
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

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: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

12061 Bluemont Way,

Reston, Virginia

(Address of principal executive offices)

94-3221585

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

20190

(Zip Code)

Registrant's telephone number, including area code: (703) 948-3200

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	VRSN	Nasdaq Global Select 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, a 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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Shares Outstanding as of October 22, 2021</u>
Common stock, \$0.001 par value per share	111,078,436

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VERISIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	September 30, 2021	December 31, 2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 256,869	\$ 401,194
Marketable securities	941,552	765,713
Other current assets	65,989	51,033
Total current assets	1,264,410	1,217,940
Property and equipment, net	249,093	245,571
Goodwill	52,527	52,527
Deferred tax assets	65,163	67,914
Deposits to acquire intangible assets	145,000	145,000
Other long-term assets	38,514	37,958
Total long-term assets	550,297	548,970
Total assets	\$ 1,814,707	\$ 1,766,910
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 204,511	\$ 208,642
Deferred revenues	843,664	780,051
Total current liabilities	1,048,175	988,693
Long-term deferred revenues	314,089	282,838
Senior notes	1,785,152	1,790,083
Long-term tax and other liabilities	84,869	95,494
Total long-term liabilities	2,184,110	2,168,415
Total liabilities	3,232,285	3,157,108
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock and additional paid-in capital—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 354,154 at September 30, 2021 and 353,789 at December 31, 2020; Outstanding shares: 111,283 at September 30, 2021 and 113,470 at December 31, 2020	13,793,049	14,275,160
Accumulated deficit	(15,207,854)	(15,662,602)
Accumulated other comprehensive loss	(2,773)	(2,756)
Total stockholders' deficit	(1,417,578)	(1,390,198)
Total liabilities and stockholders' deficit	\$ 1,814,707	\$ 1,766,910

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 334,242	\$ 317,879	\$ 987,268	\$ 944,768
Costs and expenses:				
Cost of revenues	47,801	45,024	142,565	134,205
Sales and marketing	9,410	8,389	28,115	23,883
Research and development	19,566	19,708	59,685	55,268
General and administrative	36,160	38,109	112,212	111,719
Total costs and expenses	112,937	111,230	342,577	325,075
Operating income	221,305	206,649	644,691	619,693
Interest expense	(18,829)	(22,537)	(64,427)	(67,607)
Non-operating income (loss), net	164	775	(1,433)	15,262
Income before income taxes	202,640	184,887	578,831	567,348
Income tax (expense) benefit	(46,018)	(13,908)	(124,083)	90,226
Net income	156,622	170,979	454,748	657,574
Other comprehensive income (loss)	61	(383)	(17)	(120)
Comprehensive income	<u>\$ 156,683</u>	<u>\$ 170,596</u>	<u>\$ 454,731</u>	<u>\$ 657,454</u>
Earnings per share:				
Basic	<u>\$ 1.40</u>	<u>\$ 1.49</u>	<u>\$ 4.05</u>	<u>\$ 5.70</u>
Diluted	<u>\$ 1.40</u>	<u>\$ 1.49</u>	<u>\$ 4.04</u>	<u>\$ 5.68</u>
Shares used to compute earnings per share				
Basic	<u>111,664</u>	<u>114,655</u>	<u>112,389</u>	<u>115,456</u>
Diluted	<u>111,793</u>	<u>114,831</u>	<u>112,530</u>	<u>115,699</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total stockholders' deficit, beginning of period	\$ (1,417,785)	\$ (1,400,324)	\$ (1,390,198)	\$ (1,490,100)
Common stock and additional paid-in capital				
Beginning balance	13,949,525	14,592,929	14,275,160	14,990,011
Repurchase of common stock	(175,598)	(173,879)	(536,797)	(603,705)
Stock-based compensation expense	14,819	13,078	42,282	37,526
Issuance of common stock under stock plans	4,303	4,281	12,404	12,577
Balance, end of period	<u>13,793,049</u>	<u>14,436,409</u>	<u>13,793,049</u>	<u>14,436,409</u>
Accumulated deficit				
Beginning balance	(15,364,476)	(15,990,895)	(15,662,602)	(16,477,490)
Net income	156,622	170,979	454,748	657,574
Balance, end of period	<u>(15,207,854)</u>	<u>(15,819,916)</u>	<u>(15,207,854)</u>	<u>(15,819,916)</u>
Accumulated other comprehensive loss				
Beginning balance	(2,834)	(2,358)	(2,756)	(2,621)
Other comprehensive income (loss)	61	(383)	(17)	(120)
Balance, end of period	<u>(2,773)</u>	<u>(2,741)</u>	<u>(2,773)</u>	<u>(2,741)</u>
Total stockholders' deficit, end of period	<u>\$ (1,417,578)</u>	<u>\$ (1,386,248)</u>	<u>\$ (1,417,578)</u>	<u>\$ (1,386,248)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 454,748	\$ 657,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	35,609	34,463
Stock-based compensation	41,019	36,106
Other, net	5,410	(8,482)
Changes in operating assets and liabilities:		
Other assets	(19,735)	(11,107)
Accounts payable and accrued liabilities	(5,529)	(5,912)
Deferred revenues	94,863	27,673
Net deferred income taxes and other long-term tax liabilities	(5,476)	(195,353)
Net cash provided by operating activities	<u>600,909</u>	<u>534,962</u>
Cash flows from investing activities:		
Proceeds from maturities and sales of marketable securities	2,246,148	1,804,541
Purchases of marketable securities	(2,421,705)	(2,093,437)
Purchases of property and equipment	(39,536)	(36,933)
Proceeds received related to sale of business	—	20,009
Net cash used in investing activities	<u>(215,093)</u>	<u>(305,820)</u>
Cash flows from financing activities:		
Repayment of borrowings	(750,000)	—
Proceeds from senior note issuance, net of issuance costs	741,075	—
Repurchases of common stock	(536,797)	(603,705)
Proceeds from employee stock purchase plan	12,404	12,577
Net cash used in financing activities	<u>(533,318)</u>	<u>(591,128)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(600)	(506)
Net decrease in cash, cash equivalents, and restricted cash	(148,102)	(362,492)
Cash, cash equivalents, and restricted cash at beginning of period	410,601	517,601
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 262,499</u>	<u>\$ 155,109</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 61,845	\$ 56,860
Cash paid for income taxes, net of refunds received	<u>\$ 132,202</u>	<u>\$ 105,258</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. (“Verisign” or the “Company”) in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in Verisign’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Form 10-K”) filed with the SEC on February 19, 2021.

