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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2025

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-21129

AWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Massachusetts

04-2911026

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification No.)

76 Blanchard Road, Burlington, Massachusetts, 01803

(Address of Principal Executive Offices)
(Zip Code)

(781) 687-0300

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.01 par value per share	AWRE	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of October 28, 2025 was 21,373,696.

AWARE, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2025

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PART 1. FINANCIAL INFORMATION
ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS
AWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,292	\$ 12,972
Marketable securities	16,208	14,842
Accounts receivable, net	6,211	2,922
Unbilled receivables, net	884	1,080
Prepaid expenses and other current assets	1,646	1,169
Total current assets	31,241	32,985
Property and equipment, net	400	477
Intangible assets, net	1,667	1,976
Goodwill	3,120	3,120
Right of use asset	3,725	3,964
Other long-term assets	122	122
Total assets	\$ 40,275	\$ 42,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 943	\$ 894
Accrued expenses	1,535	1,447
Current portion of operating lease liabilities	671	656
Deferred revenue	6,138	4,867
Total current liabilities	9,287	7,864
Long-term deferred revenue	377	296
Long-term operating lease liabilities	3,373	3,588
Total long-term liabilities	3,750	3,884
Stockholders' equity:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value; 70,000,000 shares authorized; issued and outstanding of 21,355,227 as of September 30, 2025 and 21,096,580 as of December 31, 2024	214	211
Additional paid-in capital	101,199	100,377
Accumulated deficit	(74,363)	(69,943)
Accumulated other comprehensive income	188	251
Total stockholders' equity	27,238	30,896
Total liabilities and stockholders' equity	\$ 40,275	\$ 42,644

The accompanying notes are an integral part of the consolidated financial statements.

AWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenue:				
Software licenses	\$ 2,525	\$ 1,175	\$ 5,261	\$ 5,137
Software maintenance	2,373	2,257	6,724	6,571
Services and other	231	417	646	884
Total revenue	5,129	3,849	12,631	12,592
Costs and expenses:				
Cost of revenue	491	270	1,075	817
Research and development	2,131	1,873	6,013	5,922
Selling and marketing	2,103	1,856	5,730	5,838
General and administrative	1,699	1,317	4,918	4,086
Total costs and expenses	6,424	5,316	17,736	16,663
Operating loss	(1,295)	(1,467)	(5,105)	(4,071)
Interest income	247	315	726	886
Loss before provision for income taxes	(1,048)	(1,152)	(4,379)	(3,185)
Provision for income taxes	5	15	38	54
Net loss	\$ (1,053)	\$ (1,167)	\$ (4,417)	\$ (3,239)
Other comprehensive (loss) income, net of tax:				
Unrealized (loss) gain on available-for-sale securities	(110)	250	(63)	373
Comprehensive loss	\$ (1,163)	\$ (917)	\$ (4,480)	\$ (2,866)
Net loss per share – basic	\$ (0.05)	\$ (0.06)	\$ (0.21)	\$ (0.15)
Net loss per share – diluted	\$ (0.05)	\$ (0.06)	\$ (0.21)	\$ (0.15)
Weighted-average shares – basic	21,202	21,186	21,188	21,123
Weighted-average shares – diluted	21,202	21,186	21,188	21,123

The accompanying notes are an integral part of the consolidated financial statements.

AWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (4,417)	\$ (3,239)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	431	421
Stock-based compensation	904	627
(Recovery) Allowance for credit losses	(29)	53
Non-cash lease expense	38	53
Changes in assets and liabilities:		
Accounts receivable	(3,259)	(1,637)
Unbilled receivables	196	(7)
Prepaid expenses and other current assets	(1,796)	(118)
Accounts payable	49	750
Accrued expenses	86	(616)
Deferred revenue	1,353	(131)
Net cash used in operating activities	<u>(6,444)</u>	<u>(3,844)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(45)	(45)
Purchase of marketable securities	(6,109)	(5,139)
Sale of marketable securities	6,000	10,224
Net cash (used in) provided by investing activities	<u>(154)</u>	<u>5,040</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	36	37
Payments made for taxes of employees who surrendered shares related to unrestricted stock	(3)	(12)
Repurchase of common stock	(115)	—
Net cash (used in) provided by financing activities	<u>(82)</u>	<u>25</u>
(Decrease) increase in cash and cash equivalents	(6,680)	1,221
Cash and cash equivalents, beginning of period	12,972	10,002
Cash and cash equivalents, end of period	<u>\$ 6,292</u>	<u>\$ 11,223</u>
Supplemental disclosure: Cash paid for income taxes	<u>\$ 38</u>	<u>\$ 98</u>

The accompanying notes are an integral part of the consolidated financial statements.

AWARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	For the Three and Nine Months Ended September 30, 2025					
	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Income (Loss)	Equity
Balance at December 31, 2024	21,097	\$ 211	\$ 100,377	\$ (69,943)	\$ 251	\$ 30,896
Issuance of unrestricted stock	70	—	—	—	—	—
Stock-based compensation expense	—	—	180	—	—	180
Repurchase of common stock	(34)	—	(53)	—	—	(53)
Other comprehensive income	—	—	—	—	44	44
Net loss	—	—	—	(1,598)	—	(1,598)
Balance at March 31, 2025	21,133	\$ 211	\$ 100,504	\$ (71,541)	\$ 295	\$ 29,469
Issuance of unrestricted stock	61	1	(1)	—	—	—
Shares surrendered by employees to pay taxes related to unrestricted stock	(2)	—	(3)	—	—	(3)
Issuance of common stock under employee stock purchase plan	22	—	30	—	—	30
Stock-based compensation expense	—	—	382	—	—	382
Repurchase of common stock	(41)	—	(62)	—	—	(62)
Other comprehensive income	—	—	—	—	3	3
Net loss	—	—	—	(1,769)	—	(1,769)
Balance at June 30, 2025	21,173	\$ 212	\$ 100,850	\$ (73,310)	\$ 298	\$ 28,050
Exercise of common stock options	4	—	9	—	—	9
Issuance of unrestricted stock	178	2	(2)	—	—	—
Stock-based compensation expense	—	—	342	—	—	342
Other comprehensive loss	—	—	—	—	(110)	(110)
Net loss	—	—	—	(1,053)	—	(1,053)
Balance at September 30, 2025	21,355	\$ 214	\$ 101,199	\$ (74,363)	\$ 188	\$ 27,238

