

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

	Three Month Information		Six Month Information	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue:				
Service	\$ 3,892	\$ 3,575	\$ 7,630	\$ 7,389
Subscription	2,605	2,605	5,056	4,451
Total revenue	<u>6,497</u>	<u>6,180</u>	<u>12,686</u>	<u>11,840</u>
Cost of revenue:				
Service	1,601	1,676	3,285	3,321
Subscription	512	509	1,026	998
Total cost of revenue	<u>2,113</u>	<u>2,185</u>	<u>4,311</u>	<u>4,319</u>
Gross profit:				
Service	2,291	1,899	4,345	4,068
Subscription	2,093	2,096	4,030	3,453
Total gross profit	<u>4,384</u>	<u>3,995</u>	<u>8,375</u>	<u>7,521</u>
Gross margin:				
Service	59%	53%	57%	55%
Subscription	80%	80%	80%	78%
Percentage of gross profit to total revenue	67%	65%	66%	64%
Operating expenses:				
Sales and marketing	4,633	5,087	9,879	10,037
Research, development and engineering	4,208	3,981	8,641	8,019
General and administrative	3,081	3,079	6,448	6,289
Total operating expenses	<u>11,922</u>	<u>12,147</u>	<u>24,968</u>	<u>24,345</u>
Operating loss	(7,538)	(8,152)	(16,593)	(16,824)
Other income, net	79	231	221	468
Loss before income taxes	(7,459)	(7,921)	(16,372)	(16,356)
Benefit (provision) for income taxes	(2)	(12)	3	(40)
Net loss	<u>\$ (7,461)</u>	<u>\$ (7,933)</u>	<u>\$ (16,369)</u>	<u>\$ (16,396)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.62)	\$ (0.68)	\$ (1.36)	\$ (1.42)
Loss per common share - diluted	\$ (0.62)	\$ (0.68)	\$ (1.36)	\$ (1.42)
Weighted average common shares outstanding - basic	12,108	11,665	12,073	11,576
Weighted average common shares outstanding - diluted	12,108	11,665	12,073	11,576

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 11,934	\$ 11,213
Marketable securities ⁽¹⁾	18,559	25,604
Trade accounts receivable, net	3,576	4,021
Other current assets	2,095	2,456
Total current assets	36,164	43,294
Property and equipment, net	3,359	3,650
Intangibles, net	6,611	6,670
Goodwill	1,114	1,114
Other assets	2,342	2,660
Total assets	\$ 49,590	\$ 57,388
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,083	\$ 2,272
Deferred revenue	2,678	3,172
Note payable, current	2,245	-
Total current liabilities	7,006	5,444
Note payable, long-term	2,795	-
Lease liability and other long-term liabilities	2,512	2,494
Total liabilities	12,313	7,938
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	13	12
Additional paid-in capital	192,298	188,103
Accumulated deficit	(155,084)	(138,715)
Total shareholders' equity	37,277	49,450
Total liabilities and shareholders' equity	\$ 49,590	\$ 57,388

(1) Aggregate cash, cash equivalents and short-term marketable securities was \$30,493 and \$36,817 at June 30, 2020 and December 31, 2019, respectively.

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

	Six Month Information	
	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Net loss	\$ (16,369)	\$ (16,396)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	745	747
Amortization and write-off of intangibles	431	372
Stock-based compensation	4,522	4,053
Changes in operating assets and liabilities:		
Trade accounts receivable	445	(351)
Other current assets	361	(40)
Other assets	318	77
Accounts payable and other accrued liabilities	(155)	1,132
Deferred revenue	(500)	(244)
Lease liability and other long-term liabilities	24	(325)
Net cash used in operating activities	<u>(10,178)</u>	<u>(10,975)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(456)	(404)
Capitalized patent costs	(311)	(359)
Maturity of marketable securities	26,535	14,671
Purchase of marketable securities	(19,490)	(15,085)
Net cash provided by (used in) investing activities	<u>6,278</u>	<u>(1,177)</u>
Cash flows from financing activities:		
Proceeds from note payable	5,032	-
Issuance of common stock, net of issuance costs	574	19,615
Exercise of stock options	135	293
Purchase of common stock	(1,120)	(1,868)
Net cash provided by financing activities	<u>4,621</u>	<u>18,040</u>
Net increase in cash and cash equivalents ⁽²⁾	<u>\$ 721</u>	<u>\$ 5,888</u>
Cash, cash equivalents and marketable securities at beginning of period	36,817	43,656
Cash, cash equivalents and marketable securities at end of period	<u>30,493</u>	<u>49,958</u>
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	<u>\$ (6,324)</u>	<u>\$ 6,302</u>