Note 2. Financial Instruments

Cash, Cash Equivalents, and Marketable Securities

The following table summarizes the Company’s cash, cash equivalents, and marketable securities and the fair value categorization of the financial instruments measured at fair value on a recurring basis:

	September 30, 2021	December 31, 2020
	(In thousands)	
Cash	\$ 24,317	\$ 28,832
Time deposits	3,708	4,176
Money market funds (Level 1)	208,377	129,627
Debt securities issued by the U.S. Treasury (Level 1)	967,649	1,013,679
Total	<u>\$ 1,204,051</u>	<u>\$ 1,176,314</u>
Cash and cash equivalents	\$ 256,869	\$ 401,194
Restricted cash (included in Other long-term assets)	5,630	9,407
Total Cash, cash equivalents, and restricted cash	262,499	410,601
Marketable securities	941,552	765,713
Total	<u>\$ 1,204,051</u>	<u>\$ 1,176,314</u>

The fair value of the debt securities held as of September 30, 2021, included less than \$0.1 million of gross and net unrealized gains. All of the debt securities held as of September 30, 2021 are scheduled to mature in less than one year.

Fair Value Measurements

The fair value of the Company’s investments in money market funds approximates their face value. Such instruments are included in Cash and cash equivalents. The fair value of the debt securities consisting of U.S. Treasury bills is based on their quoted market prices. Debt securities purchased with original maturities in excess of three months are included in Marketable securities. The fair value of all of these financial instruments are classified as Level 1 in the fair value hierarchy.

The Company’s other financial instruments include cash, accounts receivable, restricted cash, and accounts payable. As of September 30, 2021, the carrying value of these financial instruments approximated their fair value. The fair values of the senior notes due 2025, 2027, and 2031 were \$563.6 million, \$580.0 million, and \$763.5 million, respectively, as of September 30, 2021. The fair values of these debt instruments are based on available market information from public data sources and are classified as Level 2.

Note 3. Selected Balance Sheet Items

Other Current Assets

Other current assets consist of the following:

	September 30, 2021	December 31, 2020
(In thousands)		
Prepaid expenses	\$ 31,189	\$ 17,920
Prepaid registry fees	24,513	22,654
Accounts receivable, net	5,062	4,642
Taxes receivable	4,091	3,572
Other	1,134	2,245
Total other current assets	<u>\$ 65,989</u>	<u>\$ 51,033</u>

Other Long-Term Assets

Other long-term assets consist of the following:

	September 30, 2021	December 31, 2020
(In thousands)		
Long-term prepaid expenses	\$ 12,250	\$ 7,105
Operating lease right-of-use asset	9,625	11,277
Long-term prepaid registry fees	8,990	7,997
Restricted cash	5,630	9,407
Other	2,019	2,172
Total other long-term assets	<u>\$ 38,514</u>	<u>\$ 37,958</u>

The prepaid expenses included in Other current assets and Other long-term assets as of September 30, 2021 are primarily related to prepaid hardware and software maintenance expenses. The current and long-term prepaid registry fees in the tables above relate to the fees the Company pays to Internet Corporation for Assigned Names and Numbers (“ICANN”) for each annual increment of .com domain name registrations and renewals which are deferred and amortized over the domain name registration term. The amount of prepaid registry fees as of September 30, 2021 reflects amortization of \$9.7 million and \$28.5 million during the three and nine months ended September 30, 2021 which was recorded in Cost of Revenues.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2021	December 31, 2020
(In thousands)		
Accounts payable and accrued expenses	\$ 6,233	\$ 12,340
Customer deposits	64,650	53,631
Accrued employee compensation	48,890	54,596
Interest payable	24,988	24,408
Taxes payable and other non-income tax liabilities	24,593	27,194
Accrued registry fees	14,717	13,090
Customer incentives payable	10,210	12,556
Other accrued liabilities	10,230	10,827
Total accounts payable and accrued liabilities	<u>\$ 204,511</u>	<u>\$ 208,642</u>

Customer deposits primarily relate to advance payments to cover domain name registration activity by registrars. Accrued employee compensation primarily consists of liabilities for employee leave, salaries, payroll taxes, employee contributions to the employee stock purchase plan, and incentive compensation. Accrued employee incentive compensation as of December 31, 2020, was paid during the nine months ended September 30, 2021. Interest payable varies at each period-end based on the payment due dates for each senior note issuance. Taxes payable and other non-income tax liabilities reflect amounts accrued for the income tax provision and payments made during the period. Customer incentives payable includes amounts related to rebates and marketing programs payable to registrars. These amounts may vary from period to period due to the timing of payments.

