DIGIMARC

Digimarc Reports Third Quarter 2026 Financial Results

Narrowing our Aperture to Accelerate

Beaverton, Ore. – **November 12, 2026** – Digimarc Corporation (NASDAQ: DMRC) reported financial results for the third quarter ended September 30, 2026.

"Last quarter we said our new execution focus was starting to show results. Since then, many of those results moved from pipeline to signed business earlier than expected, with new customers committing to our solutions across retail and CPG," said Paul Carreiro, Digimarc CEO. "Our commercial leadership team is mostly in place, and our focus is clear: turn this momentum into recurring and predictable revenue growth in 2027."

Third Quarter 2026 Financial Results

Total revenue for the third quarter of 2026 was $6.4 million compared to $7.6 million for the third quarter of 2025.

Subscription revenue for the third quarter of 2026 was $3.2 million compared to $4.6 million for the third quarter of 2025. The decrease reflects $0.8 million of lower commercial subscription revenue from the expiration of a commercial contract in October 2025 and $0.6 million of lower commercial subscription revenue from the step-down of a commercial contract in June 2026.

Service revenue for the third quarter of 2026 was $3.3 million compared to $3.1 million for the third quarter of 2025. The increase primarily reflects higher service revenue from a commercial customer.

Ending ARR[(1)] as of September 30, 2026 was $10.8 million compared to $15.8 million as of September 30, 2025. The decrease primarily reflects the expiration of a commercial contract in October 2025 that accounted for $3.1 million of ARR and the step-down in another commercial contract in June 2026 that accounted for $2.6 million of ARR, partially offset by $0.7 million of net increases to ARR from new and existing commercial contracts.

Gross profit margin for the third quarter of 2026 was 55% compared to 58% for the third quarter of 2025. Subscription gross profit margin[(2)] increased to 87% from 86% and service gross profit margin[(2)] increased to 60% from 57% for the third quarter of 2026 compared to the third quarter of 2025.

Non-GAAP gross profit margin for the third quarter of 2026 was 82% compared to 81% for the third quarter of 2025.

Operating expenses for the third quarter of 2026 were $11.5 million compared to $12.8 million for the third quarter of 2025. The decrease primarily reflects decreases in stock-based compensation expense of $0.7 million, bad debt expense of $0.5 million, and other costs of $0.3 million, partially offset by a $0.4 million increase in cash severance costs.

Non-GAAP operating expenses for the third quarter of 2026 were $8.0 million compared to $8.6 million for the third quarter of 2025.

Net loss attributable to Digimarc Corporation for the third quarter of 2026 was $8.1 million or ($0.36) per diluted share compared to $8.2 million or ($0.38) per diluted share for the third quarter of 2025.

Non-GAAP net loss attributable to Digimarc Corporation for the third quarter of 2026 was $2.9 million or ($0.13) per diluted share compared to $2.2 million or ($0.10) per diluted share for the third quarter of 2025.

At September 30, 2026, cash, cash equivalents and marketable securities totaled $22.1 million compared to $12.9 million at December 31, 2025. Free cash flow usage for the third quarter of 2026 was $4.3 million compared to $3.1 million for the third 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 (Thursday, November 12, 2026) to provide an update on strategic priorities, quarterly highlights, and these financial results. CEO Paul Carreiro 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 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: 13754825

Company Contact:
Charles Beck
Chief Financial Officer
Charles.Beck@digimarc.com
+1 503-469-4721

###

About Digimarc

Digimarc (NASDAQ: DMRC) helps organizations protect against fraud, verify authenticity and establish trusted identity across physical and digital environments. Through persistent digital identity embedded directly into products, packaging and content, Digimarc enables organizations to identify, authenticate and trace the things that matter. For more than three decades, Digimarc technology has helped protect global currency. Today, organizations use this technology to protect products, strengthen content authenticity and enable more trusted interactions across connected physical and digital environments. Visit www.digimarc.com to learn more.

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 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)

###

Investor Presentation

Third Quarter 2026

November 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.

Q3 2026 UPDATE

Narrowing the aperture to accelerate

Where we are, what we are building, and why we are confident about 2027

1. Q3 highlights and 2026 priorities
2. Continued innovation acceleration
3. Go-to-market capacity build-out
4. Operational discipline

Paul Carreiro, CEO and President

Q3 Summary: the foundation is stronger, and we are deliberate about what comes next

1

A stronger operating foundation

We have re-built out our operations framework and executive reporting, giving us much better visibility into business predictability.

2

AE capacity build-out is our top priority

Adding AE and GTM talent capacity will position us to support 2027 revenue success and acceleration.

3

Secure Gift Card is progressing exceptionally well

Kroger started phase 1 pilot rollout with small new order WIN in Q3 - large and growing set of multiple retailers behind it – 2027 1st half revenue ramp expected.

4

Multi-Segment CPG is forming a strong foundation

Global/regional Tobacco companies, with high-volume, high-value authentication needs, are one of our emerging global anchor segments – large initial order received.

