# 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, 2026

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:

| **Title of Each Class** | **Trading Symbol** | **Name of Each Exchange on Which Registered** |
|---|---|---|
| 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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

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 27, 2026 was 21,871,737.

**AWARE, INC.**
**FORM 10-Q**
**FOR THE QUARTER ENDED SEPTEMBER 30, 2026**

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

| | September 30, 2026 | December 31, 2025 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,428 | $ 7,269 |
| Marketable securities | 12,947 | 15,026 |
| Accounts receivable, net | 4,357 | 3,010 |
| Unbilled receivables, net | 1,509 | 1,348 |
| Prepaid expenses and other current assets | 1,285 | 1,612 |
| Total current assets | 22,526 | 28,265 |
| | | |
| Property and equipment, net | 326 | 477 |
| Intangible assets, net | 1,302 | 1,569 |
| Goodwill | 3,120 | 3,120 |
| Right of use asset | 3,380 | 3,642 |
| Other long-term assets | 122 | 122 |
| Total assets | $ 30,776 | $ 37,195 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,042 | $ 1,045 |
| Accrued expenses | 954 | 930 |
| Current portion of operating lease liabilities | 691 | 676 |
| Deferred revenue | 4,816 | 4,854 |
| Total current liabilities | 7,503 | 7,505 |
| | | |
| Long-term deferred revenue | 190 | 261 |
| Long-term operating lease liabilities | 3,038 | 3,292 |
| Total long-term liabilities | 3,228 | 3,553 |
| Stockholders' equity: | | |
| Preferred stock, $1.00 par value; 1,000,000 shares authorized, none outstanding | — | — |
| Common stock, $0.01 par value; 70,000,000 shares authorized; issued and outstanding of 21,856,962 as of September 30, 2026 and 21,444,665 as of December 31, 2025 | 219 | 215 |
| Additional paid-in capital | 102,396 | 101,510 |
| Accumulated deficit | (82,630) | (75,816) |
| Accumulated other comprehensive income | 60 | 228 |
| Total stockholders' equity | 20,045 | 26,137 |
| | | |
| Total liabilities and stockholders' equity | $ 30,776 | $ 37,195 |

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, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| Revenue: | | | | |
| Software licenses | $ 1,938 | $ 2,525 | $ 3,923 | $ 5,261 |
| Software maintenance | 2,105 | 2,199 | 6,171 | 6,451 |
| Services and other | 374 | 405 | 964 | 918 |
| Total revenue | 4,417 | 5,129 | 11,058 | 12,630 |
| Costs and expenses: | | | | |
| Cost of revenue | 439 | 419 | 1,294 | 858 |
| Research and development | 2,296 | 2,131 | 8,051 | 6,013 |
| Selling and marketing | 1,148 | 2,103 | 4,357 | 5,730 |
| General and administrative | 1,474 | 1,771 | 4,686 | 5,136 |
| Total costs and expenses | 5,357 | 6,424 | 18,388 | 17,737 |
| Operating loss | (940) | (1,295) | (7,330) | (5,107) |
| Interest income | 155 | 247 | 531 | 726 |
| Loss before provision for income taxes | (785) | (1,048) | (6,799) | (4,381) |
| Provision for income taxes | 6 | 5 | 15 | 39 |
| Net loss | $ (791) | $ (1,053) | $ (6,814) | $ (4,420) |
| Other comprehensive loss income, net of tax: | | | | |
| Unrealized loss on available-for-sale securities | (60) | (110) | (168) | (63) |
| Comprehensive loss | $ (851) | $ (1,163) | $ (6,982) | $ (4,483) |
| Net loss per share – basic | $ (0.04) | $ (0.05) | $ (0.31) | $ (0.21) |
| Net loss per share – diluted | $ (0.04) | $ (0.05) | $ (0.31) | $ (0.21) |
| Weighted-average shares – basic | 21,726 | 21,202 | 21,677 | 21,188 |
| Weighted-average shares – diluted | 21,726 | 21,202 | 21,677 | 21,188 |