Long-term Tax and Other Liabilities

Long-term tax and other liabilities consist of the following:

	September 30, 2021	December 31, 2020
	(In thousands)	
Long-term tax liabilities	\$ 82,108	\$ 90,335
Long-term operating lease liability	2,761	5,159
Long-term tax and other liabilities	<u>\$ 84,869</u>	<u>\$ 95,494</u>

Long-term tax liabilities as of September 30, 2021 reflects a \$7.7 million reclassification of a portion of the transition tax liability on accumulated foreign earnings from non-current to current as of September 30, 2021.

Note 4. Stockholders' Deficit

Effective February 11, 2021, the Company's Board of Directors authorized the repurchase of its common stock in the amount of \$747.0 million, in addition to the \$253.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to \$1.00 billion under the program. The program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. During the three and nine months ended September 30, 2021, the Company repurchased 0.8 million and 2.5 million shares of its common stock, respectively, at an average stock price of \$219.62 and \$210.55, respectively. The aggregate cost of the repurchases in the three and nine months ended September 30, 2021 was \$172.4 million and \$517.6 million, respectively. As of September 30, 2021, there was approximately \$565.1 million remaining available for future share repurchases under the share repurchase program.

During the nine months ended September 30, 2021, the Company placed 0.1 million shares, at an average stock price of \$205.10, and for an aggregate cost of \$19.3 million, into treasury stock for purposes related to tax withholding upon vesting of Restricted Stock Units ("RSUs").

Since inception, the Company has repurchased 242.9 million shares of its common stock for an aggregate cost of \$11.52 billion, which is presented as a reduction of Additional paid-in capital.

Note 5. Calculation of Earnings per Share

The following table presents the computation of weighted-average shares used in the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Weighted-average shares of common stock outstanding	111,664	114,655	112,389	115,456
Weighted-average potential shares of common stock outstanding:				
Unvested RSUs and ESPP	129	176	141	243
Shares used to compute diluted earnings per share	<u>111,793</u>	<u>114,831</u>	<u>112,530</u>	<u>115,699</u>

The calculation of diluted weighted average shares outstanding excludes performance-based RSUs granted by the Company for which the relevant performance criteria have not been achieved. The number of potential shares excluded from the calculation was not significant in any period presented.

Note 6. Revenues

The Company generates revenues in the U.S.; Europe, the Middle East and Africa (“EMEA”); China; and certain other countries, including Canada, Australia, and Japan.

The following table presents our revenues disaggregated by geography, based on the billing addresses of our customers:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
U.S.	\$ 214,352	\$ 202,934	\$ 632,424	\$ 599,845
EMEA	58,615	54,034	172,717	159,103
China	24,607	27,463	74,974	86,676
Other	36,668	33,448	107,153	99,144
Total revenues	<u>\$ 334,242</u>	<u>\$ 317,879</u>	<u>\$ 987,268</u>	<u>\$ 944,768</u>

Revenues in the table above are attributed to the country of domicile and the respective regions in which registrars are located; however, this may differ from the regions where the registrars operate or where registrants are located. Revenues for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenues for each region may also be impacted by registrars domiciled in one region, registering domain names in another region.

Deferred Revenues

As payment for domain name registrations and renewals are due in advance of our performance, we record these amounts as deferred revenues. The increase in the deferred revenues balance for the nine months ended September 30, 2021 was primarily driven by amounts billed in the nine months ended September 30, 2021 for domain name registrations and renewals to be recognized as revenues in future periods, offset by refunds for domain name renewals deleted during the 45-day grace period, and \$665.1 million of revenues recognized that were included in the deferred revenues balance at the beginning of the period. The higher deferred revenue balance as of September 30, 2021 also reflects an increase in the volume of early renewal transactions that occurred before the .com price increase became effective on September 1, 2021. The balance of deferred revenues as of September 30, 2021 represents our aggregate remaining performance obligations. Amounts included in current deferred revenues are all expected to be recognized in revenues within 12 months, except for a portion of deferred revenues that relates to domain name renewals that are deleted in the 45-day grace period following the transaction. The long-term deferred revenues amounts will be recognized in revenues over several years and in some cases up to 10 years.

Note 7. Stock-based Compensation

Stock-based compensation is classified in the Condensed Consolidated Statements of Comprehensive Income in the same expense line items as cash compensation. The following table presents the classification of stock-based compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Cost of revenues	\$ 1,636	\$ 1,558	\$ 4,925	\$ 4,761
Sales and marketing	1,202	830	3,241	2,558
Research and development	2,151	1,810	6,078	5,266
General and administrative	9,439	8,480	26,775	23,521
Total stock-based compensation expense	<u>\$ 14,428</u>	<u>\$ 12,678</u>	<u>\$ 41,019</u>	<u>\$ 36,106</u>

The following table presents the nature of the Company's total stock-based compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
RSUs	\$ 11,899	\$ 10,871	\$ 31,777	\$ 29,060
Performance-based RSUs	1,857	1,102	7,283	5,146
ESPP	1,063	1,105	3,222	3,320
Capitalization (included in Property and equipment, net)	(391)	(400)	(1,263)	(1,420)
Total stock-based compensation expense	<u>\$ 14,428</u>	<u>\$ 12,678</u>	<u>\$ 41,019</u>	<u>\$ 36,106</u>

Note 8. Debt

On June 8, 2021, the Company issued \$750.0 million of 2.700% senior unsecured notes due June 15, 2031 ("2031 Notes"). The 2031 Notes were issued at 99.712% of par value. The Company will pay interest on the notes semi-annually on June 15 and December 15, commencing on December 15, 2021. The total discount and issuance costs of \$8.9 million are presented on the balance sheet as a reduction of the debt obligation and are being amortized to Interest expense over the 10-year term of the notes.