5

Partner leadership is in place

Our Partner & Alliances leadership is starting with the broad partner community already active in Retail and CPG.

6

2027 predictability is our focus

Bookings and revenue visibility for 2027 is not yet where we want it. Improving pipeline growth, accuracy & discipline is a top priority through Q4 and 1st half 2027.

Q3: Leadership in Place, Capacity build-out next

WHAT WE ACCOMPLISHED

✓ Time to execute

GTM leadership and VP Partners & Alliances hired, Rev Ops, Marketing, giving clear ownership of quota, pipeline and forecast.

✓ Retail & gift-card pipeline

Over 68 retailers engaged, up from one at the start of the year. Kroger's rollout is kicking off.

✓ Partner alignment + growth

Gift-card ecosystem aligned end to end: networks, scanners, production, packaging, distribution.

1 GTM leadership

WHAT WE SEE

Continued focus on 2 distinct industry sectors with predicable, high growth potential. Central Bank and Federal business emerging.

OUR PRIORITY

GTM leadership almost complete which will support all parts of our GTM business across NA and Europe.

2 AE capacity

WHAT WE SEE

Our selling capacity needs to grow to meet accelerated demand: 68 retailers are engaged and CPG faces a Sunrise 2027 deadline & significant authentication challenges

OUR PRIORITY

AEs in Retail and CPG are our top Q4 priority, supported by value engineering and 3X pipeline coverage.

3 Focused teams

WHAT WE SEE

Retail, anchored by Secure Gift Card, and **CPG** carry our strongest differentiation and demand potential

OUR PRIORITY

Two focused & dedicated sales teams; other verticals reached through partners. A 360-degree account model drives upsell and retention.

What you can expect from us, quarter by quarter

	Q4 2026	Q1 2027	1H 2027
Retail	Schnucks fully live. Kroger 5 store pilot rollout kicked off (Oct) with multiple other pilots commencing; gift-card demand building through Q4	Broader large-retailer deployment, with a over 1,000++ store rollout targeted. Revenue ramp-up & demand expected to ramp commencing Q1	US, Canada, Australia and Europe retailers kicking pilot discussions with global markets emerging. Broader rollouts continue as planned
CPG	Product anti-counterfeiting upsell to existing customers; global tobacco anti-counterfeit campaign begins	Partner ecosystem expansion in Europe and Asia Install base demand programs driving positive demand build	Continue to build demand programs with primary focus on NA and Europe.
GTM and org	Significant AE capacity being added in Retail and CPG; partner program accelerates under new VP Partners and Alliances	3X pipeline coverage is our target. Operational discipline continues to be put in place.	AE team at full capacity to support 2027 plan; maximizing both install base and new customer acquisition; new partners contributing to pipeline

Commercial engine building to scale: leaders in place, capacity in progress, demand building

68+

Retailers engaged, up from one at the start of the year. Kroger ramp-up will roll-out quickly in Q1

$1,100,000+

Major ARR win with large Europe based CPG customer – annual on-going volume expected

2 + 1

Dedicated Retail and CPG teams, plus leveraged Federal

3X

Target pipeline coverage target for forecastable growth. Best leading indicator of growth.

How the engine comes together

✓ COMPLETE

Leadership in seat

Leadership team in place across Alliances, GTM, with clear ownership of quota, pipeline and forecast – focus now on accelerating roll-outs

2 Q4 PRIORITY

AE capacity

Our highest priority. Account executives in Retail and CPG, hired through Q4 and Q1 2027 demand build-out.

3 NEXT

Fast ramp

Value engineering and 3X pipeline coverage help new AEs become productive quickly. Every account is engaged in person.

4 2027

Scale

Partners multiply our reach, and a large installed base gives us significant upsell and cross-sell leverage.

Our installed base is the fastest path to revenue, and a direct lift to gross and net revenue retention.

Innovation continues, anchored in what customers need to today and tomorrow

Delivering now In market or driving near-term ARR	Building next Extends what customers already buy	Positioned for what is ahead Option value without new vertical spend
RETAIL AI optimized Secure Gift Card on-scanner software. Zebra, Datalogic and Honeywell scanners deployed at five retailers with ~50 in pipeline.	**RETAIL** Delivering new AI models to Zebra, Datalogic and Honeywell that strengthens the Secure Gift Card solution while deepening our moats.	**MEDIA & TECH** Content provenance and C2PA: Digimarc as the persistent identity layer beneath credentials as AI Act enforcement matures.
CPG GS1 Digital Link 2D barcodes: live global rollout across 45,000 SKUs. Product Authentication solutions deployed/growing for tobacco/nutraceuticals/pharma.	**CPG** Product Authentication expansion – breadth of packaging supported and threats addressed (AI feature extraction for copying, etc.) with customer requested tools/upgrades.	**EMBODIED AI** Deterministic identity and authenticity in products and packaging at scale, delivered for agents driving automation. Watching closely.
PLATFORM Illuminate operating with 6+ billion serials and ID's & 1.5M requests daily – at 10% of cost of legacy platforms. AI data pipelines facilitating migration & accelerating innovation.	**HORIZONTAL** Expand Leak Detection (15M ID's/qtr) to all on-screen content. Support for documents, audio and video – providing holistic solution for CPG, Retail & Federal.	**HORIZONTAL** Fundamental, AI first, approach to authenticity and provenance leveraging new CNN WM that positions Digimarc at the center of the emerging Trust Ops opportunity & regulation.