	For the Three and Nine Months Ended September 30, 2024					
	Common Stock		Additional Paid-In	Accumulated	Accumulated Other	Total
	Shares	Amount	Capital	Deficit	Comprehensive Income (Loss)	Stockholders' Equity
Balance at December 31, 2023	21,018	\$ 210	\$ 99,405	\$ (65,512)	\$ 195	\$ 34,298
Issuance of unrestricted stock	67	2	(2)	—	—	—
Stock-based compensation expense	—	—	164	—	—	164
Other comprehensive loss	—	—	—	—	(56)	(56)
Net loss	—	—	—	(982)	—	(982)
Balance at March 31, 2024	21,085	\$ 212	\$ 99,567	\$ (66,494)	\$ 139	\$ 33,424
Issuance of common stock under employee stock purchase plan	28	—	40	—	—	40
Stock-based compensation expense	—	—	243	—	—	243
Other comprehensive income	—	—	—	—	(16)	(16)
Net loss	—	—	—	(1,090)	—	(1,090)
Balance at June 30, 2024	21,113	\$ 212	\$ 99,850	\$ (67,584)	\$ 123	\$ 32,601
Issuance of common stock under employee stock purchase plan	86	1	(1)	—	—	—
Shares surrender by employees to pay taxes related to unrestricted stock	(5)	(1)	(12)	—	—	(13)
Stock-based compensation expense	—	—	220	—	—	220
Other comprehensive income	—	—	—	—	250	250
Net loss	—	—	—	(1,167)	—	(1,167)
Balance at September 30, 2024	21,194	\$ 212	\$ 100,057	\$ (68,751)	\$ 373	\$ 31,891

The accompanying notes are an integral part of the consolidated financial statements.

AWARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 – Description of the Company and Basis of Presentation

Description of the Company

We are a leading biometric authentication company focused on helping organizations verify and secure identities through advanced biometric technologies. Our software is designed to meet the increasing need for secure, user-friendly authentication solutions across both government and commercial sectors. Built on diverse, global data sets, our algorithms can be adapted to meet a wide range of security requirements. We support identity-related functions, such as enrollment, identification, and authentication, using various unique and hard to replicate biometric modalities, including fingerprints, facial recognition, iris scans, and voice analysis

- **Enroll:** Register biometric identities into an organization's secure database
- **Identify:** Utilize an organization's secure database to accurately identify individuals using biometric data
- **Authenticate:** Provide frictionless multi-factor, passwordless access to secured accounts and databases with biometric verification
- **Enable:** Manage the lifecycle of secure identities through optimized biometric interchanges

We have been a trusted provider of biometric technology since 1993. Our comprehensive portfolio of biometric solutions is based on innovative, robust products designed explicitly for ease of integration, including customer-managed and integration ready biometric frameworks, platforms, software development kits (“SDKs”) and services. Principal government applications of biometrics systems include border control, visa applicant screening, law enforcement, national defense, intelligence, secure credentialing, access control, and background checks. Principal commercial applications include mobile enrollment, user authentication, and secure transaction enablement.

Our products provide interoperable, standards-compliant, field-proven biometric functionality and are used to capture, verify, format, compress and decompress biometric images as well as aggregate, analyze, process, match and transport those images and templates within biometric systems. For large deployments, we may provide project management and software engineering services. We sell our biometrics software products and services globally through a multifaceted distribution strategy using systems integrators, original equipment manufacturers (“OEMs”), value added resellers (“VARs”), partners, and directly to select end user customers.

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and therefore do not include all information and notes necessary for a complete presentation of our financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. We filed audited financial statements which included all information and notes necessary for such presentation for the two years ended December 31, 2024 in conjunction with our 2024 Annual Report on Form 10-K. This Form 10-Q should be read in conjunction with that Form 10-K.

The accompanying unaudited consolidated balance sheets, statements of operations and comprehensive loss, statements of cash flows, and statements of stockholders’ equity reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of financial position at September 30, 2025, and of operations and cash flows for the interim periods ended September 30, 2025 and 2024.

The results of operations for the interim periods ended September 30, 2025 are not necessarily indicative of the results to be expected for the year.

Principles of Consolidation

The consolidated financial statements include the accounts of Aware, Inc. and its subsidiaries, Aware Security Corporation and Fortr3ss, Inc. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates used in these financial statements include but are not limited to, revenue recognition, goodwill and long-lived asset impairment, stock based compensation, income taxes, and allowance for credit losses.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires retrospective disclosure of significant segment expenses and other segment

items on an annual and interim basis. Additionally, it requires disclosure of the title and position of the Chief Operating Decision Maker (“CODM”). This ASU was effective for our fiscal year ending on December 31, 2024 and interim periods beginning in fiscal 2025, with early adoption permitted. Adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires an annual tabular effective tax rate reconciliation disclosure including information for specified categories and jurisdiction levels, as well as, disclosure of income taxes paid, net of refunds received, disaggregated by federal, state/local, and significant foreign jurisdiction. This ASU will be effective for our fiscal year ending on December 31, 2025, with early adoption permitted. We are assessing the impact of the standard on our consolidated financial statements.