On June 23, 2021, the Company used the net proceeds from the 2031 Notes and cash on hand, to redeem all of its \$750.0 million aggregate principal amount of outstanding 4.625% senior notes due 2023 ("2023 Notes"). The redemption of the 2023 Notes resulted in a loss on debt extinguishment of \$2.1 million related to the unamortized debt issuance costs on the notes in the second quarter of 2021. The loss on extinguishment is included in Non-operating income (loss) during the nine months ended September 30, 2021.

Note 9. Non-operating Income (Loss), Net

The following table presents the components of Non-operating income (loss), net:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Interest income	\$ 111	\$ 805	\$ 438	\$ 7,500
Loss on extinguishment of debt	—	—	(2,149)	—
Gain on sale of business	—	(9)	—	5,602
Transition services income	—	—	—	2,100
Other, net	53	(21)	278	60
Total non-operating income (loss), net	<u>\$ 164</u>	<u>\$ 775</u>	<u>\$ (1,433)</u>	<u>\$ 15,262</u>

The lower interest income during the three and nine months ended September 30, 2021 reflects a decline in interest rates on our investments in debt securities. The gain on sale of business in 2020 represents the excess of the contingent consideration received related to the divested security services business compared to the estimated receivable. The transition services income in 2020 relates to the divested security services business. The transition services agreement ended in February 2020.

Note 10. Income Taxes

The following table presents Income tax expense (benefit) and the effective tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Income tax expense (benefit)	\$ 46,018	\$ 13,908	\$ 124,083	\$ (90,226)
Effective tax rate	23 %	8 %	21 %	(16)%

When compared to the statutory federal rate of 21%, the effective tax rates above reflect a lower effective tax rate on foreign income and excess tax benefits related to stock-based compensation, which are offset by state income taxes and U.S.

taxes on foreign earnings, net of foreign tax credits. The effective tax rate for the three and nine months ended September 30, 2020 also reflected the remeasurement of unrecognized tax benefits discussed below.

The Company remeasured certain previously unrecognized income tax benefits, which resulted in the recognition of \$24.0 million and \$191.8 million of income tax benefits in the three and nine months ended September 30, 2020, respectively. The most significant portion of these tax benefits related to the worthless stock deduction taken in 2013, which resulted in the recognition of a \$167.8 million benefit in the first quarter of 2020. These remeasurements were based on written confirmations from the Internal Revenue Service (“IRS”), received in the first and third quarters of 2020, indicating no examination adjustments would be proposed related to the worthless stock deduction or certain other matters reviewed as part of the audit of the Company’s federal income tax returns for 2010 through 2014. Notwithstanding these written confirmations, the Company’s U.S. federal income tax returns for those years remain under examination by the IRS.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the 2020 Form 10-K and the interim unaudited Condensed Consolidated Financial Statements and related notes included in Part I, Item I of this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are based on current expectations and assumptions and involve risks and uncertainties, including, among other things, statements regarding our expectations about (i) the impact from the effects of the COVID-19 pandemic, (ii) the growth in revenues for the remainder of 2021, (iii) Cost of revenues, Sales and marketing expenses, Research and development expenses, General and administrative expenses, quarterly Interest expense, and quarterly Non-operating income (loss), net, for the remainder of 2021, (iv) our annual effective tax rate for 2021, and (v) the sufficiency of our existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our borrowing capacity under the unsecured revolving credit facility. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part I, Item 1A of the 2020 Form 10-K. You should also carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2021. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update publicly or revise such statements, whether as a result of new information, future events, or otherwise, except as required by law.

For purposes of this Quarterly Report on Form 10-Q, the terms "Verisign," "the Company," "we," "us," and "our" refer to VeriSign, Inc. and its consolidated subsidiaries.

Overview

We are a global provider of domain name registry services and internet infrastructure, enabling internet navigation for many of the world's most recognized domain names. We enable the security, stability, and resiliency of key internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 global internet root servers, and providing registration services and authoritative resolution for the .com and .net top-level domains ("TLDs"), which support the majority of global e-commerce.

As of September 30, 2021, we had 172.1 million .com and .net registrations in the domain name base. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of internet users, which is partially driven by greater availability of internet access, as well as marketing activities carried out by us and our registrars. Growth in the number of domain name registrations under our management may be hindered by certain factors, including overall economic conditions, competition from country code top-level domains ("ccTLDs"), other generic top-level domains ("gTLDs"), services that offer alternatives for an online presence, such as social media, and ongoing changes in the internet practices and behaviors of consumers and businesses. Factors such as the evolving practices and preferences of internet users, and how they navigate the internet, as well as the motivation of domain name registrants and how they will manage their investment in domain names, can negatively impact our business and the demand for new domain name registrations and renewals.