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, | |
|---|---|---|
| | **2026** | **2025** |
| Cash flows from operating activities: | | |
| Net loss | $ (6,814) | $ (4,420) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 418 | 431 |
| Stock-based compensation | 843 | 904 |
| Allowance (recovery) for credit losses | 54 | (29) |
| Non-cash lease expense | 23 | 38 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,401) | (3,259) |
| Unbilled receivables | (161) | 196 |
| Prepaid expenses and other current assets | 254 | (1,796) |
| Accounts payable | (8) | 49 |
| Accrued expenses | 23 | 89 |
| Deferred revenue | (103) | 1,353 |
| Net cash used in operating activities | (6,872) | (6,444) |
| | | |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | — | (45) |
| Purchase of marketable securities | (1,266) | (6,109) |
| Sale of marketable securities | 3,250 | 6,000 |
| Net cash provided by (used in) investing activities | 1,984 | (154) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 50 | 36 |
| Payments made for taxes of employees who surrendered shares related to unrestricted stock | (3) | (3) |
| Repurchase of common stock | — | (115) |
| Net cash provided by (used in) financing activities | 47 | (82) |
| | | |
| Decrease in cash and cash equivalents | (4,841) | (6,680) |
| Cash and cash equivalents, beginning of period | 7,269 | 12,972 |
| Cash and cash equivalents, end of period | $ 2,428 | $ 6,292 |
| | | |
| Supplemental disclosure: Cash (refunded) paid for income taxes | $ (27) | $ 38 |

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, 2026 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Accumulated | Accumulated Other Comprehensive | Total Stockholders' |
| | Shares | Amount | Capital | Deficit | Income (Loss) | Equity |
| Balance at December 31, 2025 | 21,445 | $ 215 | $ 101,510 | $ (75,816) | $ 228 | $ 26,137 |
| Issuance of unrestricted stock | 172 | 2 | (2) | — | — | — |
| Stock-based compensation expense | — | — | 269 | — | — | 269 |
| Other comprehensive loss | — | — | — | — | (62) | (62) |
| Net loss | — | — | — | (3,458) | — | (3,458) |
| Balance at March 31, 2026 | 21,617 | $ 217 | $ 101,777 | $ (79,274) | $ 166 | $ 22,886 |
| Issuance of unrestricted stock | 50 | — | — | — | — | — |
| Shares surrendered by employees to pay taxes related to unrestricted stock | (2) | — | (3) | — | — | (3) |
| Issuance of common stock under employee stock purchase plan | 39 | — | 50 | — | — | 50 |
| Stock-based compensation expense | — | — | 321 | — | — | 321 |
| Other comprehensive loss | — | — | — | — | (46) | (46) |
| Net loss | — | — | — | (2,565) | — | (2,565) |
| Balance at June 30, 2026 | 21,704 | $ 217 | $ 102,145 | $ (81,839) | $ 120 | $ 20,643 |
| Issuance of unrestricted stock | 153 | 2 | (2) | — | — | — |
| Stock-based compensation expense | — | — | 253 | — | — | 253 |
| Other comprehensive loss | — | — | — | — | (60) | (60) |
| Net loss | — | — | — | (791) | — | (791) |
| Balance at September 30, 2026 | 21,857 | $ 219 | $ 102,396 | $ (82,630) | $ 60 | $ 20,045 |

| | For the Three and Nine Months Ended September 30, 2025 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In | Accumulated | Accumulated Other | Total Stockholders' |
| | Shares | Amount | Capital | Deficit | Comprehensive Income | 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 | 0 | 9 | — | — | 9 |
| Issuance of common stock under employee stock purchase plan | 178 | 2 | (2) | — | 0 | — |
| 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 |

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 identity platform company that validates and secures identities using proven and trusted biometrics solutions. Our portfolio enables government agencies and commercial entities to enroll, identify, authenticate and enable using biometrics, which comprise physiological characteristics, such as fingerprints, faces, irises and voices.

- **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

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 orchestration 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, identity proofing, and secure transaction enablement.

Our products span multiple biometric modalities including fingerprint, face, iris and voice, and provide interoperable, standards-compliant, field-proven biometric functionality. Our products 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 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 years ended December 31, 2025 and 2024 in conjunction with our 2025 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, 2026, and of operations and cash flows for the interim periods ended September 30, 2026 and 2025.

The results of operations for the interim periods ended September 30, 2026 are not necessarily indicative of the results to be expected for the year.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to the current period presentation. Beginning in the quarter ended March 31, 2026, the Company revised the presentation of subscription-based SaaS revenue to classify it within services and other revenue rather than software maintenance revenue. Accordingly, $0.2 million and $0.3 million of revenue for the three and nine months ended September 30, 2025, respectively, have been reclassified to conform to the current period presentation.

