

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	19,043	21,340
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	10,231	8,352
Long-term lease liabilities	4,073	4,314
Other long-term liabilities	140	63
Total liabilities	14,444	12,729
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	34,066	40,229
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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