Business Highlights and Trends

- We recorded revenues of \$334.2 million and \$987.3 million during the three and nine months ended September 30, 2021, an increase of 5% and 4%, respectively, compared to the same periods in 2020.
- We recorded operating income of \$221.3 million and \$644.7 million during the three and nine months ended September 30, 2021, an increase of 7% and 4%, respectively, compared to the same periods in 2020.
- As of September 30, 2021, we had 172.1 million .com and .net registrations in the domain name base, which represents a 5% increase from September 30, 2020, and a net increase of 1.5 million domain name registrations from June 30, 2021.
- During the three months ended September 30, 2021, we processed 10.7 million new domain name registrations for .com and .net compared to 10.9 million for the same period in 2020.
- The final .com and .net renewal rate for the second quarter of 2021 was 75.4% compared to 72.8% for the second quarter of 2020. Renewal rates are not fully measurable until 45 days after the end of the quarter.

- During the three months ended September 30, 2021, we repurchased 0.8 million shares of our common stock for an aggregate cost of \$172.4 million. As of September 30, 2021, there was approximately \$565.1 million remaining available for future share repurchases under our share repurchase program.
- We generated cash flows from operating activities of \$600.9 million during the nine months ended September 30, 2021, compared to \$535.0 million for the same period in 2020.

Pursuant to our agreements with the Internet Corporation for Assigned Names and Numbers (“ICANN”), we make available files containing all active domain names registered in the .com and .net registries. Further, we also make available a summary of the active zone count registered in the .com and .net registries and the number of .com and .net domain name registrations in the domain name base. The zone counts and information on how to obtain access to the zone files can be found at <https://www.Verisign.com/zone>. The domain name base is the active zone plus the number of domain names that are registered but not configured for use in the respective top-level domain zone file plus the number of domain names that are in a client or server hold status. The domain name base may also reflect compensated or uncompensated judicial or administrative actions to add or remove from the active zone an immaterial number of domain names. These files and the related summary data are updated at least once per day. The update times may vary each day. The number of domain names provided in this Form 10-Q are as of midnight of the date reported.

COVID-19 Update

The United States and the global community we serve are facing unprecedented challenges posed by the COVID-19 pandemic. In response to the pandemic, we have established a task force to monitor the pandemic and have taken a number of actions to protect our employees, including restricting travel, modifying our sick leave policy to encourage quarantine and isolation when warranted, and directing most of our employees to work from home. We have implemented our readiness plans, which include the ability to maintain critical internet infrastructure with most employees working remotely. We believe that the effects of the pandemic to date have led to an increase in the demand for domain names, particularly as businesses and entrepreneurs have been seeking to establish or expand their presence online in response to the pandemic. Our revenues continued to grow during 2020 and the nine months ended September 30, 2021 primarily driven by an increase in the domain name base for the .com TLD; however, the situation remains uncertain and hard to predict. The broader implications of the pandemic on our business and operations and our financial results, including the extent to which the effects of the pandemic will impact future growth in the domain name base, remain uncertain. The duration and severity of the economic disruptions from the pandemic may ultimately result in negative impacts on our business and operations, results of operations, financial condition, cash flows, liquidity and capital and financial resources. For further discussion, see “Risk Factors – The effects of the COVID-19 pandemic have impacted how we operate our business, and the extent to which the effects of the pandemic will impact our business, operations, financial condition and results of operations remains uncertain” in Part 1, Item 1A of the 2020 Form 10-K.

Results of Operations

The following table presents information regarding our results of operations as a percentage of revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Cost of revenues	14.3	14.2	14.4	14.2
Sales and marketing	2.8	2.6	2.9	2.5
Research and development	5.9	6.2	6.0	5.9
General and administrative	10.8	12.0	11.4	11.8
Total costs and expenses	33.8	35.0	34.7	34.4
Operating income	66.2	65.0	65.3	65.6
Interest expense	(5.6)	(7.1)	(6.5)	(7.2)
Non-operating income (loss), net	—	0.3	(0.2)	1.6
Income before income taxes	60.6	58.2	58.6	60.0
Income tax (expense) benefit	(13.7)	(4.4)	(12.5)	9.6
Net income	46.9 %	53.8 %	46.1 %	69.6 %

Revenues

Our revenues are primarily derived from registrations for domain names in the *.com* and *.net* domain name registries. We also derive revenues from operating domain name registries for several other TLDs and from providing back-end registry services to a number of TLD registry operators, all of which are not significant in relation to our consolidated revenues. For domain names registered in the *.com* and *.net* registries we receive a fee from registrars per annual registration that is determined pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with registrars or their resellers, and the registrars in turn register the domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted by ICANN and the Department of Commerce (“DOC”). New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of internet users, as well as marketing activities carried out by us and our registrars. We also offer promotional incentive-based discount programs to registrars based upon market conditions and the business environment in which the registrars operate.

On October 26, 2018, Verisign and the DOC amended the Cooperative Agreement. The amendment, among other items, extends the term of the Cooperative Agreement until November 30, 2024 and permits the price of a *.com* domain name to be increased, subject to appropriate changes to the *.com* Registry Agreement, without further DOC approval, by up to 7% in each of the final four years of each six-year period beginning on October 26, 2018. On March 27, 2020, Verisign and ICANN amended the *.com* Registry Agreement that, among other items, incorporates these changes agreed to with the DOC to the pricing terms. Effective September 1, 2021, we increased the annual registry-level wholesale fee for each new and renewal *.com* domain name registration from \$7.85 to \$8.39. We have the contractual right to increase the fees for *.net* domain name registrations by up to 10% each year during the term of our agreement with ICANN, through June 30, 2023. All fees paid to us for *.com* and *.net* registrations are in U.S. dollars.

