Digimarc Corporation
Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue:				
Subscription	$ 3,742	$ 4,624	$ 8,110	$ 9,938
Service	3,646	3,386	6,856	7,440
Total revenue	7,388	8,010	14,966	17,378
Cost of revenue:				
Subscription (2)	417	715	872	1,459
Service (2)	1,470	1,383	2,848	2,790
Amortization expense on acquired intangible assets	1,201	1,205	2,409	2,337
Total cost of revenue	3,088	3,303	6,129	6,586
Gross profit:				
Subscription (2)	3,325	3,909	7,238	8,479
Service (2)	2,176	2,003	4,008	4,650
Amortization expense on acquired intangible assets	(1,201)	(1,205)	(2,409)	(2,337)
Total gross profit	4,300	4,707	8,837	10,792
Gross profit margin:				
Subscription (2)	89%	85%	89%	85%
Service (2)	60%	59%	58%	63%
Total	58%	59%	59%	62%
Operating expenses:				
Sales and marketing	2,414	3,231	4,496	8,309
Research, development and engineering	3,652	4,536	7,399	12,170
General and administrative	10,311	5,078	15,866	10,259
Amortization expense on acquired intangible assets	287	288	576	559
Total operating expenses	16,664	13,133	28,337	31,297
Operating loss	(12,364)	(8,426)	(19,500)	(20,505)
Other income, net	229	210	400	579
Loss before income taxes	(12,135)	(8,216)	(19,100)	(19,926)
Benefit (provision) for income taxes	4	(4)	3	(24)
Net loss	(12,131)	(8,220)	(19,097)	(19,950)
Net loss attributable to non-controlling interest	(17)	-	(17)	-
Net loss attributable to Digimarc Corporation	$ (12,114)	$ (8,220)	$ (19,080)	$ (19,950)
Net loss per share:				
Net loss per share attributable to Digimarc Corporation common shareholders — basic	$ (0.54)	$ (0.38)	$ (0.86)	$ (0.93)
Net loss per share attributable to Digimarc Corporation common shareholders — diluted	$ (0.54)	$ (0.38)	$ (0.86)	$ (0.93)
Weighted average shares outstanding — basic	22,268	21,608	22,139	21,565
Weighted average shares outstanding — diluted	22,268	21,608	22,139	21,565

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
GAAP gross profit	$ 4,300	$ 4,707	$ 8,837	$ 10,792
Amortization of acquired intangible assets	1,201	1,205	2,409	2,337
Amortization and write-off of other intangible assets	206	219	414	438
Stock-based compensation	401	253	747	390
Non-GAAP gross profit	$ 6,108	$ 6,384	$ 12,407	$ 13,957
Non-GAAP gross profit margin	83%	80%	83%	80%
GAAP operating expenses	$ 16,664	$ 13,133	$ 28,337	$ 31,297
Depreciation and write-off of property and equipment	(146)	(138)	(300)	(284)
Amortization of acquired intangible assets	(287)	(288)	(576)	(559)
Amortization and write-off of other intangible assets	(99)	(227)	(221)	(201)
Amortization of lease right of use assets under operating leases	(122)	(103)	(240)	(201)
Stock-based compensation	(7,524)	(3,518)	(9,187)	(4,641)
Corporate reorganization expenses	(433)	—	(1,656)	—
Non-GAAP operating expenses	$ 8,053	$ 8,859	$ 16,157	$ 25,411
GAAP net loss	$ (12,131)	$ (8,220)	$ (19,097)	$ (19,950)
Total adjustments to gross profit	1,808	1,677	3,570	3,165
Total adjustments to operating expenses	8,611	4,274	12,180	5,886
Non-GAAP net loss	(1,712)	(2,269)	(3,347)	(10,899)
Non-GAAP net loss attributable to non-controlling interest	(2)	-	(2)	-
Non-GAAP net loss attributable to Digimarc Corporation	$ (1,710)	$ (2,269)	$ (3,345)	$ (10,899)
GAAP net loss per diluted share	$ (0.54)	$ (0.38)	$ (0.86)	$ (0.93)
Non-GAAP net loss attributable to Digimarc Corporation	$ (1,710)	$ (2,269)	$ (3,345)	$ (10,899)
Non-GAAP net loss per diluted share attributable to Digimarc Corporation common shareholders	$ (0.08)	$ (0.11)	$ (0.15)	$ (0.51)
Free cash flow				
Cash flows from operating activities	$ (790)	$ (4,688)	$ (2,637)	$ (10,174)
Purchase of property and equipment	(51)	(198)	(95)	(253)
Capitalized patent costs	(113)	(120)	(190)	(208)
Free cash flow	$ (954)	$ (5,006)	$ (2,922)	$ (10,635)

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

	June 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,932	$ 9,820
Marketable securities	1,823	3,046
Trade accounts receivable, net	6,462	6,513
Other current assets	2,624	1,961
Total current assets	17,841	21,340
Property and equipment, net	872	1,104
Intangibles, net	13,766	17,045
Goodwill	8,937	9,056
Lease right of use assets	2,998	3,238
Other assets	1,429	1,175
Total assets	$ 45,843	$ 52,958
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 7,850	$ 4,359
Deferred revenue	4,613	3,993
Total current liabilities	12,463	8,352
Long-term lease liabilities	3,816	4,314
Other long-term liabilities	125	63
Total liabilities	16,404	12,729
Shareholders’ equity:		
Preferred stock	50	50
Common stock	23	22
Additional paid-in capital	433,215	424,665
Accumulated deficit	(402,167)	(383,087)
Accumulated other comprehensive loss	(1,809)	(1,421)
Total shareholders’ equity - Digimarc Corporation	29,312	40,229
Non-controlling interest	127	—
Total equity	29,439	40,229
Total liabilities and equity	$ 45,843	$ 52,958

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

	Six Months Ended June 30, 2026	2025
Cash flows from operating activities:		
Net loss	$ (19,097)	$ (19,950)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	300	284
Amortization of acquired intangible assets	2,985	2,896
Amortization and write-off of other intangible assets	635	639
Amortization of lease right of use assets under operating leases	240	201
Stock-based compensation	9,934	5,031
Increase (decrease) in allowance for doubtful accounts	15	311
Changes in operating assets and liabilities:		
Trade accounts receivable	84	(442)
Other current assets	(857)	1,447
Other assets	(456)	(201)
Accounts payable and other accrued liabilities	3,300	79
Deferred revenue	616	(71)
Lease liability and other long-term liabilities	(336)	(398)
Net cash provided by (used in) operating activities	(2,637)	(10,174)
Cash flows from investing activities:		
Purchase of property and equipment	(95)	(253)
Capitalized patent costs	(190)	(208)
Proceeds from maturities of marketable securities	2,351	13,741
Purchases of marketable securities	(1,127)	(3,355)
Net cash provided by (used in) investing activities	939	9,925
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	262	—
Non-controlling interest capital contributions	56	—
Purchase of common stock	(1,462)	(2,048)
Repayment of loans	(17)	(18)
Net cash provided by (used in) financing activities	(1,161)	(2,066)
Effect of exchange rate on cash	(29)	59
Net increase (decrease) in cash and cash equivalents	$ (2,888)	$ (2,256)
Cash, cash equivalents and marketable securities at beginning of period	$ 12,866	$ 28,730
Cash, cash equivalents and marketable securities at end of period	8,755	16,088
Net increase (decrease) in cash, cash equivalents and marketable securities	$ (4,111)	$ (12,642)

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