
**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, 2024

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 18, 2024</u>
Common stock, \$0.001 par value per share	96.1 million

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2024 and 2023</u>	<u>4</u>
<u>Condensed Consolidated Statements of Stockholders’ Deficit for the Three and Nine Months Ended September 30, 2024 and 2023</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>13</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>18</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>18</u>
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>19</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>19</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>19</u>
<u>Item 5.</u> <u>Other Information</u>	<u>20</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>20</u>
<u>Signatures</u>	<u>21</u>

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 267.3	\$ 240.1
Marketable securities	377.6	686.3
Other current assets	72.5	61.9
Total current assets	<u>717.4</u>	<u>988.3</u>
Property and equipment, net	224.8	233.2
Goodwill	52.5	52.5
Deferred tax assets	285.7	301.0
Deposits to acquire intangible assets	145.0	145.0
Other long-term assets	36.6	29.0
Total long-term assets	<u>744.6</u>	<u>760.7</u>
Total assets	<u>\$ 1,462.0</u>	<u>\$ 1,749.0</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 255.5	\$ 257.4
Deferred revenues	971.0	931.1
Current senior notes	299.7	—
Total current liabilities	<u>1,526.2</u>	<u>1,188.5</u>
Long-term deferred revenues	328.0	315.0
Long-term senior notes	1,492.2	1,790.2
Long-term tax and other liabilities	16.2	36.3
Total long-term liabilities	<u>1,836.4</u>	<u>2,141.5</u>
Total liabilities	<u>3,362.6</u>	<u>3,330.0</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5.0; Issued and outstanding shares: none	—	—
Common stock and additional paid-in capital—par value \$.001 per share; Authorized shares: 1,000; Issued shares: 355.2 at September 30, 2024 and 354.9 at December 31, 2023; Outstanding shares: 96.4 at September 30, 2024 and 101.3 at December 31, 2023 ..	10,894.0	11,808.0
Accumulated deficit	(12,792.2)	(13,386.4)
Accumulated other comprehensive loss	(2.4)	(2.6)
Total stockholders' deficit	<u>(1,900.6)</u>	<u>(1,581.0)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,462.0</u>	<u>\$ 1,749.0</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 390.6	\$ 376.3	\$ 1,162.0	\$ 1,112.7
Costs and expenses:				
Cost of revenues	46.8	48.6	143.0	148.8
Research and development	23.2	21.7	71.8	68.1
Selling, general and administrative	51.3	51.7	152.8	151.5
Total costs and expenses	121.3	122.0	367.6	368.4
Operating income	269.3	254.3	794.4	744.3
Interest expense	(18.9)	(18.8)	(56.5)	(56.5)
Non-operating income, net	10.5	13.1	35.9	37.1
Income before income taxes	260.9	248.6	773.8	724.9
Income tax expense	(59.6)	(60.1)	(179.6)	(172.0)
Net income	201.3	188.5	594.2	552.9
Other comprehensive income (loss)	0.4	0.4	0.2	(0.3)
Comprehensive income	<u>\$ 201.7</u>	<u>\$ 188.9</u>	<u>\$ 594.4</u>	<u>\$ 552.6</u>
Earnings per share:				
Basic	<u>\$ 2.07</u>	<u>\$ 1.83</u>	<u>\$ 6.00</u>	<u>\$ 5.32</u>
Diluted	<u>\$ 2.07</u>	<u>\$ 1.83</u>	<u>\$ 6.00</u>	<u>\$ 5.32</u>