Note 2 – Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, “*Revenue from Contracts with Customers*” (“ASC 606”). Under ASC 606, we apply the following five step model:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

We categorize revenue as software licenses, software maintenance, or services and other. Revenue from software licenses is recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. We recognize software maintenance revenue over time on a straight-line basis over the contract period. Services revenue is recognized over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted), provided all other revenue recognition criteria are met. Other revenue includes hardware sales that may be included in a software license, is recognized at a point in time upon delivery provided all other revenue recognition criteria are met.

In addition to selling software licenses, software maintenance and software services on a standalone basis, a significant portion of our contracts include multiple performance obligations, which require an allocation of the transaction price to each distinct performance obligation based on a relative standalone selling price (“SSP”) basis. The SSP is the price at which we would sell a promised good or service separately to a customer. The best estimate of SSP is the observable price of a good or service when we sell that good or service separately. A contractually stated price or a list price for a good or service may be the SSP of that good or service. We use a range of selling prices to estimate SSP when we sell each of the goods and services separately and need to determine whether there is a discount that needs to be allocated based on the relative SSP of the various goods and services within multiple performance obligation arrangements. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we typically determine the SSP using an adjusted market assessment approach using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual goods and services due to the stratification of those goods and services by customer. In these instances, we may use information such as the nature of the customer and distribution channel in determining the SSP.

When software licenses and significant customization engineering services are sold together, they are accounted for as a combined performance obligation, as the software licenses are generally highly dependent on, and interrelated with, the associated customization services and therefore are not distinct performance obligations. Revenue for the combined performance obligation is recognized over time as the services are delivered using an input method (i.e., labor hours incurred as a percentage of total labor hours budgeted).

When subscription-based software is sold, the subscription-based software and software maintenance are generally considered distinct performance obligations. The transaction price is allocated to subscription-based software and the software maintenance based on the relative SSP of each performance obligation.

We sell subscription-based software for a fixed fee and/or a usage-based royalty fee, sometimes subject to a minimum guarantee. When the amount is in the form of a fixed fee, including the guaranteed minimum in subscription-based royalties, revenue is allocated to the subscription-based software and recognized at a point in time upon delivery, provided all other revenue recognition criteria are met. Revenue allocated to the software maintenance is recognized over the contract term on a straight-line basis. Any subscription-based software fees earned not subject to the guaranteed minimum or earned in excess of the minimum amount are recognized as revenue when the subsequent usage occurs.

Our contracts can include variable fees, such as the option to purchase additional usage of a previously delivered software license. We may also provide pricing concessions to clients, a business practice that also gives rise to variable fees in contracts. We include variable fees in the determination of total transaction price if it is not probable that a future significant reversal of revenue will occur. We use the expected value or most likely value amount, whichever is more appropriate for specific circumstances, to estimate variable consideration, and the estimates are based on the level of historical price concessions offered to clients.

The amount of consideration is typically not adjusted for a significant financing component if the time between payment and the transfer of the related good or service is one year or less under the practical expedient in the guidance. Our revenue arrangements are typically accounted for under such expedient, as payment is typically due within 30 to 60 days. During the three and nine month periods ended September 30, 2025 and 2024, none of our contracts contained a significant financing component.

Revenue from Software as a Service (“SaaS”) contracts is recognized ratably over the subscription period in accordance with the terms of the customer agreement. For the three and nine months ended September 30, 2025, we recognized \$0.2 million and \$0.3 million, respectively, in SaaS revenue, compared to \$0.1 million for each of the corresponding periods in 2024. SaaS revenue is included in software maintenance revenue in the consolidated statements of operations.

Cost of revenue associated with each category of revenue, may include internal engineering labor, third-party contractors, software license fees, and hardware costs.

Disaggregation of Revenues

We organize ourselves into a single segment that reports to the Chief Executive Officer, who is our CODM. We conduct our operations in the United States and sell our products and services to domestic and international customers. Revenue generated from the following geographic regions was (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
United States	\$ 2,521	\$ 1,850	\$ 6,335	\$ 5,300
India	1,028	\$ 36	1,278	\$ 107
United Kingdom	589	762	2,020	3,254
Rest of World	991	1,201	2,998	3,931
	<u>\$ 5,129</u>	<u>\$ 3,849</u>	<u>\$ 12,631</u>	<u>\$ 12,592</u>

Revenue by timing of transfer of goods or services was (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Goods or services transferred at a point in time	\$ 2,092	\$ 459	\$ 3,921	\$ 3,099
Goods or services transferred over time	3,037	3,390	8,710	9,493
	<u>\$ 5,129</u>	<u>\$ 3,849</u>	<u>\$ 12,631</u>	<u>\$ 12,592</u>

Revenue by contract type was (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
License and service contracts	\$ 3,655	\$ 3,070	\$ 9,546	\$ 9,930
Subscription-based contracts	1,474	779	3,085	2,662
	<u>\$ 5,129</u>	<u>\$ 3,849</u>	<u>\$ 12,631</u>	<u>\$ 12,592</u>

Revenue from subscription-based contracts include revenue that may be recognized at a point in time or over time and be part of a fixed fee and or minimum guarantee as well as fees earned and allocated to software maintenance.

Contract Balances

When the timing of our delivery of goods or services is different from the timing of payments made by customers, we recognize either a contract asset (performance precedes customer billing) or a contract liability (customer payment precedes performance). Customers that prepay are represented by the deferred revenue below until the performance obligation is satisfied.

Our contract assets consist of unbilled receivables. Our contract liabilities consist of deferred (unearned) revenue, which is generally related to software maintenance contracts. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue.