In addition, $0.1 million and $0.3 million of amortization expense related to acquired intangible assets has been reclassified from cost of revenue to general and administrative expense for the three and nine months ended September 30, 2025, respectively.

These reclassifications had no impact on previously reported total revenue, loss from operations, net loss or loss per share and had no impact on the consolidated balance sheets, statements of cash flows, or changes in stockholders’ equity.

*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 Pronouncement*

In 2025, the FASB issued ASU No. 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software, which amends existing guidance related to the accounting for internal-use software costs. The amendments are intended to improve the relevance of information provided to investors about a company's investments in internal-use software and align the accounting for internal-use software costs with modern software development practices. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that adoption of this ASU will have on the Company's 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, which includes SaaS subscription arrangements. 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 and revenue from SaaS subscription arrangements 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 and 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, 2026 and 2025, 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 months ended September 30, 2026 and 2025, we recognized $0.1 million and $0.2 million, respectively, in SaaS revenue. For the nine months ended September 30, 2026 and 2025, we recognized $0.4 million and $0.3 million, respectively, in SaaS revenue. SaaS revenue is included in services and other 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| United States | $ 2,511 | $ 2,521 | $ 5,507 | $ 6,335 |
| United Kingdom | 462 | 589 | 1,389 | 2,020 |
| Turkey | 441 | 34 | 1,083 | 468 |
| India | 84 | 1,028 | 257 | 1,278 |
| Rest of World | 919 | 957 | 2,822 | 2,529 |
| | $ 4,417 | $ 5,129 | $ 11,058 | $ 12,630 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Goods or services transferred at a point in time | $ 1,960 | $ 2,529 | $ 3,961 | $ 5,282 |
| Goods or services transferred over time | 2,457 | 2,600 | 7,097 | 7,348 |
| | $ 4,417 | $ 5,129 | $ 11,058 | $ 12,630 |

Revenue by contract type was (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| License and service contracts | $ 2,345 | $ 4,320 | $ 7,198 | $ 10,406 |
| Subscription-based contracts | 2,072 | 809 | 3,860 | 2,224 |
| | $ 4,417 | $ 5,129 | $ 11,058 | $ 12,630 |

Revenue from subscription-based contracts includes revenue that may be recognized at a point in time or over time and be part of a fixed fee and or minimum guaranteed fee 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, 2026 and 2025 (in thousands):

| | Balance at Beginning of Period | Revenue Recognized In Advance of Billings | Billings | Balance at End of Period |
|---|---|---|---|---|
| **Three months ended September 30, 2026** | | | | |
| Contract assets: | | | | |
| Unbilled receivables | $ 1,199 | $ 846 | $ (536) | $ 1,509 |
| | | | | |
| **Three months ended September 30, 2025** | | | | |
| Contract assets: | | | | |
| Unbilled receivables | $ 1,340 | $ 384 | $ (840) | $ 884 |

| | Balance at Beginning of Period | Billings | Revenue Recognized | Balance at End of Period |
|---|---|---|---|---|
| **Three months ended September 30, 2026** | | | | |
| Contract liabilities: | | | | |
| Deferred revenue | $ 3,640 | $ 3,471 | $ (2,105) | $ 5,006 |
| | | | | |
| **Three months ended September 30, 2025** | | | | |
| Contract liabilities: | | | | |
| Deferred revenue | $ 4,224 | $ 4,664 | $ (2,373) | $ 6,515 |

| | Balance at Beginning of Period | Revenue Recognized In Advance of Billings | Billings | Balance at End of Period |
|---|---|---|---|---|
| **Nine months ended September 30, 2026** | | | | |
| Contract assets: | | | | |
| Unbilled receivables | $ 1,348 | $ 2,522 | $ (2,361) | $ 1,509 |
| | | | | |
| **Nine months ended September 30, 2025** | | | | |
| Contract assets: | | | | |
| Unbilled receivables | $ 1,080 | $ 2,026 | $ (2,222) | $ 884 |

| | Balance at Beginning of Period | Billings | Revenue Recognized | Balance at End of Period |
|---|---|---|---|---|
| **Nine months ended September 30, 2026** | | | | |
| Contract liabilities: | | | | |
| Deferred revenue | $ 5,115 | $ 6,062 | $ (6,171) | $ 5,006 |
| | | | | |
| **Nine months ended September 30, 2025** | | | | |
| Contract liabilities: | | | | |
| Deferred revenue | $ 5,163 | $ 8,076 | $ (6,724) | $ 6,515 |

