured 3 upsells with existing customers for our Anti-counterfeiting solution.
- Continued to execute against the large opportunity in Digital Trust & Integrity.
 - Secured a 6-figure upsell with the global technology company that has adopted our Leak Detection for Web Content solution (ARR impact in Q2).
 - Progressing a natural and exciting extension of our trust layer strategy that directly aligns with our existing IP and operating history and provides a critical, unmet need for scalable agentic AI.
- Added key talent across Go-To-Market functions, including two accomplished sales leaders.

Financial Highlights

- Grew Ending ARR⁽¹⁾ 9% sequentially.
- Grew Subscription Gross Margin⁽³⁾ 400 basis points year-over-year.
- We ended the quarter with \$10.0M of cash and investments, and no debt.
- We expect to implement our new corporate structure on or around May 16th.

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 rollout plans with 15 North American retailers, including 8 of the top 20 largest⁽²⁾

- Results to date demonstrate the power of our solution – significant fraud-reduction, improved checkout experience, and high scalability across printers, brands, and retailers, all without any adverse impact on sales.
 - For more information on the market and our solution, please refer to our [Gift Card Investor Supplemental](#).
- The US serviceable addressable market (SAM) for our solution is an estimated 3 billion to 5 billion cards annually. The global SAM is an estimated 7.5 billion to 17 billion cards annually.
- Advancing rollout plans with 15 North American retailers, including 8 of the top 20 largest⁽²⁾ (an increase from 8 and 4, respectively)
 - Schnucks chain-wide rollout is underway.
 - Second retailer summer roll-out downsized due to delay in scanner firmware unrelated to our software. Broader rollout now scheduled for January 2027. This is a timing adjustment only — retailer commitment, scope, and program objectives remain unchanged.
- Secured our first Secure Gift Card commercial order in Q1, covering six Closed-Loop and Open-Loop brands.
- In conversation with additional Open-Loop and Closed-Loop brands, comprising both 3rd party and 1st party issuers.
- Multiple retailers have expressed an early interest in our Product Swap Prevention solution, including one very large retailer who in addition asked about our ability to solve another problem they (and the industry) are facing, counterfeit coupons.
 - While compelling validation that our Secure Gift Card solution can provide a wedge into the much larger Retail Loss Prevention category, we remain focused on delivering on the opportunity immediately in front of us.
- 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.

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 even easier with the advancement of AI.
- Decentralized supply chains and omnichannel sales make counterfeit detection more difficult, putting brands in a reactive position 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 proactive [Anti-counterfeiting](#) solution provides superior results when compared to competing analog solutions such as tags, codes, inks, or labels.
- We signed 3 upsells with leaders in the Pharmaceuticals, Food and Beverage, and Consumer Goods industries.
- We are fortunate to have some of the largest and well-known companies in the world as valued customers and expect to benefit from further upsell and cross-sell revenue generation in the future.

Digital Trust & Integrity

We continue to execute against this large opportunity and are progressing a natural extension of our strategy that provides a critical, unmet need for scalable agentic AI

- 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.
- We secured a 6-figure upsell with the [global technology company](#) that has adopted our [Leak Detection for Web Content](#) solution (ARR impact in Q2).
- We progressed discussions with the important industry group we have previously mentioned that is searching for an industry solution to a problem they previously felt unsolvable. As a result, we expect to soon enter direct conversations with leading companies in this industry regarding our ability to help them solve this (and other) problems made worse by the advance of AI.
- Included as a potential participant in a SOFWERX Field-Forward Technology Sprint, reflecting the growing relevance of our technology in contested, mission-critical environments.
- Progressing a natural extension of our trust layer strategy that directly aligns with our existing IP and operating history and addresses a critical, unmet need for scalable agentic AI.

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. German end-to-end market demonstration slated to be live by Q3. We remain positioned for additional ARR in the future.