Shares used to compute earnings per share				
Basic	<u>97.3</u>	<u>102.9</u>	<u>99.0</u>	<u>103.9</u>
Diluted	<u>97.3</u>	<u>103.0</u>	<u>99.1</u>	<u>104.0</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total stockholders' deficit, beginning of period	\$ (1,816.4)	\$ (1,617.9)	\$ (1,581.0)	\$ (1,562.2)
Common stock and additional paid-in capital				
Beginning balance	11,179.9	12,225.1	11,808.0	12,644.5
Repurchase of common stock	(303.1)	(222.4)	(963.3)	(675.8)
Stock-based compensation	16.1	15.8	46.0	45.8
Issuance of common stock under stock plans	4.0	4.3	12.3	12.3
Excise tax on repurchase of common stock	(2.9)	(2.1)	(9.0)	(6.1)
Balance, end of period	10,894.0	12,020.7	10,894.0	12,020.7
Accumulated deficit				
Beginning balance	(12,993.5)	(13,839.6)	(13,386.4)	(14,204.0)
Net income	201.3	188.5	594.2	552.9
Balance, end of period	(12,792.2)	(13,651.1)	(12,792.2)	(13,651.1)
Accumulated other comprehensive loss				
Beginning balance	(2.8)	(3.4)	(2.6)	(2.7)
Other comprehensive income (loss)	0.4	0.4	0.2	(0.3)
Balance, end of period	(2.4)	(3.0)	(2.4)	(3.0)
Total stockholders' deficit, end of period	\$ (1,900.6)	\$ (1,633.4)	\$ (1,900.6)	\$ (1,633.4)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 594.2	\$ 552.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	28.1	33.7
Stock-based compensation expense	45.2	45.0
Amortization of discount on investments in debt securities	(16.6)	(18.6)
Other, net	2.1	3.0
Changes in operating assets and liabilities:		
Other assets	(18.2)	(3.7)
Other liabilities	(31.9)	(16.2)
Deferred revenues	52.9	43.0
Net deferred income taxes	15.3	10.5
Net cash provided by operating activities	<u>671.1</u>	<u>649.6</u>
Cash flows from investing activities:		
Proceeds from maturities and sales of marketable securities	1,009.6	750.8
Purchases of marketable securities	(684.0)	(911.5)
Purchases of property and equipment	(18.6)	(40.8)
Net cash provided by (used in) investing activities	<u>307.0</u>	<u>(201.5)</u>
Cash flows from financing activities:		
Repurchases of common stock	(963.3)	(675.8)
Proceeds from employee stock purchase plan	12.3	12.3
Net cash used in financing activities	<u>(951.0)</u>	<u>(663.5)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	0.1	(0.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	27.2	(216.0)
Cash, cash equivalents, and restricted cash at beginning of period	245.5	379.0
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 272.7</u>	<u>\$ 163.0</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 49.5	\$ 49.5
Cash paid for income taxes, net of refunds received	<u>\$ 187.1</u>	<u>\$ 178.8</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, 2023 (the “2023 Form 10-K”) filed with the SEC on February 15, 2024.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires additional disclosure of significant segment expenses on an annual and interim basis. This guidance will be applied retrospectively and will be effective for our 2024 Form 10-K, and for interim periods beginning in 2025. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. This guidance will be effective for our 2025 Form 10-K. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

