

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

| | Three Month Information | | Six Month Information | |
|--------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Revenue: | | | | |
| Service | \$ 4,503 | \$ 3,791 | \$ 8,123 | \$ 7,575 |
| Subscription | 3,244 | 2,487 | 7,035 | 5,403 |
| Total revenue | <u>7,747</u> | <u>6,278</u> | <u>15,158</u> | <u>12,978</u> |
| Cost of revenue: | | | | |
| Service ⁽¹⁾ | 1,744 | 1,515 | 3,575 | 3,085 |
| Subscription ⁽¹⁾ | 886 | 534 | 1,928 | 1,325 |
| Amortization expense on acquired intangible assets | 1,120 | — | 2,314 | — |
| Total cost of revenue | <u>3,750</u> | <u>2,049</u> | <u>7,817</u> | <u>4,410</u> |
| Gross profit | | | | |
| Service ⁽¹⁾ | 2,759 | 2,276 | 4,548 | 4,490 |
| Subscription ⁽¹⁾ | 2,358 | 1,953 | 5,107 | 4,078 |
| Amortization expense on acquired intangible assets | (1,120) | — | (2,314) | — |
| Total gross profit | <u>3,997</u> | <u>4,229</u> | <u>7,341</u> | <u>8,568</u> |
| Gross profit margin: | | | | |
| Total | 52% | 67% | 48% | 66% |
| Service ⁽¹⁾ | 61% | 60% | 56% | 59% |
| Subscription ⁽¹⁾ | 73% | 79% | 73% | 75% |
| Operating expenses: | | | | |
| Sales and marketing | 8,073 | 6,277 | 16,018 | 11,218 |
| Research, development and engineering | 6,065 | 4,213 | 12,156 | 8,344 |
| General and administrative | 4,487 | 9,175 | 10,895 | 12,668 |
| Amortization expense on acquired intangible assets | 321 | — | 663 | — |
| Impairment of lease right of use assets and leasehold improvements | — | — | 574 | — |
| Total operating expenses | <u>18,946</u> | <u>19,665</u> | <u>40,306</u> | <u>32,230</u> |
| Operating loss | <u>(14,949)</u> | <u>(15,436)</u> | <u>(32,965)</u> | <u>(23,662)</u> |
| Other income, net | <u>93</u> | <u>18</u> | <u>89</u> | <u>28</u> |
| Loss before income taxes | <u>(14,856)</u> | <u>(15,418)</u> | <u>(32,876)</u> | <u>(23,634)</u> |
| Benefit (provision) for income taxes | <u>217</u> | <u>(4)</u> | <u>456</u> | <u>(10)</u> |
| Net loss | <u><u>\$ (14,639)</u></u> | <u><u>\$ (15,422)</u></u> | <u><u>\$ (32,420)</u></u> | <u><u>\$ (23,644)</u></u> |
| Loss per common share: | | | | |
| Loss per common share — basic | \$ (0.75) | \$ (0.94) | \$ (1.76) | \$ (1.44) |
| Loss per common share — diluted | \$ (0.75) | \$ (0.94) | \$ (1.76) | \$ (1.44) |
| Weighted average common shares outstanding — basic | 19,539 | 16,430 | 18,448 | 16,382 |
| Weighted average common shares outstanding — diluted | 19,539 | 16,430 | 18,448 | 16,382 |

⁽¹⁾ Cost of revenue, Gross profit and Gross profit margin for Service and Subscription excludes amortization expense on acquired intangible assets.

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

| | Three Month Information | | Six Month Information | |
|--------------------------------------------------------------------|-------------------------|------------------|-----------------------|------------------|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| GAAP gross profit | \$ 3,997 | \$ 4,229 | \$ 7,341 | \$ 8,568 |
| Amortization of acquired intangible assets | 1,120 | — | 2,314 | — |
| Amortization and write-off of other intangible assets | 144 | 144 | 285 | 286 |
| Stock-based compensation | 265 | 178 | 466 | 351 |
| Non-GAAP gross profit | \$ 5,526 | \$ 4,551 | \$ 10,406 | \$ 9,205 |
| Non-GAAP gross profit margin | 71% | 72% | 69% | 71% |
| GAAP operating expenses | \$ 18,946 | \$ 19,665 | \$ 40,306 | \$ 32,230 |
| Depreciation and write-off of property and equipment | (330) | (354) | (720) | (717) |
| Amortization of acquired intangible assets | (321) | — | (663) | — |
| Amortization and write-off of other intangible assets | (29) | (24) | (59) | (59) |
| Amortization of lease right of use assets under operating leases | (249) | (122) | (520) | (240) |
| Stock-based compensation | (3,009) | (6,559) | (5,276) | (8,396) |
| Impairment of lease right of use assets and leasehold improvements | — | — | (574) | — |
| Acquisition-related expenses | (3) | — | (447) | — |
| Non-GAAP operating expenses | \$ 15,005 | \$ 12,606 | \$ 32,047 | \$ 22,818 |
| GAAP net loss | \$ (14,639) | \$ (15,422) | \$ (32,420) | \$ (23,644) |
| Total adjustments to gross profit | 1,529 | 322 | 3,065 | 637 |
| Total adjustments to operating expenses | 3,941 | 7,059 | 8,259 | 9,412 |
| Non-GAAP net loss | \$ (9,169) | \$ (8,041) | \$ (21,096) | \$ (13,595) |
| GAAP loss per common share (diluted) | \$ (0.75) | \$ (0.94) | \$ (1.76) | \$ (1.44) |
| Non-GAAP net loss | \$ (9,169) | \$ (8,041) | \$ (21,096) | \$ (13,595) |
| Non-GAAP loss per common share (diluted) | \$ (0.47) | \$ (0.49) | \$ (1.14) | \$ (0.83) |