A comparison of revenues is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)					
Revenues.....	\$ 334,242	5%	\$ 317,879	\$ 987,268	4%	\$ 944,768

The following table compares the *.com* and *.net* domain name registrations in the domain name base:

	September 30, 2021	% Change	September 30, 2020
<i>.com</i> and <i>.net</i> domain name registrations in the domain name base.....	172.1 million	5%	163.7 million

Revenues increased by \$16.4 million and \$42.5 million during the three and nine months ended September 30, 2021, respectively, as compared to the same periods last year, primarily due to an increase in revenues from the operation of the registry for the *.com* TLD driven by a 5% increase in the domain name base for *.com*.

Growth in the domain name base has been primarily driven by continued internet growth and marketing activities carried out by us and our registrars. However, competitive pressure from ccTLDs, other gTLDs, services that offer alternatives for an online presence, such as social media, ongoing changes in internet practices and behaviors of consumers and business, as well as the motivation of existing domain name registrants managing their investment in domain names, and historical global economic uncertainty, has limited the rate of growth of the domain name base in recent years and may do so in the remainder of 2021 and beyond.

We expect quarterly revenues will continue to grow during the fourth quarter of 2021 compared to each of the first three quarters of 2021, as a result of continued growth in the aggregate number of *.com* domain names and the impact of the price increase for *.com* domain names which became effective September 1, 2021.

Geographic revenues

We generate revenues in the U.S.; Europe, the Middle East and Africa (“EMEA”); China; and certain other countries, including Canada, Australia, and Japan.

The following table presents a comparison of our geographic revenues:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)					
U.S.	\$ 214,352	6%	\$ 202,934	\$ 632,424	5%	\$ 599,845
EMEA	58,615	8%	54,034	172,717	9%	159,103
China	24,607	(10)%	27,463	74,974	(14)%	86,676
Other	36,668	10%	33,448	107,153	8%	99,144
Total revenues	<u>\$ 334,242</u>		<u>\$ 317,879</u>	<u>\$ 987,268</u>		<u>\$ 944,768</u>

Revenues in the table above are attributed to the country of domicile and the respective regions in which our registrars are located; however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region. During the three and nine months ended September 30, 2021, revenues increased in all regions except China. Revenues from registrars based in China declined during the three and nine months ended September 30, 2021 as a result of lower new registrations and renewal rates in the country.

Cost of revenues

Cost of revenues consist primarily of salaries and employee benefits expenses for our personnel who manage the operational systems, depreciation expenses, operational costs associated with the delivery of our services, fees paid to ICANN, customer support and training, costs of facilities and computer equipment used in these activities, telecommunications expense and allocations of indirect costs such as corporate overhead.

A comparison of Cost of revenues is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)					
Cost of revenues	\$ 47,801	6%	\$ 45,024	\$ 142,565	6%	\$ 134,205

Cost of revenues increased by \$2.8 million during the three months ended September 30, 2021, compared to the same period last year, due to a combination of individually insignificant factors.

Cost of revenues increased by \$8.4 million during the nine months ended September 30, 2021, compared to the same period last year, primarily due to a \$4.4 million increase in registry fees payable to ICANN in connection with the operation of the registry for the .com TLD. Allocated overhead expenses also increased by \$1.9 million due to an increase in total allocable expenses.

We expect Cost of revenues as a percentage of revenues to remain consistent during the remainder of 2021 compared to the nine months ended September 30, 2021.

Sales and marketing

Sales and marketing expenses consist primarily of salaries and other personnel-related expenses, travel and related expenses, trade shows, costs of computer and communications equipment and support services, facilities costs, consulting fees, costs of marketing programs, such as online, television, radio, print and direct mail advertising costs, and allocations of indirect costs such as corporate overhead.

A comparison of Sales and marketing expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)			(Dollars in thousands)		
Sales and marketing	\$ 9,410	12%	\$ 8,389	\$ 28,115	18%	\$ 23,883

Sales and marketing expenses increased by \$1.0 million during the three months ended September 30, 2021, compared to the same period last year, due to a combination of individually insignificant factors.

Sales and marketing expenses increased by \$4.2 million during the nine months ended September 30, 2021, compared to the same period last year, primarily due to an increase in salary and employee benefits expenses, including stock-based compensation, and a combination of individually insignificant factors. Salary and employee benefits expenses, including stock-based compensation, increased by \$2.5 million due to an increase in average headcount and higher expenses for salaries and certain employee related benefits.

We expect Sales and marketing expenses as a percentage of revenues to increase slightly during the remainder of 2021, compared to the nine months ended September 30, 2021.

Research and development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees, facilities costs, computer and communications equipment, support services used in our service and technology development, and allocations of indirect costs such as corporate overhead.

A comparison of Research and development expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)			(Dollars in thousands)		
Research and development	\$ 19,566	(1)%	\$ 19,708	\$ 59,685	8%	\$ 55,268

Research and development expenses remained consistent during the three months ended September 30, 2021, compared to the same period last year.