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, 2024	December 31, 2023
	(In millions)	
Cash	\$ 30.4	\$ 25.6
Time deposits	1.3	1.0
Money market funds (Level 1)	241.0	160.3
Debt securities issued by the U.S. Treasury (Level 1)	377.6	744.9
Total	\$ 650.3	\$ 931.8
Cash and cash equivalents	\$ 267.3	\$ 240.1
Restricted cash (included in Other long-term assets)	5.4	5.4
Total Cash, cash equivalents, and restricted cash	272.7	245.5
Marketable securities	377.6	686.3
Total	\$ 650.3	\$ 931.8

The gross and net unrealized gains and losses included in the fair value of the debt securities were not significant for the periods presented. All of the debt securities held as of September 30, 2024 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 the Company’s foreign currency forward contracts is based on foreign currency rates quoted by banks or foreign currency dealers and other public data sources. The fair value of all of these financial instruments are classified as Level 1 in the fair value hierarchy.

As of September 30, 2024, the Company’s other financial instruments include cash, accounts receivable, restricted cash, and accounts payable whose carrying values approximated their face values. The aggregate fair value of the Company’s current and long-term senior notes is \$1.71 billion and \$1.69 billion as of September 30, 2024 and December 31, 2023, respectively. 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, 2024	December 31, 2023
	(In millions)	
Prepaid expenses	\$ 31.4	\$ 23.3
Prepaid registry fees	24.4	23.8
Taxes receivable	9.8	7.3
Accounts receivable, net	6.0	6.3
Other	0.9	1.2
Total other current assets	<u>\$ 72.5</u>	<u>\$ 61.9</u>

Other Long-Term Assets

Other long-term assets consist of the following:

	September 30, 2024	December 31, 2023
	(In millions)	
Operating lease right-of-use asset	\$ 10.1	\$ 7.4
Long-term prepaid expenses	9.8	4.8
Long-term prepaid registry fees	8.3	8.3
Restricted cash	5.4	5.4
Other	3.0	3.1
Total other long-term assets	<u>\$ 36.6</u>	<u>\$ 29.0</u>

The prepaid registry fees in the tables above relate to the fees the Company pays to ICANN for each annual term of .com domain name registrations and renewals which are deferred and amortized over the domain name registration term.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2024	December 31, 2023
	(In millions)	
Accounts payable and accrued expenses	\$ 8.4	\$ 12.5
Customer deposits	77.1	77.2
Taxes payable	61.4	49.5
Accrued employee compensation	54.2	61.2
Interest payable	24.6	19.5
Accrued registry fees	13.0	12.3
Customer incentives payable	6.9	6.5
Current operating lease liabilities	5.8	5.1
Foreign currency forward contracts	0.3	10.7
Other accrued liabilities	3.8	2.9
Total accounts payable and accrued liabilities	<u>\$ 255.5</u>	<u>\$ 257.4</u>

Taxes payable reflects amounts accrued for the income tax provision and payments made during the period. This balance fluctuates from period to period due to the timing of income tax payments in the Company’s major tax jurisdictions. 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, 2023 was paid during the nine months ended September 30, 2024. Interest payable varies at each period-end based on the payment due dates for each senior note issuance. The liability related to the unrealized loss on foreign currency forward contracts as of December 31, 2023 was remeasured and paid upon settlement of the forward contract during the nine months ended September 30, 2024.

Senior Notes

Current and long-term senior notes as of September 30, 2024 reflects the classification of \$299.7 million of the Company’s \$500.0 million senior notes due April 1, 2025 (“2025 Senior Notes”), net of unamortized debt issuance costs, as current liabilities, and the remaining \$200.0 million as long-term liabilities. Under existing market conditions, the Company intends to refinance all of its 2025 Senior Notes through the issuance of new long-term debt. As of September 30, 2024, the Company has \$200.0 million in borrowing capacity under its credit facility which matures in 2028. If a suitable refinancing arrangement is not available due to a change in market conditions, the Company intends to utilize the credit facility to repay \$200.0 million of the 2025 Senior Notes.

Long-term Tax and Other Liabilities

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

	September 30, 2024	December 31, 2023
	(In millions)	
Long-term tax liabilities	\$ 11.8	\$ 34.1
Long-term operating lease liabilities	4.4	2.2
Long-term tax and other liabilities	<u>\$ 16.2</u>	<u>\$ 36.3</u>

Long-term tax liabilities as of September 30, 2024 reflects a \$24.1 million reclassification to current liabilities of the final installment of the transition tax liability on accumulated foreign earnings resulting from the 2017 Tax Cuts and Jobs Act.

Note 4. Share Repurchases

Effective July 25, 2024, the Company's Board of Directors authorized the repurchase of its common stock in the amount of \$1.11 billion, in addition to the \$388.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to \$1.50 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. As of September 30, 2024 there was approximately \$1.28 billion remaining available for repurchases under the program.

The Company's share repurchases are as follows:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Shares	Total Costs	Average Price	Shares	Total Costs	Average Price
	(In millions, except average price amounts)					
Total repurchases under the repurchase plans	1.7	\$ 300.9	\$ 180.32	5.2	\$ 949.3	\$ 183.32
Total repurchases for tax withholdings	—	2.2	\$ 177.85	0.1	14.0	\$ 189.37
Total repurchases	1.7	\$ 303.1	\$ 180.30	5.3	\$ 963.3	\$ 183.40

Since inception, the Company has repurchased 258.8 million shares of its common stock for an aggregate cost of \$14.62 billion, which is recorded as a reduction of Additional paid-in capital. The share repurchase and authorization amounts disclosed in this Form 10-Q exclude the excise tax on share repurchases.