The following tables present changes in our contract assets and liabilities during the three and nine months ended September 30, 2025 and 2024 (in thousands):

	Balance at Beginning of Period	Revenue Recognized In Advance of Billings	Billings	Balance at End of Period
Three months ended September 30, 2025				
Contract assets:				
Unbilled receivables	\$ 1,340	\$ 384	\$ (840)	\$ 884

Three months ended September 30, 2024				
Contract assets:				
Unbilled receivables	\$ 1,299	\$ 634	\$ (525)	\$ 1,408

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Three months ended September 30, 2025				
Contract liabilities:				
Deferred revenue	\$ 4,224	\$ 4,664	\$ (2,373)	\$ 6,515

Three months ended September 30, 2024				
Contract liabilities:				
Deferred revenue	\$ 4,444	\$ 3,220	\$ (2,257)	\$ 5,407

	Balance at Beginning of Period	Revenue Recognized In Advance of Billings	Billings	Balance at End of Period
Nine months ended September 30, 2025				
Contract assets:				
Unbilled receivables	\$ 1,080	\$ 2,026	\$ (2,222)	\$ 884

Nine months ended September 30, 2024				
Contract assets:				
Unbilled receivables	\$ 1,401	\$ 2,770	\$ (2,763)	\$ 1,408

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Nine months ended September 30, 2025				
Contract liabilities:				
Deferred revenue	\$ 5,163	\$ 8,076	\$ (6,724)	\$ 6,515

Nine months ended September 30, 2024				
Contract liabilities:				
Deferred revenue	\$ 5,537	\$ 6,441	\$ (6,571)	\$ 5,407

Remaining Performance Obligations

Remaining performance obligations represent the transaction prices from contracts for which work has not been performed or goods and services have not been delivered. We expect to recognize revenue on approximately 96% of the remaining deferred revenue over the next 12 months, with the remainder

recognized thereafter. As of September 30, 2025, the aggregate amount of the transaction prices allocated to remaining performance obligations for contracts with a duration greater than one year was \$0.4 million.

Note 3 – Fair Value Measurements

The FASB Codification defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under the FASB Codification are: Level 1 – valuations that are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 – valuations that are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 – valuations that require inputs that are both significant to the fair value measurement and unobservable.

Cash and cash equivalents, which primarily include money market mutual funds were \$6.3 million and \$13.0 million as of September 30, 2025 and December 31, 2024, respectively. Marketable securities, which consists of U.S. Treasuries, were \$16.2 million and \$14.8 million as of September 30, 2025 and December 31, 2024, respectively. Our assets and liabilities that are measured at fair value on a recurring basis included the following (in thousands):

Fair Value Measurement at September 30, 2025 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds (included in cash and cash equivalents)	\$ 4,940	\$ —	\$ —	\$ 4,940
Marketable securities	16,208	—	—	16,208
Total assets	\$ 21,148	\$ —	\$ —	\$ 21,148

Fair Value Measurement at December 31, 2024 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds (included in cash and cash equivalents)	\$ 10,671	\$ —	\$ —	\$ 10,671
Marketable securities	14,842	—	—	14,842
Total assets	\$ 25,513	\$ —	\$ —	\$ 25,513

Our investments in marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive income (loss) in stockholders' equity.

Marketable securities by security type consisted of the following (in thousands):

September 30, 2025:				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes and bonds	\$ 16,020	\$ 188	\$ —	\$ 16,208
	<u>\$ 16,020</u>	<u>\$ 188</u>	<u>\$ —</u>	<u>\$ 16,208</u>

December 31, 2024:				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes and bonds	\$ 14,591	\$ 260	\$ (9)	\$ 14,842
	<u>\$ 14,591</u>	<u>\$ 260</u>	<u>\$ (9)</u>	<u>\$ 14,842</u>

Note 4 – Intangible Assets

Intangible assets and their estimated useful lives as of September 30, 2025 are as follows (dollars in thousands):

	Useful Life	Gross Amount	Accumulated Amortization	Net Book Value
Customer relationships	8 and 10 years	\$ 2,680	\$ (1,226)	\$ 1,454
Developed technology	5 and 7 years	710	(503)	207
Trade name / trademarks	3 and 7 years	30	(24)	6
		<u>\$ 3,420</u>	<u>\$ (1,753)</u>	<u>\$ 1,667</u>

During each of the three months ended September 30, 2025 and 2024, we recorded \$0.1 million of intangible assets amortization expense. For each of the nine months ended September 30, 2025 and 2024, we recorded \$0.3 million of intangible assets amortization expense. We expect to record amortization expense for the remainder of 2025 and each subsequent year and thereafter as follows (in thousands):

2025	\$ 96
2026	356
2027	355
2028	338
2029	174
Thereafter	348
	<u>\$ 1,667</u>

Note 5 – Computation of Earnings per Share

Basic earnings per share is computed by dividing net income or loss by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income or loss by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For the purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are anti-dilutive are excluded from the calculation. All outstanding common stock equivalents were not included in the per share calculation for diluted earnings per share where we had a net loss, and the effect of their inclusion would be anti-dilutive.

Note 6 – Equity and Stock-based compensation

The following table presents stock-based compensation expenses included in our unaudited consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Research and development	45	37	132	110
Selling and marketing	22	22	50	52
General and administrative	275	161	722	465
Stock-based compensation expense	<u>\$ 342</u>	<u>\$ 220</u>	<u>\$ 904</u>	<u>\$ 627</u>

Stock Options - On January 17, 2024, our stockholders approved the Aware Inc. 2023 Equity and Incentive Plan (the “2023 Plan”). Following approval of the 2023 Plan, we ceased making awards under our previous 2001 Nonqualified Stock Plan (as amended, the “2001 Plan”).

Also on January 17, 2024, our stockholders approved a stock option exchange program (the “Exchange Offer”) pursuant to which eligible employees, primarily consisting of our executive officers and senior management, were able to exchange certain stock options (the “Eligible Options”) for replacement stock options with modified terms (the “New Options”) as described below. We commenced the Exchange Offer on January 19, 2024.