Digimarc Retail Experience



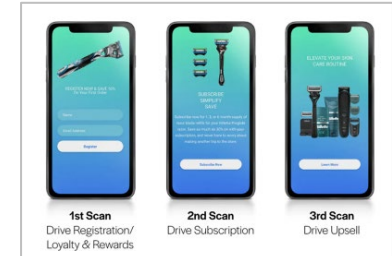
Continue to support Netto Marken Discount's use of our technology at their front of store. Scale and scope of experience provides foundation of Retail Loss Prevention opportunity.

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 in Q1 and another early in Q2.



Financial Update



Annual Recurring Revenue

Q1'26 Ending ARR⁽¹⁾ was \$15.0M vs \$20.0M in Q1'25

- ARR was negatively impacted by the previously disclosed loss of two customer contracts in 2025 that are outside of our focus areas.
- Excluding these headwinds, ARR grew \$1.8 million year-over-year.
- ARR grew 9% sequentially.

(\$'s in 000's)	YoY \$ Change
Q1'25 ending ARR ⁽¹⁾	\$19,973
DRS contract	(\$3,672)
Retailer contract	(\$3,090)
Other net activity ⁽⁴⁾	\$1,827
Q1'26 ending ARR ⁽¹⁾	\$15,038

Financial Summary

Q1'26 non-GAAP net loss⁽⁵⁾ was \$1.6M, an improvement of \$6.9M

- Subscription revenue was impacted by the previously disclosed loss of two customer contracts in 2025.
- Service revenue was impacted by the end of HolyGrail 2.0 recycling projects in 2025.
- The reduction in expenses reflects lower headcount and severance costs due to the Q1'25 reduction in force and lower non-headcount cash costs from our ongoing corporate streamlining efforts.

(\$'s in 000's, except per share amounts)	Q1'26	Q1'25	YoY % Improvement
Subscription revenue	\$4,369	\$5,314	(18%)
Service revenue	\$3,210	\$4,054	(21%)
Subscription gross profit margin ⁽³⁾	90%	86%	+4 Points
Service gross profit margin ⁽³⁾	57%	65%	-8 Points
Operating expenses	\$11,673	\$18,164	36%
Non-GAAP operating expenses ⁽⁵⁾	\$8,108	\$16,467	51%
Net income (loss)	(\$6,966)	(\$11,730)	41%
Non-GAAP net income (loss) ⁽⁵⁾	(\$1,638)	(\$8,544)	81%
Net income (loss) per diluted share	(\$0.32)	(\$0.55)	42%
Non-GAAP net income (loss) per diluted share ⁽⁵⁾	(\$0.07)	(\$0.40)	83%

Free Cash Flow

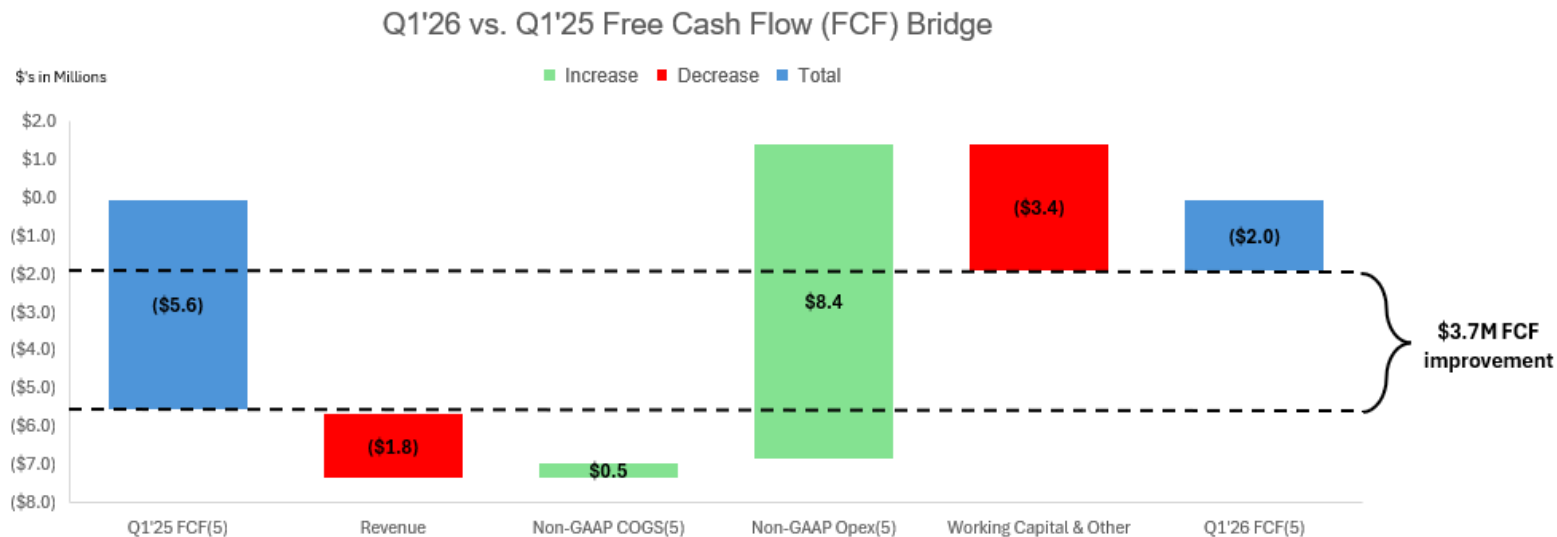
Q1'26 free cash flow⁽⁵⁾ was (\$2.0M), an improvement of \$3.7M from Q1'25