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

| | June 30, 2022 | December 31, 2021 |
|---------------------------------------------------|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents ⁽¹⁾ | \$ 47,051 | \$ 13,789 |
| Marketable securities ⁽¹⁾ | 21,339 | 19,537 |
| Trade accounts receivable, net | 5,870 | 6,368 |
| Loan receivable from related party | — | 2,001 |
| Other current assets | 4,655 | 2,316 |
| Total current assets | 78,915 | 44,011 |
| Marketable securities ⁽¹⁾ | — | 8,292 |
| Property and equipment, net | 2,882 | 2,875 |
| Intangibles, net | 37,984 | 6,611 |
| Goodwill | 6,325 | 1,114 |
| Lease right of use assets | 5,476 | 1,300 |
| Other assets | 1,172 | 673 |
| Total assets | \$ 132,754 | \$ 64,876 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 7,549 | \$ 4,727 |
| Deferred revenue | 3,581 | 2,989 |
| Total current liabilities | 11,130 | 7,716 |
| Long-term lease liabilities | 6,120 | 1,028 |
| Other long-term liabilities | 225 | 752 |
| Total liabilities | 17,475 | 9,496 |
| Shareholders' equity: | | |
| Preferred stock | 50 | 50 |
| Common stock | 20 | 17 |
| Additional paid-in capital | 357,509 | 261,324 |
| Accumulated deficit | (238,431) | (206,011) |
| Accumulated other comprehensive loss | (3,869) | — |
| Total shareholders' equity | 115,279 | 55,380 |
| Total liabilities and shareholders' equity | \$ 132,754 | \$ 64,876 |

(1) Aggregate cash, cash equivalents, and marketable securities was \$68,390 and \$41,618 at June 30, 2022 and December 31, 2021, respectively.

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

| | Six Month Information | |
|------------------------------------------------------------------------------------|-----------------------|--------------------|
| | June 30, 2022 | June 30, 2021 |
| Cash flows from operating activities: | | |
| Net loss | \$ (32,420) | \$ (23,644) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and write-off of property and equipment | 720 | 717 |
| Amortization of acquired intangible assets | 2,977 | — |
| Amortization and write-off of other intangible assets | 344 | 345 |
| Amortization of lease right of use assets under operating leases | 520 | 240 |
| Amortization of net premiums (discounts) on marketable securities | — | (498) |
| Stock-based compensation | 5,742 | 8,747 |
| Impairment of lease right of use assets and leasehold improvements | 574 | — |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 1,776 | (950) |
| Other current assets | (600) | 392 |
| Other assets | (568) | (19) |
| Accounts payable and other accrued liabilities | (2,881) | 1,859 |
| Deferred revenue | (1,043) | (331) |
| Lease liability and other long-term liabilities | (808) | 656 |
| Net cash used in operating activities | (25,667) | (12,486) |
| Cash flows from investing activities: | | |
| Net cash paid for acquisition | (3,512) | — |
| Purchase of property and equipment | (716) | (569) |
| Capitalized patent costs | (271) | (290) |
| Proceeds from maturities of marketable securities | 11,148 | 49,722 |
| Purchases of marketable securities | (4,908) | (30,941) |
| Net cash provided by investing activities | 1,741 | 17,922 |
| Cash flows from financing activities: | | |
| Issuance of common stock, net of issuance costs | 58,220 | — |
| Purchase of common stock | (974) | (3,774) |
| Loan repayment | (17) | — |
| Net cash provided by (used in) financing activities | 57,229 | (3,774) |
| Effect of exchange rate on cash | (41) | — |
| Net increase in cash and cash equivalents ⁽²⁾ | <u>\$ 33,262</u> | <u>\$ 1,662</u> |
| Cash, cash equivalents and marketable securities at beginning of period | 41,618 | 77,728 |
| Cash, cash equivalents and marketable securities at end of period | 68,390 | 61,107 |
| (2) Net increase (decrease) in cash, cash equivalents and marketable securities | <u>\$ 26,772</u> | <u>\$ (16,621)</u> |

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