*Remaining Performance Obligations*

Remaining performance obligations represent the transaction prices from contracts for which work has not been performed or for which 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, 2026, the aggregate amount of the transaction prices allocated to remaining performance obligations for contracts with a duration greater than one year was $0.2 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 $2.4 million and $7.3 million as of September 30, 2026 and December 31, 2025, respectively. Marketable securities, which consists of U.S. Treasuries, were $12.9 million and $15.0 million as of September 30, 2026 and December 31, 2025, 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, 2026 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) | $ 1,334 | $ — | $ — | $ 1,334 |
| Marketable securities | 12,947 | — | — | 12,947 |
| Total assets | $ 14,281 | $ — | $ — | $ 14,281 |

| | Fair Value Measurement at December 31, 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) | $ 5,881 | $ — | $ — | $ 5,881 |
| Marketable securities | 15,026 | — | — | 15,026 |
| Total assets | $ 20,907 | $ — | $ — | $ 20,907 |

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, 2026: | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury notes and bonds | $ 12,887 | $ 136 | $ (76) | $ 12,947 |
| | $ 12,887 | $ 136 | $ (76) | $ 12,947 |

| | December 31, 2025: | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury notes and bonds | $ 14,798 | $ 228 | $ — | $ 15,026 |
| | $ 14,798 | $ 228 | $ — | $ 15,026 |

**Note 4 – Goodwill and Intangible Assets**

Intangible assets and their estimated useful lives as of September 30, 2026 are as follows (dollars in thousands):

| | Useful Life | Gross Amount | Accumulated Amortization | Net Book Value |
|---|---|---|---|---|
| Customer relationships | 8 and 10 years | $ 2,680 | $ (1,518) | $ 1,162 |
| Developed technology | 5 and 7 years | 710 | (573) | 137 |
| Trade name / trademarks | 3 and 7 years | 30 | (27) | 3 |
| | | $ 3,420 | $ (2,118) | $ 1,302 |

During each of the three and nine months ended September 30, 2026 and 2025, we recorded $0.1 million and $0.3 million of intangible assets amortization expense, respectively. We expect to record amortization expense for the remainder of 2026 and each subsequent year and thereafter as follows (in thousands):

| | |
|---|---|
| 2026 | $ 89 |
| 2027 | 355 |
| 2028 | 338 |
| 2029 | 174 |
| 2030 | 174 |
| Thereafter | 172 |
| | $ 1,302 |

As of September 30, 2026, we had $3.1 million of goodwill. During the three months ended March 31, 2026, we identified a triggering event due to a decline in market capitalization and continued operating losses and, as a result, performed an interim quantitative goodwill impairment test. Based on this analysis, we determined that the fair value of the reporting unit exceeded its carrying value and no impairment of goodwill was recorded as of March 31, 2026. During the three and nine months ended September 30, 2026, we did not identify any additional triggering events or indicators of impairment, and therefore no additional interim goodwill impairment test was performed. No impairment of goodwill was recorded during the three and nine months ended September 30, 2026.

**Note 5 – Restructuring Charges**

In March 2026, we implemented a cost-saving plan to better align our cost structure with current business needs. During the three and nine months ended September 30, 2026, we recognized approximately $44 thousand and $0.7 million, respectively, of restructuring charges, consisting primarily of employee severance and related benefits.

As of September 30, 2026, approximately $0.2 million of restructuring costs remained unpaid, which are expected to be paid within the next six months.

**Note 6 – 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 7 – 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, | |
|---|---|---|---|---|
| | 2026 | 2025 | 2026 | 2025 |
| Research and development | 18 | 45 | 98 | 132 |
| Selling and marketing | 17 | 22 | 47 | 50 |
| General and administrative | 218 | 275 | 698 | 722 |
| Stock-based compensation expense | $ 253 | $ 342 | $ 843 | $ 904 |

*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").
During the three and nine months ended September 30, 2026, the Company granted stock options to purchase an aggregate of 0 and 10,000 shares of common stock under the 2023 Plan, respectively. The stock options granted in the nine months ended September 30, 2026 were granted as incentive stock options.