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,	
	2024	2023	2024	2023
	(In millions)			
Weighted-average shares of common stock outstanding	97.3	102.9	99.0	103.9
Weighted-average potential shares of common stock outstanding:				
Unvested RSUs and ESPP	—	0.1	0.1	0.1
Shares used to compute diluted earnings per share	97.3	103.0	99.1	104.0

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 and any awards that are antidilutive. 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, Japan, and Singapore.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In millions)			
U.S.	\$ 260.2	\$ 250.8	\$ 773.2	\$ 741.2
EMEA	62.8	57.7	184.7	169.4
China	19.7	22.0	60.2	71.0
Other	47.9	45.8	143.9	131.1
Total revenues	\$ 390.6	\$ 376.3	\$ 1,162.0	\$ 1,112.7

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 payments 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, 2024 was primarily driven by amounts billed in the nine months ended September 30, 2024 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 \$791.1 million of revenues recognized that were included in the deferred revenues balance at December 31, 2023. The balance of deferred revenues as of September 30, 2024 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 ten 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,	
	2024	2023	2024	2023
	(In millions)			
Cost of revenues.....	\$ 2.0	\$ 1.9	\$ 6.0	\$ 5.2
Research and development.....	2.6	2.5	8.0	7.5
Selling, general and administrative.....	11.2	11.1	31.2	32.3
Stock-based compensation expense.....	15.8	15.5	45.2	45.0
Capitalization (included in Property and equipment, net).....	0.3	0.3	0.8	0.8
Total stock-based compensation.....	<u>\$ 16.1</u>	<u>\$ 15.8</u>	<u>\$ 46.0</u>	<u>\$ 45.8</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,	
	2024	2023	2024	2023
	(In millions)			
RSUs.....	\$ 13.8	\$ 13.4	\$ 37.8	\$ 35.9
Performance-based RSUs.....	1.3	1.3	5.0	6.6
ESPP.....	1.0	1.1	3.2	3.3
Total stock-based compensation.....	<u>\$ 16.1</u>	<u>\$ 15.8</u>	<u>\$ 46.0</u>	<u>\$ 45.8</u>

Note 8. Non-operating Income, Net

Non-operating income, net, primarily consists of interest income from the Company’s surplus cash balances and marketable securities. Interest income was \$8.7 million and \$30.4 million during the three and nine months ended September 30, 2024, respectively, compared to \$11.6 million and \$33.8 million during the same periods in 2023. The decrease in interest income during the three and nine months ended September 30, 2024, compared to the same periods last year, primarily reflects the lower amounts invested in debt securities in the current periods.

Note 9. Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in millions)			
Income tax expense	\$ 59.6	\$ 60.1	\$ 179.6	\$ 172.0
Effective tax rate	23 %	24 %	23 %	24 %

The effective tax rate for each of the periods in the table above differed from the statutory federal rate of 21%, due to state income taxes and U.S. taxes on foreign earnings, net of foreign tax credits, partially offset by a lower foreign effective tax rate.

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

You should read the following discussion in conjunction with the 2023 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 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 2023 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 2024. 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 critical internet infrastructure and domain name registry services, enabling internet navigation for many of the world's most recognized domain names. We help enable the security, stability, and resiliency of the Domain Name System and the internet by providing Root Zone Maintainer Services, operating two of the thirteen global internet root servers, and providing registration services and authoritative resolution for the .com and .net generic top-level domains ("gTLDs"), which support the majority of global e-commerce.