The Exchange Offer expired on February 20, 2024. Pursuant to the Exchange Offer, nine employees elected to exchange their Eligible Options, and we accepted for cancellation Eligible Options to purchase an aggregate of 2,180,000 shares of common stock, representing approximately 96% of the total shares of common stock underlying the Eligible Options. Following the expiration of the Exchange Offer, on February 20, 2024, we granted New Options to purchase 933,073 shares of Common Stock, pursuant to the terms of the Exchange Offer and our 2023 Plan.

The exercise price per share of the New Options granted pursuant to the Exchange Offer was \$2.21 per share. Each New Option will vest and become exercisable, with respect to 50% of the shares of common stock underlying such New Option on the first anniversary of the grant date and, with respect to the remaining shares of common stock underlying such New Option, in twelve equal monthly installments thereafter, subject to the continuous service of the holder. The other terms and conditions of the New Options will be governed by the terms and conditions of the 2023 Plan and the nonstatutory stock option agreements entered into thereunder.

There was no incremental expense for the New Options as calculated using the Black-Scholes option pricing model. The unamortized expense remaining on the Eligible Options, as of the modification date, will be recognized over the new vesting schedule.

During the three and nine months ended September 30, 2025, the Company granted stock options to purchase an aggregate of 25,000 and 1,538,322 shares of common stock under the 2023 Equity and Incentive Plan, respectively and 4,000 stock options were excised during the three and nine months ended September 30, 2025. No stock options were granted during the corresponding periods in 2024, and no stock options were exercised in the three and nine months ended September 2024. Of the total stock options granted in the three months and nine months ended September 30, 2025; 25,000 and 700,965, respectively, were granted as incentive stock options. The remaining stock options granted in the three and nine months ended September 30, 2025 were granted as non-qualified stock options.

The stock options granting during the nine months ended September 30, 2025 included 180,000 incentive stock options to three recently hired executive officers and 1,060,197 options, comprising both incentive and non-qualified options granted to Ajay Amlani, in connection with his appointment as the Company’s Chief Executive Officer. Within the grant to Mr. Amlani, 848,157 options are subject to time-based vesting, with 25 percent vesting on the one-year anniversary of the grant date and the remaining 75 percent

vesting in 36 equal monthly installments thereafter, subject to Mr. Amlani's continued service. The remaining 212,040 options granted to Mr. Amlani are performance-based and divided equally between two tranches. The first tranche is eligible to vest if certain minimum bookings growth for 2025 thresholds are met, with incremental vesting for higher levels of growth up to a maximum threshold. The second tranche is subject to similar performance conditions based on year-over-year bookings growth in 2026. In both cases, Mr. Amlani must remain in service through December 31 of the applicable performance year for any shares to vest. Expense recognition for the option grant is based on the fair value on the grant date and reflects management's assessment of the probability of achieving the specified performance conditions. Expense is recognized over the requisite service period and is adjusted for changes in the probability of achievement, as necessary.

Restricted Stock Units - The 2023 Plan permits us to grant restricted stock units to our directors, officers, and employees. Upon vesting, each restricted stock unit entitles the recipient to receive a number of shares of common stock as set forth in the relevant restricted stock unit agreement. Stock-based compensation expense for restricted stock units is determined based on the fair market value of our stock on the date of grant, provided the number of shares in the grant is fixed on the grant date.

During the three and nine months ended September 30, 2025 we granted 0 and 771,184 restricted stock units, respectively, to directors, officers, and employees.

Of these restricted stock units, 122,495 shares vested shortly after June 30, 2025, 127,213 are scheduled to vest shortly after December 31, 2025. In addition, 166,229 restricted stock units were granted on March 13, 2025 to Mr. Amlani in connection with an amendment to his employment agreement. Also, 354,600 restricted stock units were granted on June 13, 2025 to Mr. Amlani in connection with a further amendment to his employment agreement.

The March 13, 2025 amendment provides that 80% of Mr. Amlani's base salary for his service as our chief executive officer for the period from March 16, 2025 through December 31, 2025 will be paid in restricted stock units. The award represents the right to receive 166,229 shares and vests in nine equal monthly installments beginning on April 16, 2025 and continuing on the 16th of each month through December 16, 2025. All awards are subject to Mr. Amlani's continued service through the applicable vesting dates.

The June 13, 2025 amendment provides that 75% of Mr. Amlani's base salary for his service as our chief executive officer for the period from January 1, 2026 through December 31, 2027 will be paid in restricted stock units. The award represents the right to receive 354,600 shares and will vest in twenty four equal monthly installments beginning on January 16, 2026 and continuing on the 16th of each month through December 16, 2027. All awards are subject to Mr. Amlani's continued service through the applicable vesting dates.

No restricted stock units were forfeited during the three or nine months ended September 30, 2025.

Share Purchases - On March 1, 2022, our Board of Directors authorized a new stock repurchase program pursuant to which we may purchase up to \$10.0 million of our common stock. On November 30, 2023, our Board of Directors extended the program through December 31, 2025. As of September 30, 2025 we have repurchased \$2.1 million of our common stock pursuant to this program. During the three months ended September 30, 2025 and 2024 we did not purchase any shares of common stock. During the nine months ended September 30, 2025 and 2024 we purchased 75,457 and 35 shares of common stock, respectively. The program does not obligate us to acquire any particular amount of common stock and the program may be modified or suspended at any time at our Board of Directors' discretion.

Note 7 – Income Taxes

During the three months ended September 30, 2025 and 2024, we recorded an income tax provision of \$5,000 and \$15,000, respectively. During the nine months ended September 30, 2025 and 2024, we recorded an income tax provision of \$38,000 and \$54,000, respectively.

We have evaluated the positive and negative evidence bearing upon our ability to realize our deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax

credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of September 30, 2025 and December 31, 2024, we have a full valuation allowance recorded against our net deferred tax assets.