- We ended Q1'26 with \$10.0M of cash and short-term investments, and no debt.

(\$'s in 000's)	Q1'26	Q1'25	YoY \$ Improvement
Free cash flow generation (usage) ⁽⁵⁾	(\$1,968)	(\$5,629)	\$3,661
Non-GAAP net income (loss) ⁽⁵⁾	(\$1,638)	(\$8,544)	\$6,906

Free Cash Flow Bridge

\$3.7M improvement in free cash flow⁽⁵⁾ in Q1'26 vs Q1'25

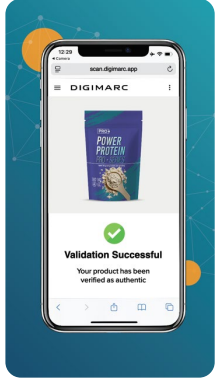
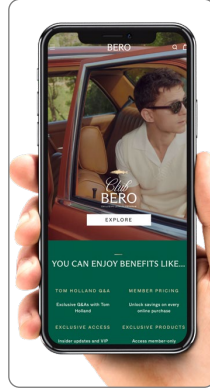


Concluding Remarks

We are capitalizing on the convergence of key trends driving increased demand for our solutions positioning ourselves to benefit from the relentless advance of AI

- We grew Ending ARR⁽¹⁾ 9% sequentially while expanding our Subscription Gross Margin⁽³⁾ 400 basis points year-over-year.
- 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 progressing initial rollout plans with 15 North American retailers, including 8 of the top 20 largest⁽²⁾.
 - This represents a significant increase from 8 North American retailers, including 4 of the top 20 largest⁽²⁾, since our last earnings call two months ago
- ARR from our Anti-counterfeiting solution continues to grow, driven by customer upsells and new customer wins.
- We continued to execute against the large opportunity in the exciting and greenfield Digital Trust & Integrity space, securing a 6-figure upsell with a global technology company, advancing engagement with important force multipliers, and progressing a natural and exciting extension of our trust layer strategy that directly aligns with our existing IP and operating history and provides a critical, unmet need for scalable agentic AI.
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- We continue to be well-positioned to address very large problems outside of our current focus areas when the markets are ripe
 - We are eager for the results of the two upcoming end-to-end market demonstrations of our Recycling solution as we believe they will show our ability to help the industry comply with the sunrise of the EU's Packaging and Packaging Waste Regulation (PPWR).

Q&A



Footnotes

- (1) 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.
- (2) The references to the Top 20 largest North American retailers was determined based on 2024 revenues.
- (3) Subscription and Service gross profit margins exclude amortization expense on acquired intangible assets from the EVERYTHING acquisition.
- (4) 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.
- (5) 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.