Research and development expenses increased by \$4.4 million during the nine months ended September 30, 2021, compared to the same period last year, primarily due to an increase in salary and employee benefits expenses, including stock-based compensation, and a combination of individually insignificant factors. Salary and employee benefits expenses, including stock-based compensation, increased by \$2.5 million due to a slight increase in average headcount and higher expenses for salaries and certain employee related benefits.

We expect Research and development expenses as a percentage of revenues to remain consistent during the remainder of 2021 compared to the nine months ended September 30, 2021.

General and administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, costs of facilities, computer and communications equipment, management information systems, support services, professional services fees, and certain tax and license fees, offset by allocations of indirect costs such as facilities and shared services expenses to other cost types.

A comparison of General and administrative expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	% Change	2020	2021	% Change	2020
	(Dollars in thousands)			(Dollars in thousands)		
General and administrative	\$ 36,160	(5)%	\$ 38,109	\$ 112,212	—%	\$ 111,719

General and administrative expenses decreased by \$1.9 million during the three months ended September 30, 2021, compared to the same period last year, primarily due to a \$2.1 million decrease in external legal costs on various projects.

General and administrative expenses increased by \$0.5 million during the nine months ended September 30, 2021, compared to the same period last year, due to increases in salary and employee benefits expenses, equipment and software expenses, and stock-based compensation expenses, partially offset by an increase in overhead expenses allocated to other cost types and decreases in legal expenses and charitable contributions. Salary and employee benefits expenses increased by \$4.6 million due to an increase in average headcount and higher expenses for certain employee health insurance related benefits. Equipment and software expenses increased by \$4.3 million due to expenses related to network security and other software services. Stock-based compensation expenses increased by \$3.3 million due to higher achievement levels on certain performance-based RSU grants and increases in the total value of RSUs granted in 2021. Overhead expenses allocated to other cost types increased by \$3.7 million due to an increase in the total allocable expenses. Legal expenses decreased by \$4.5 million due to a decrease in external legal costs on various projects. Charitable contributions decreased by \$2.0 million due to contributions we made during the nine months ended September 30, 2020 to help with immediate COVID-related hardship and to support social justice efforts, compared to ongoing contributions during the nine months ended September 30, 2021.

We expect General and administrative expenses as a percentage of revenues to remain consistent during the remainder of 2021 compared to the nine months ended September 30, 2021.

Interest expense

Interest expense decreased by \$3.7 million and \$3.2 million in the three and nine months ended September 30, 2021, respectively, compared to the same periods last year due to the lower interest rate on our 2031 Notes compared to the 2023 Notes which were redeemed in June 2021. We expect Interest expense in the fourth quarter of 2021 to be consistent with the third quarter of 2021.

Non-operating income (loss), net

The following table presents the components of Non-operating income (loss), net:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Interest income	\$ 111	\$ 805	\$ 438	\$ 7,500
Loss on extinguishment of debt	—	—	(2,149)	—
Gain on sale of business	—	(9)	—	5,602
Transition services income	—	—	—	2,100
Other, net	53	(21)	278	60
Total non-operating income (loss), net	<u>\$ 164</u>	<u>\$ 775</u>	<u>\$ (1,433)</u>	<u>\$ 15,262</u>

Interest income decreased in the three and nine months ended September 30, 2021 due to a decline in interest rates on our investments in debt securities. The redemption of the 2023 Notes resulted in a loss on debt extinguishment of \$2.1 million related to the unamortized debt issuance costs on the notes during the second quarter of 2021. The gain on sale of business in 2020 represents the excess of the contingent consideration received related to the divested security services business compared to the estimated receivable. The transition services income in 2020 relates to the divested security services business. The transition services agreement ended in February 2020.

We do not expect Non-operating income (loss), net to be significant during the remainder of 2021.

Income tax expense (benefit)

The following table presents Income tax expense (benefit) and the effective tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Income tax expense (benefit)	\$ 46,018	\$ 13,908	\$ 124,083	\$ (90,226)
Effective tax rate	23 %	8 %	21 %	(16)%

When compared to the statutory federal rate of 21%, the effective tax rates above reflect a lower effective tax rate on foreign income and excess tax benefits related to stock-based compensation, which are offset by state income taxes and U.S. taxes on foreign earnings, net of foreign tax credits. The effective tax rate for the three and nine months ended September 30, 2020 also reflected the remeasurement of unrecognized tax benefits discussed below.

We remeasured certain previously unrecognized income tax benefits, which resulted in the recognition of \$24.0 million and \$191.8 million of income tax benefits in the three and nine months ended September 30, 2020, respectively. The most significant portion of these tax benefits related to the worthless stock deduction taken in 2013, which resulted in the recognition of a \$167.8 million benefit in the first quarter of 2020. These remeasurements were based on written confirmations from the IRS, received in the first and third quarters of 2020, indicating no examination adjustments would be proposed related to the worthless stock deduction or certain other matters reviewed as part of the audit of our federal income tax returns for 2010 through 2014. Notwithstanding these written confirmations, our U.S. federal income tax returns for those years remain under examination by the IRS.

We expect our annual effective tax rate for 2021 to be between 20% and 23%.

Liquidity and Capital Resources

The following table presents our principal sources of liquidity:

	September 30, 2021	December 31, 2020
	(In thousands)	
Cash and cash equivalents	\$ 256,869	\$ 401,194
Marketable securities	941,552	765,713
Total	<u>\$ 1,198,421</u>	<u>\$ 1,166,907</u>

The marketable securities primarily consist of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist of amounts invested in money market funds, time deposits and U.S. Treasury bills purchased with original maturities of three months or less. As of September 30, 2021, all of our debt securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, "Financial Instruments," of our Notes to Condensed Consolidated Financial Statements in Part I, Item I of this Quarterly Report on Form 10-Q.