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Some of the information in this Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue" and similar words. You should read statements that contain these words carefully because they: (1) discuss our future expectations; (2) contain projections of our future operating results or financial condition; or (3) state other "forward-looking" information. However, we may not be able to predict future events accurately. The risk factors listed in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2024, as well as any cautionary language in this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of any of the events described in these risk factors and elsewhere in this Quarterly Report on Form 10-Q could materially and adversely affect our business.

Summary of Operations

We are primarily engaged in the development and sale of biometrics products, solutions and services. Our software products are used in government and commercial systems and applications and fulfill a broad range of functions critical to secure biometric enrollment, authentication, identification and transactions. Principal government applications of biometrics systems include border control, visa applicant screening, law enforcement, national defense, intelligence, secure credentialing, access control, and background checks. Principal commercial applications include: i) user enrollment and authentication used for login to mobile devices, computers, networks, and software programs; ii) user authentication for financial transactions and purchases (online and in-person); iii) physical access control to buildings; and iv) identity proofing of prospective employees and customers. We sell our biometrics software products and services globally through a multifaceted distribution strategy using systems integrators, OEMs, VARs, partners, and directly to end user customers. We also derive a portion of our revenue from the sale of imaging software licenses to OEMs and systems integrators that incorporate our software into medical imaging products and medical systems.

On October 30, 2024, we announced that Robert Eckel, our Chief Executive Officer and a member of our Board of Directors, would resign from these positions effective December 31, 2024. Following this announcement, we retained an executive search firm and conducted an extensive search for his successor. As a result of that process, on February 3, 2025, Ajay Amlani was appointed Chief Executive Officer and a member of our Board of Directors.

Summary of Financial Results

We use revenue and results of operations to summarize financial results as we believe these measurements are the most meaningful way to understand our operating performance.

Revenue and operating loss for the three months ended September 30, 2025 were \$5.1 million and \$1.3 million, respectively. These results compared to revenue of \$3.8 million and operating loss of \$1.5 million for the three months ended September 30, 2024. The increase in revenue was primarily due to a \$1.4 million increase in software license revenue, which was partially offset by a \$0.2 million decrease in services and other revenue. The decrease in operating loss was primarily due to the \$1.3 million increase in revenue and partial offset by \$0.4 million in operating expenses resulting from additional headcount in 2025.

Revenue and operating loss for the nine months ended September 30, 2025 were \$12.6 million and \$5.1 million, respectively. These results compared to revenue of \$12.6 million and operating loss of \$4.1 million for the nine months ended September 30, 2024. The changes to revenue was primarily due to a \$0.2 million increase in software license revenue, \$0.1 million increase in software maintenance and partially offset by \$0.3 million decrease in services and other revenue. The decrease in operating loss was primarily due to \$1.0 million increase in operating expenses resulting from additional headcount in 2025.

These and all other financial results are discussed in more detail in the results of operations section that follows.

Results of Operations

Software licenses. Software licenses consist of revenue from the sale of biometrics and imaging software products. Sales of software products depend on our ability to win proposals to supply software for biometrics systems projects either directly to end user customers or indirectly through channel partners.

Software license revenue increased 115% from \$1.2 million in the three months ended September 30, 2024 to \$2.5 million for the three months ended September 30, 2025. As a percentage of total revenue, software license revenue increased from 31% in the third quarter of 2024 to 49% in the current year quarter. The \$1.4 million increase in software license revenue was due primarily to an increase in perpetual licenses sales due to an increase in one-time license deals in the current quarter.

Software license revenue increased 2% from \$5.1 million in the nine months ended September 30, 2024 to \$5.3 million for the nine months ended September 30, 2025. As a percentage of total revenue, software license revenue increased from 41% in the nine months ended September 30, 2024 to 42% in the nine months ended September 30, 2025. The \$0.2 million increase in software license revenue was due primarily to an increase in perpetual licenses sales.

Software license sales have historically fluctuated, and we expect software license revenue to continue to fluctuate since these sales are based on the timing of projects with our customers and partners.

Our market strategy is to continue to focus on our legacy government biometrics markets and expand into new commercial biometrics markets. We are unable to predict future revenue from commercial markets as these are emerging markets.

Software maintenance. Software maintenance consists of revenue from the sale of software maintenance contracts. Software maintenance contracts entitle customers to receive software support and software updates, if and when they become available, during the term of the contract.

Software maintenance increased 5% from \$2.3 million in the three months ended September 30, 2024 to \$2.4 million in the three months ended September 30, 2025 and 2024. As a percentage of total revenue, software maintenance revenue decreased from 59% in the third quarter of 2024 to 46% in the current year third quarter.

Software maintenance revenue increased 2% from \$6.6 million in the nine months ended September 30, 2024 to \$6.7 million for the nine months ended September 30, 2025. As a percentage of total revenue, software maintenance revenue increased from 52% in the nine months ended September 30, 2024 to 53% in the current year period.

Services and other revenue. Services revenue consists of fees we charge to perform software development, integration, installation, and customization services. Similar to software license revenue, services revenue depends on our ability to win biometrics systems projects either directly with end user customers or in conjunction with channel partners. Other revenue consists of hardware fees that are included with some of our software licenses.

Services and other revenue decreased 45% from \$0.4 million in the three months ended September 30, 2024 to \$0.2 million in the three months ended September 30, 2025. As a percentage of total revenue, services and other revenue decreased from 11% in the three months ended September 30, 2024 to 5% in the current year period.

Services and other revenue decreased 27% from \$0.9 million in the nine months ended September 30, 2024 to \$0.6 million in the nine months ended September 30, 2025. As a percentage of total revenue, services and other revenue decreased from 7% in the nine months ended September 30, 2024 to 5% in the current year period.

Services and other revenue fluctuate dependent on when we commence new projects and when we complete projects that were started in previous periods.

Cost of revenue. Cost of revenue consists primarily of engineering costs to perform customer services projects, amortization of intangible assets related to acquisitions, and other third-party costs that are included with some of our software licenses. Such costs primarily include: i) engineering salaries, stock-based compensation, fringe benefits, and facilities; ii) engineering consultants and contractors; iii) software license fees; and iv) hardware costs.