Our roadmap rule: every investment maps to a named customer problem with a quantifiable cost of inaction.

Retail/Secure Gift Card: from proof of concept to a staged, direct & partner-backed rollout

115 + 165 LIVE! Schnucks & Stater Bros stores live, chain-wide

68 Large and mid-sized retailers engaged

65x Pipeline growth since start of year

1000+ Store deployment planned in Q1/Q2 with over 500,000+ cards in stores today

Rollout sequence

- **Live** — Schnucks live chain-wide with zero fraud incidents and 100% activation. Kroger rollout kicking off.
- **Aug 2026** — Second large retailer readiness assessment.
- **Sept 2026** — Multiple Large retailer(s) pilots kicked off.
- **Oct 2026** — Kroger rollout begins with multiple pilots & Roll-outs kicking off including **FoodCity, KVAT and Stater Bros. NEW gift card orders received.**
- **Q1 2027+** — Kroger 500 store roll-out commences. Broader multi-retailer deployment, with ~1,000+ store rollout targeted; several more retailers plan 1H 2027 post pilot.

Partner rails in place

Card networks	Blackhawk, InComm
Scanner firmware	Zebra, Datalogic, Honeywell
Card production	Graph-Tech USA, STL Labels
Packaging	WestRock

Active Q4 pilots & roll-outs: 5
68 retailers engaged – 4 active pilots and production ramp-ups (no pilot required for some). We expect meaningful ARR to build through 2027.

Financial Update

Annual Recurring Revenue

Q3’26 Ending ARR[(1)] was $10.8M vs $15.8M in Q3’25

- The change primarily reflects two previously disclosed events:
  - Contract expiration of $3.1 million in October 2025
  - Contract reduction of $2.6 million in June 2026

($’s in 000’s)	YoY $ Change
Q3’25 ending ARR[(1)]	$15,813
Contract expiration in October 2025	($3,090)
Contract reduction in June 2026	($2,622)
Other net activity[(2)]	$721
Q3’26 ending ARR[(1)]	$10,822

Financial Summary

Q3’26 non-GAAP net loss[4] was $2.9M, compared to $2.2M in Q3’25

- Subscription revenue was impacted by lower ARR; Service revenue was up $7%.
- Gross profit margins improved for both subscription and service.
- Operating expenses were down 10%.

($’s in 000’s, except per share amounts)	Q3’26 Actual	Q3’25 Actual	YoY % Improvement
Subscription revenue	$3,187	$4,567	(30%)
Service revenue	$3,259	$3,060	7%
Subscription gross profit margin[3]	87%	86%	+1 Point
Service gross profit margin[3]	60%	57%	+3 Points
Operating expenses	$11,546	$12,810	10%
Non-GAAP operating expenses[4]	$8,025	$8,611	7%
Net income (loss)	($7,937)	($8,152)	3%
Non-GAAP net income (loss)[4]	($2,927)	($2,186)	(34%)
Net income (loss) per diluted share[5]	($0.36)	($0.38)	$0.02
Non-GAAP net income (loss) per diluted share[4][5]	($0.13)	($0.10)	($0.03)

Free Cash Flow

Q3’26 free cash flow[4] was ($4.3M), compared to ($3.1M) in Q3’25

- We ended Q3’26 with $22.1M of cash and short-term investments, and no debt.
- We raised $18.2M of gross proceeds from a registered direct offering in September.
  - We incurred commission and legal fees of $1.3M related to the financing, of which $0.2M was paid during Q3’26.
- Free cash flow usage was higher in Q3’26 than Q3’25 due to the timing of payables related to the corporate reorganization and CEO transition costs.

($’s in 000’s)	Q3’26 Actual	Q3’25 Actual	YoY $ Improvement
Free cash flow generation (usage)[4]	($4,348)	($3,074)	($1,274)
Non-GAAP net income (loss)[4]	($2,635)	($2,186)	($449)

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) Other net activity refers to additions to ARR, reflecting new and upsell activity, offset by deletions from ARR, reflecting contract terminations and downsells.

(3) Subscription and Service gross profit margins exclude amortization expense on acquired intangible assets from the EVRYTHNG acquisition.

(4) 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.

(5) Net income (loss) per diluted share and Non-GAAP net income (loss) per diluted share represents the GAAP and non-GAAP reported net income (loss) per share attributable to Digimarc Corporation common shareholders.

Closing