

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

	Three Month Information		Six Month Information	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue:				
Service	\$ 3,791	\$ 3,892	\$ 7,575	\$ 7,630
Subscription	2,487	2,605	5,403	5,056
Total revenue	6,278	6,497	12,978	12,686
Cost of revenue:				
Service	1,515	1,601	3,085	3,285
Subscription	534	512	1,325	1,026
Total cost of revenue	2,049	2,113	4,410	4,311
Gross profit:				
Service	2,276	2,291	4,490	4,345
Subscription	1,953	2,093	4,078	4,030
Total gross profit	4,229	4,384	8,568	8,375
Gross margin:				
Service	60%	59%	59%	57%
Subscription	79%	80%	75%	80%
Percentage of gross profit to total revenue	67%	67%	66%	66%
Operating expenses:				
Sales and marketing	6,277	4,633	11,218	9,879
Research, development and engineering	4,213	4,208	8,344	8,641
General and administrative	9,175	3,081	12,668	6,448
Total operating expenses	19,665	11,922	32,230	24,968
Operating loss	(15,436)	(7,538)	(23,662)	(16,593)
Other income, net	18	79	28	221
Loss before income taxes	(15,418)	(7,459)	(23,634)	(16,372)
Benefit (provision) for income taxes	(4)	(2)	(10)	3
Net loss	\$ (15,422)	\$ (7,461)	\$ (23,644)	\$ (16,369)
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.94)	\$ (0.62)	\$ (1.44)	\$ (1.36)
Loss per common share - diluted	\$ (0.94)	\$ (0.62)	\$ (1.44)	\$ (1.36)
Weighted average common shares outstanding - basic	16,430	12,108	16,382	12,073
Weighted average common shares outstanding - diluted	16,430	12,108	16,382	12,073

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

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 21,358	\$ 19,696
Marketable securities ⁽¹⁾	39,592	58,032
Trade accounts receivable, net	4,590	3,907
Other current assets	1,805	2,197
Total current assets	67,345	83,832
Marketable securities ⁽¹⁾	157	—
Property and equipment, net	3,082	3,272
Intangibles, net	6,606	6,612
Goodwill	1,114	1,114
Other assets	2,244	2,198
Total assets	\$ 80,548	\$ 97,028
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 4,428	\$ 2,827
Note payable, current	5,091	3,947
Deferred revenue	2,659	3,002
Total current liabilities	12,178	9,776
Lease liability and other long-term liabilities	3,128	2,295
Note payable, long-term	—	1,118
Total liabilities	15,306	13,189
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	17	17
Additional paid-in capital	260,071	255,024
Accumulated deficit	(194,896)	(171,252)
Total shareholders' equity	65,242	83,839
Total liabilities and shareholders' equity	\$ 80,548	\$ 97,028

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$61,107 and \$77,728 at June 30, 2021 and December 31, 2020, respectively.

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

	Six Month Information	
	June 30, 2021	June 30, 2020
Cash flows from operating activities:		
Net loss	\$ (23,644)	\$ (16,369)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	717	745
Amortization and write-off of intangibles	345	431
Amortization of right of use assets under operating leases	240	233
Amortization of net premiums and (discounts) on marketable securities	(498)	96
Stock-based compensation	8,747	4,522
Changes in operating assets and liabilities:		
Trade accounts receivable	(950)	445
Other current assets	392	361
Other assets	(19)	85
Accounts payable and other accrued liabilities	1,859	(155)
Deferred revenue	(331)	(500)
Lease liability and other long-term liabilities	656	24
Net cash used in operating activities	<u>(12,486)</u>	<u>(10,082)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(569)	(456)
Capitalized patent costs	(290)	(311)
Maturity of marketable securities	49,722	26,439
Purchase of marketable securities	(30,941)	(19,490)
Net cash provided by investing activities	<u>17,922</u>	<u>6,182</u>
Cash flows from financing activities:		
Proceeds from note payable	—	5,032
Issuance of preferred stock, net of issuance costs	—	574
Exercise of stock options	—	135
Purchase of common stock	(3,774)	(1,120)
Net cash provided by (used in) financing activities	<u>(3,774)</u>	<u>4,621</u>
Net increase in cash and cash equivalents ⁽²⁾	<u>\$ 1,662</u>	<u>\$ 721</u>
Cash, cash equivalents and marketable securities at beginning of period	77,728	36,817
Cash, cash equivalents and marketable securities at end of period	61,107	30,493
(2) Net decrease in cash, cash equivalents and marketable securities	<u>\$ (16,621)</u>	<u>\$ (6,324)</u>