Cost of revenue increased 71% from \$0.3 million in the three months ended September 30, 2024 to \$0.5 million in the three months ended September 30, 2025. Cost revenue as a percentage of total revenue increased from 7% in the third quarter of 2024 to 10% in the current year third quarter. The \$0.2 million increase was the result of increased software license costs.

Cost of revenue increased 28% from \$0.8 million in the nine months ended September 30, 2024 to \$1.1 million in the nine months ended September 30, 2025. Cost of revenue as a percentage of total revenue increased from 6% in the nine months ended September 30, 2024 to 9% in the current year period. The \$0.3 million increase was the result of increased software license costs.

For the three months ended September 30, 2025 cost of revenue was composed of \$0.3 million for software license and hardware costs, \$0.1 million of engineering costs to perform customer services, and \$0.1 million of amortization of intangible assets.

For the nine months ended September 30, 2025 cost of revenue was composed of \$0.5 million for software license and hardware costs, \$0.3 million of engineering costs to perform customer services, and \$0.3 million of amortization of intangible assets.

Gross margins on revenue are a function of: i) the nature of the projects; ii) the level of engineering difficulty and labor hours required to complete project tasks; iii) how much we were able to charge; and iv) product mix. We expect that gross margins on services and other revenue will continue to fluctuate in future periods based on the nature, complexity, and pricing of future projects and product mix.

Research and development expense. Research and development expense consists of costs for: i) engineering personnel, including salaries, stock-based compensation, fringe benefits, and facilities; ii) engineering consultants and contractors, and iii) other engineering expenses such as supplies, equipment depreciation, dues and memberships and travel. Engineering costs incurred to develop our technology and products are classified as research and development expense. As described in the cost of services section, engineering costs incurred to provide engineering services for customer projects are classified as cost of services and other revenue, and are not included in research and development expense.

The classification of total engineering costs to research and development expense and engineering costs to perform customer services included in cost of revenue was (in thousands):

	Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	2024	2025	2024
Research and development expense	\$ 2,131	\$ 1,873	\$ 6,013	\$ 5,922
Engineering costs allocated to cost of revenue	91	100	280	286
Total engineering costs	\$ 2,222	\$ 1,973	\$ 6,293	\$ 6,208

Total engineering costs increased 13% from \$2.0 million in the three months ended September 30, 2024 to \$2.2 million in the three months ended September 30, 2025. As a percentage of total revenue, total engineering costs decreased from 51% in the three months ended September 30, 2024 to 43% in the same current year quarter.

Total engineering costs increased 1% from \$6.2 million in the nine months ended September 30, 2024 to \$6.3 million in the nine months ended September 30, 2025. As a percentage of total revenue, total engineering costs decreased from 50% in the nine months ended September 30, 2024 to 49% in the same current year period.

The spending increase for the three and nine ended September 30, 2025 compared to the same prior year period was primarily due to increased headcount 2025. We anticipate engineering expenses to increase during the remainder of 2025 as we ramp up investment to support strategic product development initiatives.

Selling and marketing expense. Selling and marketing expense primarily consists of costs for: i) sales and marketing personnel, including salaries, sales commissions, stock-based compensation, fringe benefits, travel, and facilities; and ii) advertising and promotion expenses.

Selling and marketing expense increased 13% from \$1.9 million in the three months ended September 30, 2024 to \$2.1 million in the same three month period of 2025. As a percentage of total revenue, selling and marketing expense decreased from 48% in the third quarter of 2024 to 41% in the corresponding period in 2025.

Selling and marketing expense decreased 2% from \$5.9 million in the nine months ended September 30, 2024 to \$5.7 million in the same nine month period of 2025. As a percentage of total revenue, selling and marketing expense decreased from 46% in the nine months ended September 30, 2024 to 45% in the corresponding period in 2025.

The spending increases for the three months ended September 30, 2025, compared to the same prior year was primarily due to one time savings for the three months ended September 30, 2024 related to the reversal of accrued bonus expense as a result of the departure of our chief revenue officer in September 2024. The spending decreases for the nine months ended June 30, 2025, compared to the same prior year period was primarily due to lower headcount including the departure of our chief revenue officer in 2024 who was not replaced until March 2025 and the departure of our chief product officer in 2024.

We expect selling and marketing expense to increase in future periods as we continue to invest in revenue-generating activities. This includes plans to backfill the chief product officer position and additional hires across our sales organization to support pipeline growth and capitalize on market opportunities.

General and administrative expense. General and administrative expense consists primarily of costs for: i) officers, directors and administrative personnel, including salaries, bonuses, director compensation, stock-based compensation, fringe benefits, and facilities; ii) professional fees, including legal and audit fees; iii) public company expenses; and iv) other administrative expenses, such as insurance costs and bad debt provisions.

General and administrative expense increased 29% from \$1.3 million for the three months ended September 30, 2024 to \$1.7 million for the three months ended September 30, 2025. As a percentage of total revenue, general and administrative expense was 34% in the third quarter of 2024 and 33% in the corresponding period of 2025.

General and administrative expense increased 20% from \$4.1 million for the nine months ended September 30, 2024 to \$4.9 million for the nine months ended September 30, 2025. As a percentage of total revenue, general and administrative expense was 32% in the nine months ended September 30, 2024 and 40% in the corresponding period of 2025.

The expense increase for the three months ended September 30, 2025 compared to the same prior year period was primarily due to the impact of an increase in stock compensation expense of \$0.1 million, an increase in payroll-related expense of \$0.1 million, and an increase in professional services fees of \$0.1 million.

