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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue:				
Subscription	$ 3,187	$ 4,567	$ 11,297	$ 14,505
Service	3,259	3,060	10,115	10,500
Total revenue	6,446	7,627	21,412	25,005
Cost of revenue:				
Subscription [(2)]	404	642	1,276	2,101
Service [(2)]	1,313	1,330	4,161	4,120
Amortization expense on acquired intangible assets	1,204	1,209	3,613	3,546
Total cost of revenue	2,921	3,181	9,050	9,767
Gross profit:				
Subscription [(2)]	2,783	3,925	10,021	12,404
Service [(2)]	1,946	1,730	5,954	6,380
Amortization expense on acquired intangible assets	(1,204)	(1,209)	(3,613)	(3,546)
Total gross profit	3,525	4,446	12,362	15,238
Gross profit margin:				
Subscription [(2)]	87%	86%	89%	86%
Service [(2)]	60%	57%	59%	61%
Total	55%	58%	58%	61%
Operating expenses:				
Sales and marketing	2,622	2,852	7,118	11,161
Research, development and engineering	3,755	4,315	11,154	16,485
General and administrative	4,882	5,355	20,748	15,614
Amortization expense on acquired intangible assets	287	288	863	847
Total operating expenses	11,546	12,810	39,883	44,107
Operating loss	(8,021)	(8,364)	(27,521)	(28,869)
Other income, net	121	217	521	796
Loss before income taxes	(7,900)	(8,147)	(27,000)	(28,073)
Provision for income taxes	(37)	(5)	(34)	(29)
Net loss	(7,937)	(8,152)	(27,034)	(28,102)
Net income attributable to non-controlling interest	152	—	135	—
Net loss attributable to Digimarc Corporation	$ (8,089)	$ (8,152)	$ (27,169)	$ (28,102)
Net loss per share:				
Net loss per share attributable to Digimarc Corporation common shareholders — basic	$ (0.36)	$ (0.38)	$ (1.22)	$ (1.30)
Net loss per share attributable to Digimarc Corporation common shareholders — diluted	$ (0.36)	$ (0.38)	$ (1.22)	$ (1.30)
Weighted average shares outstanding — basic	22,508	21,709	22,263	21,614
Weighted average shares outstanding — diluted	22,508	21,709	22,263	21,614

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
GAAP gross profit	$ 3,525	$ 4,446	$ 12,362	$ 15,238
Amortization of acquired intangible assets	1,204	1,209	3,613	3,546
Amortization and write-off of other intangible assets	209	222	622	660
Stock-based compensation	368	336	1,116	726
Non-GAAP gross profit	$ 5,306	$ 6,213	$ 17,713	$ 20,170
Non-GAAP gross profit margin	82%	81%	83%	81%
GAAP operating expenses	$ 11,546	$ 12,810	$ 39,883	$ 44,107
Depreciation and write-off of property and equipment	(124)	(146)	(428)	(430)
Amortization of acquired intangible assets	(287)	(288)	(863)	(847)
Amortization and write-off of other intangible assets	(114)	(128)	(335)	(329)
Amortization of lease right of use assets under operating leases	(128)	(108)	(367)	(309)
Stock-based compensation	(2,812)	(3,529)	(11,998)	(8,170)
Corporate reorganization expenses	(56)	—	(1,713)	—
Non-GAAP operating expenses	$ 8,025	$ 8,611	$ 24,179	$ 34,022
GAAP net loss	$ (7,937)	$ (8,152)	$ (27,034)	$ (28,102)
Total adjustments to gross profit	1,781	1,767	5,351	4,932
Total adjustments to operating expenses	3,521	4,199	15,704	10,085
Non-GAAP net loss	(2,635)	(2,186)	(5,979)	(13,085)
Non-GAAP net income attributable to non-controlling interest	292	-	337	-
Non-GAAP net loss attributable to Digimarc Corporation	$ (2,927)	$ (2,186)	$ (6,316)	$ (13,085)
GAAP net loss per diluted share	$ (0.36)	$ (0.38)	$ (1.22)	$ (1.30)
Non-GAAP net loss attributable to Digimarc Corporation	$ (2,927)	$ (2,186)	$ (6,316)	$ (13,085)
Non-GAAP net loss per diluted share attributable to Digimarc Corporation common shareholders	$ (0.13)	$ (0.10)	$ (0.28)	$ (0.61)
Free cash flow				
Cash flows from operating activities	$ (4,196)	$ (2,596)	$ (6,833)	$ (12,770)
Purchase of property and equipment	(22)	(221)	(117)	(474)
Capitalized patent costs	(130)	(257)	(320)	(465)
Free cash flow	$ (4,348)	$ (3,074)	$ (7,270)	$ (13,709)

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

	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,690	$ 9,820
Marketable securities	1,363	3,046
Trade accounts receivable, net	4,238	6,513
Other current assets	3,282	1,961
Total current assets	29,573	21,340
Property and equipment, net	780	1,104
Intangibles, net	12,245	17,045
Goodwill	8,962	9,056
Lease right of use assets	2,871	3,238
Other assets	1,444	1,175
Total assets	$ 55,875	$ 52,958
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 7,394	$ 4,359
Deferred revenue	3,518	3,993
Total current liabilities	10,912	8,352
Long-term lease liabilities	3,553	4,314
Other long-term liabilities	135	63
Total liabilities	14,600	12,729
Shareholders' equity:		
Preferred stock	50	50
Common stock	27	22
Additional paid-in capital	452,191	424,665
Accumulated deficit	(410,256)	(383,087)
Accumulated other comprehensive loss	(1,735)	(1,421)
Total shareholders' equity - Digimarc Corporation	40,277	40,229
Non-controlling interest	998	—
Total equity	41,275	40,229
Total liabilities and equity	$ 55,875	$ 52,958

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

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net loss	$ (27,034)	$ (28,102)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	424	430
Amortization of acquired intangible assets	4,476	4,393
Amortization and write-off of other intangible assets	957	989
Amortization of lease right of use assets under operating leases	367	309
Stock-based compensation	12,645	8,896
Increase (decrease) in allowance for doubtful accounts	(6)	681
Changes in operating assets and liabilities:		
Trade accounts receivable	2,329	(1,207)
Other current assets	(1,618)	1,139
Other assets	(484)	(358)
Accounts payable and other accrued liabilities	2,180	245
Deferred revenue	(469)	443
Lease liability and other long-term liabilities	(600)	(628)
Net cash provided by (used in) operating activities	(6,833)	(12,770)
Cash flows from investing activities:		
Purchase of property and equipment	(117)	(474)
Capitalized patent costs	(320)	(465)
Proceeds from maturities of marketable securities	2,811	15,352
Purchases of marketable securities	(1,127)	(2,448)
Net cash provided by (used in) investing activities	1,247	11,965
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	18,265	—
Non-controlling interest capital contributions	56	—
Purchase of common stock	(1,844)	(2,467)
Repayment of loans	(17)	(31)
Net cash provided by (used in) financing activities	16,460	(2,498)
Effect of exchange rate on cash	(4)	39
Net increase (decrease) in cash and cash equivalents	$ 10,870	$ (3,264)
Cash, cash equivalents and marketable securities at beginning of period	$ 12,866	$ 28,730
Cash, cash equivalents and marketable securities at end of period	22,053	12,562
Net increase (decrease) in cash, cash equivalents and marketable securities	$ 9,187	$ (16,168)

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