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, respectively, under the 2023 Plan. Of the total stock options granted in the nine months ended September 30, 2025, 700,965 options were granted as incentive stock options and 837,357 as non-qualified stock options.

No stock options were exercised during the three and nine months ended September 30, 2026. During the three and nine months ended September 30, 2025, 4,000 stock options were exercised.

The stock options granted during the three months ended March 31, 2025 included 105,000 incentive stock options to a hired executive officer 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 were subject to time-based vesting, with 25 percent vested 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 were performance-based and divided equally between two tranches. The first tranche was eligible to vest if certain minimum thresholds for bookings growth for 2025 were

achieved, 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. During 2025, the performance condition for the 2025 tranche was not achieved and the related performance-based options were cancelled. Any compensation expense previously recognized for that tranche was reversed during 2025. As of September 30, 2026, management determined that achievement of the performance conditions for the 2026 tranche was not probable and, accordingly, no compensation expense has been recognized for the 2026 tranche.

*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.

We granted 68,193 and 285,547 restricted stock units to directors, officers, and employees during the three and nine months ended September 30, 2026, respectively. Of the 217,354 restricted stock units granted during the three months ended March 31, 2026, 108,677 vested shortly after June 30, 2026 and the remaining are scheduled to vest shortly after December 31, 2026. No restricted stock units were forfeited during the three or nine months ended September 30, 2026.

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, 250,355 restricted stock units are vested in two installments of 122,818 and 127,537 shares shortly after June 30, 2025 and December 31, 2025, respectively. 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. The amendment provided that 80% of Mr. Amlani's CEO's base salary for the period from March 16, 2025 through December 31, 2025 will be paid in restricted stock units. The award represented the right to receive 166,229 shares and vested in nine equal monthly installments beginning on April 16, 2025 and continuing on the 16th of each month through December 16, 2025. All awards were subject to Mr. Amlani's continued service through the applicable vesting dates.

In addition, 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 amendment provides that 75% of Mr. Amlani's CEO's base salary 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 had repurchased $2.1 million of our common stock pursuant to this program. During the three and nine months ended September 30, 2025 we purchased 0 and 75,457 shares of common stock, respectively. The program did not obligate us to acquire any particular amount of common stock. As of December 31, 2025 the plan expired. We did not repurchase any shares of our common stock during the three or nine months ended September 30, 2026.

**Note 8 – Income Taxes**

During the three months ended September 30, 2026 and 2025, we recorded an income tax provision of approximately $6 thousand and $5 thousand, respectively. During the nine months ended September 30, 2026 and 2025, we recorded an income tax provision of approximately $15 thousand and $39 thousand, 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, 2026 and December 31, 2025, 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, 2025, 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.

**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. The comparisons below reflect certain reclassifications described in more detail in Note 1 to the consolidated financial statements.

Revenue and operating loss for the three months ended September 30, 2026 were $4.4 million and $0.9 million, respectively. These results compared to revenue of $5.1 million and operating loss of $1.3 million for the three months ended September 30, 2025. The decrease in revenue was primarily due to lower software license revenue. The decrease in operating loss was primarily due to lower operating expenses and partially offset by lower software license revenue.

Revenue and operating loss for the nine months ended September 30, 2026 were $11.1 million and $7.3 million, respectively. These results compared to revenue of $12.6 million and operating loss of $5.1 million for the nine months ended September 30, 2025. The decrease in revenue was primarily due to lower software license revenue. The increase in operating loss was primarily due to lower revenue, one-time severance costs in the current period of $0.7 million and a $0.9 million increase in salary-related expenses resulting from additional headcount hired in 2025. These severance costs relate to workforce reduction actions taken during the period as part of our efforts to align our cost structure with current business conditions. We expect to realize incremental cost savings from these actions throughout the remainder of 2026.

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 decreased 23% from $2.5 million in the three months ended September 30, 2025 to $1.9 million for the three months ended September 30, 2026. As a percentage of total revenue, software license revenue decreased from 49% in the third quarter of 2025 to 44% in the current year quarter. The $0.6 million decrease in software license revenue was due primarily fewer one-time perpetual licenses sales due to a decrease in one-time license deals in the current quarter.

Software license revenue decreased 25% from $5.3 million in the nine months ended September 30, 2025 to $3.9 million for the nine months ended September 30, 2026. As a percentage of total revenue, software license revenue decreased from 42% in the first nine months of 2025 to 36% in the current period. The $1.3 million decrease in software license revenue was due primarily to fewer one-time perpetual licenses sales in the current year period.