As of September 30, 2024, we had 169.6 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. The number of domain name registrations under our management may be negatively impacted by certain factors, including overall economic conditions, competition from country code top-level domains ("ccTLDs"), other 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 \$390.6 million and \$1,162.0 million during the three and nine months ended September 30, 2024, each of which represents an increase of 4% compared to the same periods in 2023.
- We recorded operating income of \$269.3 million and \$794.4 million during the three and nine months ended September 30, 2024, which represents an increase of 6% and 7%, respectively, compared to the same periods in 2023.
- As of September 30, 2024, we had 169.6 million .com and .net registrations in the domain name base, which represents a 2.5% decrease from September 30, 2023, and a net decrease of 1.1 million domain name registrations from June 30, 2024.
- During the three months ended September 30, 2024, we processed 9.3 million new domain name registrations for .com and .net compared to 9.9 million for the same period in 2023.
- The final .com and .net renewal rate for the second quarter of 2024 was 72.7% compared to 73.4% for the second quarter of 2023. Renewal rates are not fully measurable until 45 days after the end of the quarter.
- We generated cash flows from operating activities of \$671.1 million during the nine months ended September 30, 2024, compared to \$649.6 million for the same period in 2023.
- During the three months ended September 30, 2024, we repurchased 1.7 million shares of our common stock for an aggregate cost of \$300.9 million. As of September 30, 2024, there was \$1.28 billion remaining for future share repurchases under the share repurchase program.

Pursuant to our agreements with 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 daily. 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.

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,	
	2024	2023	2024	2023
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Cost of revenues	12.0	12.9	12.3	13.4
Research and development	5.9	5.8	6.2	6.1
Selling, general and administrative	13.2	13.7	13.1	13.6
Total costs and expenses	31.1	32.4	31.6	33.1
Operating income	68.9	67.6	68.4	66.9
Interest expense	(4.8)	(5.0)	(4.9)	(5.1)
Non-operating income, net	2.7	3.4	3.1	3.3
Income before income taxes	66.8	66.0	66.6	65.1
Income tax expense	(15.3)	(15.9)	(15.5)	(15.4)
Net income	51.5 %	50.1 %	51.1 %	49.7 %

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 and technical systems for several other gTLDs and one ccTLD, 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, who are our direct customers, 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. 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.

Under the .com Registry Agreement, we are permitted to increase the price of a .com domain name registration by up to 7% in each of the final four years of each six-year period beginning on October 26, 2018. We increased the annual registry-level wholesale fee for each new and renewal .com domain name registration from \$8.97 to \$9.59 effective September 1, 2023, and from \$9.59 to \$10.26 effective September 1, 2024. Under the .net Registry Agreement, which renewed in June 2023, we are permitted to increase the price of .net domain name registrations by up to 10% each year during the term of our agreement with ICANN, through June 30, 2029. We increased the annual registry-level wholesale fee for each new and renewal .net domain name registration from \$9.02 to \$9.92 effective February 1, 2023 and from \$9.92 to \$10.91 effective February 1, 2024. 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,		
	2024	% Change	2023	2024	% Change	2023
(Dollars in millions)						
Revenues	\$ 390.6	4%	\$ 376.3	\$ 1,162.0	4%	\$ 1,112.7

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

	September 30, 2024	% Change	September 30, 2023
<i>.com</i> and <i>.net</i> domain name registrations in the domain name base	169.6 million	(3)%	173.9 million

Revenues increased during the three and nine months ended September 30, 2024, as compared to the same periods last year, primarily due to the *.com* and *.net* price increases, partially offset by a decline in the *.com* and *.net* domain name base, and the elimination of revenue from the operation of the *.gov* gTLD, which was transitioned to another service provider in the fourth quarter of 2023.

Demand for domain names 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, such as for resale at increased prices or for revenue generation through website advertising, and global economic conditions, has limited the demand for domain names and may continue to do so in the future. While the core value proposition of a domain name remains strong, challenging economic and regulatory conditions have continued to weaken demand for domain name registrations in China, and some registrars, particularly in the U.S., have shifted their focus to increasing profitability through higher retail pricing and a decrease in marketing activities targeting new customer acquisition. The combination of these factors has negatively impacted our renewal rates and the volume of new *.com* and *.net* domain name registrations, resulting in a decline in our domain name base.