During the three months ended September 30, 2021, we repurchased 0.8 million shares of our common stock for an aggregate cost of \$172.4 million. As of September 30, 2021, there was approximately \$565.1 million remaining available for future share repurchases under the share repurchase program which has no expiration date.

On June 8, 2021, we issued \$750.0 million of 2.700% senior unsecured notes due June 15, 2031. On June 23, 2021, we used the net proceeds from the 2031 Notes, along with cash on hand, to redeem all of our \$750.0 million aggregate principal amount of outstanding 4.625% senior notes due 2023. As of September 30, 2021, we also had \$550.0 million principal amount outstanding of 4.75% senior unsecured notes due 2027 and \$500.0 million principal amount outstanding of 5.25% senior unsecured notes due 2025. As of September 30, 2021, there were no borrowings outstanding under our \$200.0 million credit facility that will expire in 2024.

We believe existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our borrowing capacity under the unsecured revolving credit facility should be sufficient to meet our working capital, capital expenditure requirements, and to service our debt for at least the next 12 months. We regularly assess our cash management approach and activities in view of our current and potential future needs.

In summary, our cash flows for the nine months ended September 30, 2021 and 2020 were as follows:

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities	\$ 600,909	\$ 534,962
Net cash used in investing activities	(215,093)	(305,820)
Net cash used in financing activities	(533,318)	(591,128)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(600)	(506)
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (148,102)</u>	<u>\$ (362,492)</u>

Cash flows from operating activities

Our largest source of operating cash flows is cash collections from our customers. Our primary uses of cash from operating activities are for personnel-related expenditures, and other general operating expenses, as well as payments related to taxes, interest and facilities.

Net cash provided by operating activities increased during the nine months ended September 30, 2021, compared to the same period last year, primarily due to an increase in cash received from customers, partially offset by increases in cash paid to employees and vendors, cash paid for income taxes, cash paid for interest, and decreases in cash received from interest on investments and from transition services. Cash received from customers increased primarily due to higher domain name registrations and renewals and the impact of the .com price increase which became effective September 1, 2021. The increased volume of renewal transactions was due in part to early renewal transactions before the .com price increase became effective. Cash paid to employees and vendors increased primarily due to the timing of payments and an increase in operating expenses. Cash paid for income taxes increased primarily due to comparatively higher federal, state, and foreign taxes. Cash paid for interest increased as the result of the payment of interest on our 2023 Notes through the date of redemption. Cash received from interest on investments decreased due to a decline in interest rates. Cash received from transition services decreased due to the expiration of the transition services agreement related to our divested security services business in February 2020.

Cash flows from investing activities

The changes in cash flows from investing activities primarily relate to purchases, maturities and sales of marketable securities, purchases of property and equipment and the sale of businesses.

Net cash used in investing activities decreased during the nine months ended September 30, 2021, compared to the same period last year, primarily due to a decrease in purchases of marketable securities, net of proceeds from maturities and sales of marketable securities, partially offset by payments received during 2020 related to our divested security services business and an increase in purchases of property and equipment.

Cash flows from financing activities

The changes in cash flows from financing activities primarily relate to share repurchases, proceeds from and repayment of borrowings, and our employee stock purchase plan.

Net cash used in financing activities decreased during the nine months ended September 30, 2021, compared to the same period last year, primarily due to proceeds received from the issuance of the 2031 Notes and a decrease in share repurchases, partially offset by the redemption of our 2023 Notes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures since December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of September 30, 2021, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the control may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion, will have a material adverse effect on our financial condition, results of operations, or cash flows. We cannot assure you that we will prevail in any litigation. Regardless of the outcome, any litigation may require us to incur significant litigation expense and may result in significant diversion of management attention.

ITEM 1A. RISK FACTORS

Our business, operating results, financial condition, reputation, cash flows or prospects can be materially adversely affected by a number of factors including but not limited to those described in Part I, Item 1A of the 2020 Form 10-K under the heading “Risk Factors.” In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, operating results, financial condition, reputation, cash flows and prospects. Actual results could differ materially from those projected in the forward-looking statements contained in this Form 10-Q as a result of the risk factors described in Part I, Item 1A of the 2020 Form 10-K and in other filings we make with the SEC. There have been no material changes to the Company’s risk factors since the 2020 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the share repurchase activity during the three months ended September 30, 2021:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
				(Shares in thousands)
July 1 - 31, 2021	248	\$ 228.30	248	\$ 680.9 million
August 1 - 31, 2021	278	\$ 212.99	278	\$ 621.7 million
September 1 - 30, 2021	259	\$ 218.43	259	\$ 565.1 million
	<u>785</u>		<u>785</u>	

(1) Effective February 11, 2021, our Board of Directors authorized the repurchase of our common stock in the amount of \$747.0 million, in addition to the \$253.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to \$1.00 billion under the program. The share repurchase program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

ITEM 6. EXHIBITS

As required under Item 6—Exhibits, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Date	Number	Filed Herewith
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).				X
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).				X
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *				X
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *				X
101	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				X

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the SEC and are not incorporated by reference in any filing of VeriSign, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