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 decreased 4% from $2.2 million in the three months ended September 30, 2025 to $2.1 million for the three months ended September 30, 2026. As a percentage of total revenue, software maintenance revenue increased from 43% in the third quarter of 2025 to 48% in the current year period.

Software maintenance decreased 4% from $6.5 million in the nine months ended September 30, 2025 to $6.2 million for the nine months ended September 30, 2026. As a percentage of total revenue, software maintenance revenue increased from 51% in the nine months ended September 30, 2025 to 56% in the current year period.

The decreases in software maintenance was primarily due to the non-renewal or reduced scope of maintenance contracts by certain long-standing customers, principally U.S. federal government agencies and contractors supporting legacy deployments. Software maintenance contracts are generally renewed annually, the continued non-renewal of contracts by long-standing customers could reduce software maintenance revenue in future periods. Sustaining software maintenance revenue depends on renewal rates within our installed base and on new license sales, which generate related maintenance.

Prior period amounts have been reclassified to conform to the current period presentation. See Note 1 to the consolidated financial statements for additional information regarding these reclassifications.

***Services and other revenue***. Services and other revenue consists of fees we charge to perform software development, integration, installation, customization, and other professional services, as well as subscription-based SaaS offerings and hardware included with certain software licenses. 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. SaaS revenue reflects recurring subscription fees for access to our biometric software solutions.

Services and other revenue may fluctuate based on the timing of commencement and completion of customer projects, the mix of professional services and subscription-based arrangements, and the timing of hardware delivered in connection with software licenses.

Services and other revenue was $0.4 million in the three months ended September 30, 2025 and 2026. As a percentage of total revenue, services and other revenue was 8% in the three months ended September 30, 2025 and 2026.

Services and other revenue increased from $0.9 million in the nine months ended September 30, 2025 to $1.0 million in the nine months ended September 30, 2026. As a percentage of total revenue, services and other revenue increased from 7% in the nine months ended September 30, 2025 to 9% in the current year period. The increase was primarily due to growth in SaaS revenue, which increased from $0.3 million in the nine months ended September 30, 2025 to $0.4 million in the current year period and was partially offset by lower services revenue. The increase in SaaS revenue reflects expansion of subscription-based customer arrangements.

Prior period amounts have been reclassified to conform to the current period presentation. See Note 1 to the consolidated financial statements for additional information regarding these reclassifications.

***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 was $0.4 million in the three months ended September 30, 2025 and 2026. Cost of revenue as a percentage of total revenue increased from 8% in the third quarter of 2025 to 10% in the current year third quarter.

Cost of revenue increased 51% from $0.9 million in the nine months ended September 30, 2025 to $1.3 million in the nine months ended September 30, 2026. Cost of revenue as a percentage of total revenue increased from 7% in the nine months ended September 30, 2025 to 12% in the current year period. The $0.4 million increase was the result of increased software license costs.

Prior period amounts have been reclassified to conform to the current period presentation. See Note 1 to the consolidated financial statements for additional information regarding these reclassifications.

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 revenue section, engineering costs incurred to provide engineering services for customer projects are classified as cost of 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, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2026** | **2025** | **2026** | **2025** |
| Research and development expense | $ 2,296 | $ 2,131 | $ 8,051 | $ 6,013 |
| Engineering costs allocated to cost of revenue | 81 | 91 | 231 | 280 |
| Total engineering costs | $ 2,377 | $ 2,222 | $ 8,282 | $ 6,293 |

Total engineering costs increased 7% from $2.2 million in the three months ended September 30, 2025 to $2.4 million in the three months ended September 30, 2026. As a percentage of total revenue, total engineering costs increased from 43% in the three months ended September 30, 2025 to 54% in the same current year quarter. The spending increase for the three months ended September 30, 2026 compared to the same prior year period was primarily due to salary related costs in relation to additional headcount hired in 2025.

Total engineering costs increased 32% from $6.3 million in the nine months ended September 30, 2025 to $8.3 million in the nine months ended September 30, 2026. As a percentage of total revenue, total engineering costs increased from 50% in the nine months ended September 30, 2025 to 75% in the same current year period. The spending increase for the nine months ended September 30, 2026 compared to the same prior year period was primarily due to one-time severance costs of $0.7 million including the termination of our chief technology officer and a $1.3 million increase in salary related costs in relation to additional headcount hired in 2025.