Geographic revenues

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

The following table presents a comparison of our geographic revenues:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	% Change	2023	2024	% Change	2023
(Dollars in millions)						
U.S.	\$ 260.2	4%	\$ 250.8	\$ 773.2	4%	\$ 741.2
EMEA	62.8	9%	57.7	184.7	9%	169.4
China	19.7	(10)%	22.0	60.2	(15)%	71.0
Other	47.9	5%	45.8	143.9	10%	131.1
Total revenues	<u>\$ 390.6</u>		<u>\$ 376.3</u>	<u>\$ 1,162.0</u>		<u>\$ 1,112.7</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. The majority of our revenue growth was generated from registrars based in the U.S., EMEA and certain other countries, while revenues from registrars based in China declined in the three and nine months ended September 30, 2024, compared to the same periods of the prior year, due to the lower demand noted above.

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,		
	2024	% Change	2023	2024	% Change	2023
(Dollars in millions)						
Cost of revenues	\$ 46.8	(4)%	\$ 48.6	\$ 143.0	(4)%	\$ 148.8

Cost of revenues decreased slightly during the three months ended September 30, 2024, compared to the same period last year, due to a combination of individually insignificant factors.

Cost of revenues decreased during the nine months ended September 30, 2024, compared to the same period last year, due to decreases in depreciation expenses and telecommunication expenses, partially offset by a combination of individually insignificant factors. Depreciation expenses decreased by \$5.7 million due to a decrease in capital expenditures in recent periods. Telecommunication expenses decreased by \$3.3 million primarily due to savings on renewals of colocation agreements.

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,		
	2024	% Change	2023	2024	% Change	2023
(Dollars in millions)						
Research and development	\$ 23.2	7%	\$ 21.7	\$ 71.8	6%	\$ 68.1

Research and development expenses increased during the three and nine months ended September 30, 2024, compared to the same periods last year, due to a combination of individually insignificant factors.

Selling, general and administrative

Selling, general and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology, human resources, sales, and marketing personnel, travel and related expenses, trade shows, costs of computer and communications equipment and support services, consulting and professional service fees, costs of marketing programs, costs of facilities, management information systems, support services, 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 selling, general and administrative expenses is presented below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	% Change	2023	2024	% Change	2023
(Dollars in millions)						
Selling, general and administrative	\$ 51.3	(1)%	\$ 51.7	\$ 152.8	1%	\$ 151.5

Selling, general and administrative expenses remained consistent during the three and nine months ended September 30, 2024, compared to the same periods last year.

Interest expense

Interest expense remained consistent during the three and nine months ended September 30, 2024 compared to the same periods last year.

Non-operating income, net

Non-operating income decreased during the three and nine months ended September 30, 2024, compared to the same periods last year, primarily due to a decrease in interest income as a result of lower amounts invested in debt securities in the current period.

Income tax expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in millions)			
Income tax expense	\$ 59.6	\$ 60.1	\$ 179.6	\$ 172.0
Effective tax rate	23 %	24 %	23 %	24 %

The effective tax rate for each of the periods in the table above differed from the statutory federal rate of 21%, due to state income taxes and U.S. taxes on foreign earnings, net of foreign tax credits, partially offset by a lower foreign effective tax rate.

Liquidity and Capital Resources

The following table presents our principal sources of liquidity:

	September 30,	December 31,
	2024	2023
	(In millions)	
Cash and cash equivalents	\$ 267.3	\$ 240.1
Marketable securities	377.6	686.3
Total	<u>\$ 644.9</u>	<u>\$ 926.4</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, 2024, 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.

Effective July 25, 2024, our Board of Directors authorized the repurchase of our common stock in the amount of \$1.11 billion, in addition to the \$388.0 million that remained available for repurchases under the share repurchase program, for a total repurchase authorization of up to \$1.50 billion under the program. During the three months ended September 30, 2024, we repurchased 1.7 million shares of our common stock for an aggregate cost of \$300.9 million. As of September 30, 2024, there was approximately \$1.28 billion remaining available for future share repurchases under the share repurchase program.