The expense increase for the nine months ended September 30, 2025 compared to the same prior year period was primarily due to the impact of a \$0.1 million signing bonus paid to Mr. Amlani in connection with his appointment as our chief executive officer, an increase in compensation expense of \$0.3 million, an increase in professional services fees of \$0.2 million, and an increase in stock compensation expense of \$0.2 million. Fluctuations in general and administrative expenses are expected depending on specific activities in a period.

Interest Income. Interest income was \$0.2 million and \$0.3 million in the three months ended September 30, 2025 and 2024, respectively. Interest income was \$0.7 million and \$0.9 million in the nine months ended September 30, 2025 and 2024, respectively. The decrease in interest income in each of the three and nine months ended September 30, 2025 was primarily the result of lower average cash balances during the current year periods.

We expect interest income to decrease slightly over the remainder of 2025 due to a lower projected average cash balance and lower interest rates.

Income taxes. Total income tax expense was \$5 thousand and \$15 thousand for the three months ended September 30, 2025 and 2024, respectively. Total income tax expense was \$38 thousand and \$54 thousand for

the nine months ended September 30, 2025 and 2024, respectively. The income tax expense relates to limitations on the usage of net operating loss carryforwards generated in years beginning after December 31, 2017.

We are subject to income taxes in the United States, and we use estimates in determining our provisions for income taxes. We account for income taxes using the asset and liability method for accounting and reporting income taxes. Deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates.

We have evaluated the positive and negative evidence bearing upon our ability to realize our deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of September 30, 2025 and December 31, 2024, we recorded a full valuation allowance against our net deferred tax assets.

Liquidity and Capital Resources

At September 30, 2025, we had cash, cash equivalents and marketable securities of \$22.5 million, which represented a decrease of \$5.3 million from December 31, 2024. The decrease in cash, cash equivalents and marketable securities was primarily due to the impact of \$6.4 million of cash used in operating activities.

Cash used in investing activities was \$0.2 million in the first nine months of 2025, which primarily consisted of \$0.1 million of net purchases of marketable securities and \$45 thousand used for the purchase of fixed assets.

Cash used by financing activities was \$82 thousand in the first nine months of 2025, which primarily consisted of cash used to repurchase shares of our common stock.

While we cannot assure you that we will not require additional financing, or that such financing will be available to us, we believe that our cash and cash equivalents will be sufficient to fund our operations for at least the next twelve months from the date of this filing and to meet our known long-term cash requirements. Whether these resources are adequate to meet our liquidity needs beyond that period will depend on our future growth, operating results, and the investments needed to support our operations. If we require additional capital resources, we may utilize available funds or seek external financing, which may not be available on terms we find attractive or at all.

To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

Recent Accounting Pronouncements

See Note 1 to our Consolidated Financial Statements in Item 1.

ITEM 4: Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

PART II. OTHER INFORMATION

ITEM 1: Legal Proceedings

From time to time, we are involved in litigation incidental to the conduct of our business. We are not party to any lawsuit or proceeding that, in our opinion, is material to our business.

ITEM 1A: Risk Factors

Investing in our common stock involves a high degree of risk. Our Annual Report on Form 10-K for the year ended December 31, 2024 includes a detailed discussion of our risk factors under the heading “Part I, Item 1A—Risk Factors.” There have been no material changes from such risk factors during the three months ended September 30, 2025. You should consider carefully the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2024, and all other information contained in or incorporated by reference in this Quarterly Report on Form 10-Q before making an investment decision. If any of the risks discussed in the Annual Report on Form 10-K or herein actually occur, they may materially harm our business, financial condition, operating results, cash flows or growth prospects. As a result, the market price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, financial condition, operating results, cash flows or growth prospects and could result in a complete loss of your investment.

ITEM 2: Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

On November 30, 2023, we announced that our Board of Directors had approved the extension of our previously announced 2022 Repurchase Plan through December 31, 2025. The 2022 Repurchase Plan authorizes the Company to repurchase of up to \$10,000,000 of our common stock from time to time. During the three months ended September 30, 2025 we did not purchase any shares under this plan.

As of September 30, 2025 the remaining dollar value of shares that may be purchased under the plan is \$7,860,376.

ITEM 3: Defaults Upon Senior Securities

None.

ITEM 4: Mine Safety Disclosures

None.

ITEM 5: Other Information

During the three months ended September 30, 2025, no director or officer of the Company adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in item 408(a) of Regulation S-K.

ITEM 6: Exhibits

(a) Exhibits

Exhibit 3.1	<u>Amended and Restated Articles of Organization, as amended (filed as Exhibit 3.1 to the Company's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).</u>
Exhibit 3.2	<u>Amended and Restated By-Laws (filed as Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 10, 2007 and incorporated herein by reference).</u>
Exhibit 31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 32.1	<u>Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 101	The following financial statements from Aware, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in iXBRL (Inline eXtensible Business Reporting Language), as follows: i) Consolidated Balance Sheets as of September 30, 2025 and December 31, 2024, ii) Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2025 and 2024 iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2025 and 2024 iv) Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2025 and 2024, and v) Notes to Consolidated Financial Statements.
Exhibit 104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline Document Set.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AWARE, INC.

Date: October 31, 2025

By: /s/ Ajay K. Amlani
Ajay K. Amlani
Chief Executive Officer & President

Date: October 31, 2025

By: /s/ David K. Traverse
David K. Traverse
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Ajay K. Amlani, Chief Executive Officer & President of Aware, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2025

/s/ Ajay K. Amlani

Ajay K. Amlani
Chief Executive Officer & President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David K. Traverse, Chief Financial Officer of Aware, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2025

/s/ David K. Traverse

David K. Traverse
Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report on Form 10-Q of Aware, Inc. (the "Company") for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned Chief Executive Officer and Chief Financial Officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ajay K. Amlani
Chief Executive Officer & President

/s/ David K. Traverse
Chief Financial Officer

Date: October 31, 2025

Date: October 31, 2025

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Form 10-Q or as a separate disclosure document of the Company or the certifying officers.
