

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

	Three Months Ended March 31,	
	2024	2023
Revenue:		
Subscription	\$ 5,762	\$ 3,885
Service	4,176	3,958
Total revenue	<u>9,938</u>	<u>7,843</u>
Cost of revenue:		
Subscription ⁽¹⁾	747	795
Service ⁽¹⁾	1,839	1,715
Amortization expense on acquired intangible assets	1,140	1,089
Total cost of revenue	<u>3,726</u>	<u>3,599</u>
Gross profit		
Subscription ⁽¹⁾	5,015	3,090
Service ⁽¹⁾	2,337	2,243
Amortization expense on acquired intangible assets	<u>(1,140)</u>	<u>(1,089)</u>
Total gross profit	6,212	4,244
Gross profit margin:		
Subscription ⁽¹⁾	87%	80%
Service ⁽¹⁾	56%	57%
Total	63%	54%
Operating expenses:		
Sales and marketing	5,536	6,298
Research, development and engineering	6,741	7,826
General and administrative	4,520	4,627
Amortization expense on acquired intangible assets	<u>272</u>	<u>260</u>
Total operating expenses	17,069	19,011
Operating loss	(10,857)	(14,767)
Other income, net	528	745
Loss before income taxes	<u>(10,329)</u>	<u>(14,022)</u>
Provision for income taxes	(9)	(18)
Net loss	<u>\$ (10,338)</u>	<u>\$ (14,040)</u>
Loss per share:		
Loss per share — basic	\$ (0.50)	\$ (0.70)
Loss per share — diluted	\$ (0.50)	\$ (0.70)
Weighted average shares outstanding — basic	20,730	20,093
Weighted average shares outstanding — diluted	20,730	20,093

⁽¹⁾ Cost of revenue, Gross profit and Gross profit margin for Subscription and Service 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 Months Ended March 31,	
	2024	2023
GAAP gross profit	\$ 6,212	\$ 4,244
Amortization of acquired intangible assets	1,140	1,089
Amortization and write-off of other intangible assets	138	144
Stock-based compensation	253	238
Non-GAAP gross profit	\$ 7,743	\$ 5,715
Non-GAAP gross profit margin	78%	73%
GAAP operating expenses	\$ 17,069	\$ 19,011
Depreciation and write-off of property and equipment	(193)	(428)
Amortization of acquired intangible assets	(272)	(260)
Amortization and write-off of other intangible assets	(133)	(39)
Amortization of lease right of use assets under operating leases	(87)	(166)
Stock-based compensation	(2,578)	(2,638)
Non-GAAP operating expenses	\$ 13,806	\$ 15,480
GAAP net loss	\$ (10,338)	\$ (14,040)
Total adjustments to gross profit	1,531	1,471
Total adjustments to operating expenses	3,263	3,531
Non-GAAP net loss	\$ (5,544)	\$ (9,038)
GAAP loss per share (diluted)	\$ (0.50)	\$ (0.70)
Non-GAAP net loss	\$ (5,544)	\$ (9,038)
Non-GAAP loss per share (diluted)	\$ (0.27)	\$ (0.45)

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 36,414	\$ 21,456
Marketable securities ⁽¹⁾	12,511	5,726
Trade accounts receivable, net	5,215	5,813
Other current assets	3,802	4,085
Total current assets	<u>57,942</u>	<u>37,080</u>
Property and equipment, net	1,445	1,570
Intangibles, net	26,720	28,458
Goodwill	8,576	8,641
Lease right of use assets	3,930	4,017
Other assets	1,106	786
Total assets	<u>\$ 99,719</u>	<u>\$ 80,552</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 4,100	\$ 6,672
Deferred revenue	5,256	5,853
Total current liabilities	<u>9,356</u>	<u>12,525</u>
Long-term lease liabilities	5,812	5,994
Other long-term liabilities	80	106
Total liabilities	<u>15,248</u>	<u>18,625</u>
Shareholders' equity:		
Preferred stock	50	50
Common stock	21	20
Additional paid-in capital	409,473	376,189
Accumulated deficit	(322,106)	(311,768)
Accumulated other comprehensive loss	(2,967)	(2,564)
Total shareholders' equity	<u>84,471</u>	<u>61,927</u>
Total liabilities and shareholders' equity	<u>\$ 99,719</u>	<u>\$ 80,552</u>

⁽¹⁾ Aggregate cash, cash equivalents, and marketable securities was \$48.9 million and \$27.2 million at March 31, 2024 and December 31, 2023, respectively.

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

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (10,338)	\$ (14,040)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and write-off of property and equipment	193	428
Amortization of acquired intangible assets	1,412	1,349
Amortization and write-off of other intangible assets	271	183
Amortization of lease right of use assets under operating leases	87	166
Stock-based compensation	2,831	2,876
Decrease in allowance for doubtful accounts	(17)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	600	631
Other current assets	273	1,766
Other assets	(323)	(191)
Accounts payable and other accrued liabilities	(2,624)	(910)
Deferred revenue	(600)	(925)
Lease liability and other long-term liabilities	(187)	(77)
Net cash provided by (used in) operating activities	<u>(8,422)</u>	<u>(8,744)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(106)	(51)
Capitalized patent costs	(106)	(112)
Proceeds from maturities of marketable securities	3,501	10,247
Purchases of marketable securities	<u>(10,320)</u>	<u>(1,975)</u>
Net cash provided by (used in) investing activities	(7,031)	8,109
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	32,218	—
Purchase of common stock	(1,781)	(656)
Repayment of loans	<u>(15)</u>	<u>(26)</u>
Net cash provided by (used in) financing activities	30,422	(682)
Effect of exchange rate on cash	(11)	20
Net increase (decrease) in cash and cash equivalents ⁽²⁾	<u>\$ 14,958</u>	<u>\$ (1,297)</u>
Cash, cash equivalents and marketable securities at beginning of period		
	27,182	52,542
Cash, cash equivalents and marketable securities at end of period		
	<u>48,925</u>	<u>43,025</u>
⁽²⁾ Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ 21,743</u>	<u>\$ (9,517)</u>

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