As of September 30, 2024, we had \$750.0 million principal amount outstanding of 2.70% senior unsecured notes due 2031, \$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 April 2025 (“2025 Senior Notes”). Under existing market conditions, we intend to refinance all of our 2025 Senior Notes through the issuance of new long-term debt. As of September 30, 2024, we had no outstanding borrowings and \$200.0 million in borrowing capacity under our credit facility which matures in 2028. If a suitable refinancing arrangement is not available due to a change in market conditions, we intend to utilize the credit facility to repay \$200.0 million of the 2025 Senior Notes.

We believe existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our ability to arrange for additional financing should be sufficient to meet our working capital, capital expenditure requirements, and to service our debt for the next 12 months and beyond. We regularly assess our cash management approach and activities in view of our current and potential future needs. Our cash requirements have not changed materially since the 2023 Form 10-K.

In summary, our cash flows for the nine months ended September 30, 2024 and 2023 were as follows:

	Nine Months Ended September 30,	
	2024	2023
	(In millions)	
Net cash provided by operating activities	\$ 671.1	\$ 649.6
Net cash provided by (used in) investing activities	307.0	(201.5)
Net cash used in financing activities	(951.0)	(663.5)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	0.1	(0.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 27.2</u>	<u>\$ (216.0)</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, 2024, 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 and cash paid for income taxes. Cash received from customers increased primarily due to the *.com* and *.net* price increases. Cash paid to employees and vendors increased primarily due to the timing of payments. Cash paid for income taxes increased primarily due to comparatively higher state income tax payments and a higher installment payment for the transition tax on our accumulated foreign earnings resulting from the 2017 Tax Cuts and Jobs Act.

Cash flows from investing activities

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

We had net cash inflows from investing activities in the nine months ended September 30, 2024, compared to net cash outflows from investing activities during the same period last year, primarily due to an increase in proceeds from maturities and sales of marketable securities, net of purchases of marketable securities and a decrease in purchases of property and equipment due to the purchase of a building in 2023.

Cash flows from financing activities

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

Net cash used in financing activities increased during the nine months ended September 30, 2024, compared to the same period last year, due to an increase in share repurchases.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, as of September 30, 2024, 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.

ITEM 5. OTHER INFORMATION

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Effective October 21, 2024, the Board of Directors (the “Board”) of VeriSign, Inc. (the “Company”) appointed Debra W. McCann to the Board, increasing the size of the Board from eight to nine directors. Ms. McCann currently serves as Executive Vice President and Chief Financial Officer at Unisys Corporation, a technology and consulting company, a position she has held since May 2022. The Board also appointed Ms. McCann to serve on the Audit Committee of the Board.

As a non-employee director, Ms. McCann will receive an annual cash retainer of \$50,000 and an annual equity award grant of \$250,000, made solely in the form of restricted stock units. Ms. McCann will receive an additional annual cash retainer of \$25,000 for her service on the Audit Committee. New directors are granted an equity award equal to the pro rata amount of such annual equity award, the amount of which is determined based on the date of such new director's appointment or election to the Board. Ms. McCann’s cash retainer will also be prorated to reflect her service for a portion of the year. In addition, the Company entered into an indemnity agreement with Ms. McCann pursuant to which the Company is required to indemnify Ms. McCann against certain liabilities which may arise by reason of her status or service as a director of the Company and to advance expenses to her arising from the investigation, defense, settlement or appeal of these liabilities. The Company's standard form of indemnity agreement was previously filed as Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed with the Securities and Exchange Commission on April 28, 2010.

There was no arrangement or understanding between Ms. McCann and any other person pursuant to which Ms. McCann was appointed as a director of the Company. There have been no transactions involving the Company or any of its subsidiaries in which Ms. McCann has or will have a direct or indirect material interest that are required to be disclosed under Item 404(a) of Regulation S-K.

Insider Trading Arrangements

Our directors and executive officers may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act.

There were no directors or executive officers that adopted, terminated or modified plans or other arrangements during the quarter ended September 30, 2024.

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.