***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 decreased 45% from $2.1 million in the three months ended September 30, 2025 to $1.1 million in the same three month period of 2026. As a percentage of total revenue, selling and marketing expense decreased from 41% in the third quarter of 2025 to 26% in the corresponding period in 2026.

Selling and marketing expense decreased 24% from $5.7 million in the nine months ended September 30, 2025 to $4.4 million in the same nine month period of 2026. As a percentage of total revenue, selling and marketing expense decreased from 45% in the nine months ended September 30, 2025 to 39% in the corresponding period in 2026.

The decrease in selling and marketing expense for the three and nine months ended September 30, 2026, compared to the same periods in the prior year, was primarily due to lower personnel-related costs resulting from the cost saving plan implemented in March 2026 to better align the Company's cost structure with current business needs.

***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 decreased 17% from $1.8 million in the three months ended September 30, 2025 to $1.5 million in the three months ended September 30, 2026. As a percentage of total revenue, general and administrative expense decreased from 35% in the three months ended September 30, 2025 to 33% in the corresponding period in 2026.

General and administrative expense decreased 9% from $5.1 million in the nine months ended September 30, 2025 to $4.7 million in the same nine month period of 2026. As a percentage of total revenue, general and administrative expense increased from 41% in the nine months ended September 30, 2025 to 42% in the corresponding period of 2026.

The decrease in general and administrative expense for the three and nine months ended September 30, 2026, compared to the same periods in the prior year, was primarily due to lower personnel-related costs resulting from the cost-saving plan implemented in March 2026 to better align the Company's cost structure with current business needs.

Prior period amounts have been reclassified to conform to the current period presentation. See Note 1 to the consolidated financial statements for additional information regarding these reclassifications.

Fluctuations in general and administrative expenses are expected depending on specific activities in a period.

***Interest Income.*** Interest income was $0.2 million in the three months ended September 30, 2026 and 2025.

Interest income was $0.5 million and $0.7 million in the nine months ended September 30, 2026 and 2025, respectively. The decrease in interest income in the nine months ended September 30, 2026 was primarily the result of lower average cash balances during the current year period.

We expect interest income to decrease slightly over the remainder of 2026 due to a lower projected average cash balance.

**Income taxes**. Total income tax expense was $6 thousand and income tax expense was $5 thousand for the three months ended September 30, 2026 and 2025, respectively. The income tax expense relates to state income taxes.

Total income tax expense was $15 thousand and income tax expense was $39 thousand for the nine months ended September 30, 2026 and 2025, respectively. The income tax expense relates to state income taxes.

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, 2026 and December 31, 2025, we recorded a full valuation allowance against our net deferred tax assets.

**Liquidity and Capital Resources**

At September 30, 2026, we had cash, cash equivalents and marketable securities of $15.4 million, which represented a decrease of $6.9 million from December 31, 2025. The decrease in cash, cash equivalents and marketable securities was primarily due to the impact of $6.9 million of cash used in operating activities.

Cash provided by investing activities was $2.0 million in the first nine months of 2026, which primarily consisted of net sales of marketable securities.

Cash provided by financing activities was $47 thousand in the first nine months of 2026, which primarily consisted of proceeds from issuances of 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 and marketable securities 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 Rules 13a-15(b) and 15d-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 were effective as of September 30, 2026.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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, 2025 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 nine months ended September 30, 2026. You should consider carefully the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2025, 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 5: Other Information

During the three months ended September 30, 2026, 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 | 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). |
| Exhibit 3.2 | 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). |
| Exhibit 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certification of Chief Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101 | The following financial statements from Aware, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2026, formatted in iXBRL (Inline eXtensible Business Reporting Language), as follows: i) Consolidated Balance Sheets as of September 30, 2026 and December 31, 2025, ii) Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2026 and 2025 iii) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2026 and 2025, iv) Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2026 and 2025, 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 30, 2026

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

Date: October 30, 2026

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

Exhibit 31.1

**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 quarterly 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 30, 2026

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

Exhibit 31.2

**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 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 30, 2026

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

Exhibit 32.1

**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, 2026, 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 | /s/ David K. Traverse |
| Chief Executive Officer & President | Chief Financial Officer |
| Date: October 30, 2026 | Date: October 30, 2026 |

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.