Risk Factors Comparison 2024-03-06 to 2023-02-28 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled " Risk Factors " immediately following this Risk Factors Summary. These summary risks provide an overview of many of the risks we are exposed to in the normal course of our business, some of which have manifested and any of which may occur in the future. As a result, the following summary risks do not contain all of the information that may be important to you, and you should read them together with the more detailed discussion of risks set forth following this section under the heading " Risk Factors, " and with the other information in this Annual Report on Form 10- K. Additional risks beyond those summary risks discussed below, in " Risk Factors " or elsewhere in this Annual Report on Form 10- K, could have an adverse effect on our business, results of operations, financial condition or prospects, and could cause the trading price of our common stock to decline. Our business, results of operations, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. Consistent with the foregoing, we are exposed to a variety of risks, including the following significant risks: • ~~Our~~ **The change in our** strategic ~~transformation~~ plan **and cost reduction and restructuring actions we implemented during 2023** ~~involves~~ **involve** numerous risks and may not achieve the results we expect. • If we are unable to attract new customers and retain and expand sales to existing customers, we will be unable ~~to grow our business. • Failure to effectively develop and expand our sales and marketing capabilities, and particularly our ability to hire, train, and retain sales personnel, may have a material adverse effect on our ability~~ to grow our business. • If our new product offerings and product enhancements do not keep pace with the needs of our customers or do not achieve sufficient customer acceptance, our competitive position and financial results will be negatively impacted. • A significant portion of our sales are to a limited number of customers. The loss of substantial sales to any one of them could have an adverse effect on revenues and profits. • If we are not able to enhance our brand recognition and maintain our brand reputation, our business may be adversely affected. • The market we serve is highly competitive, which may negatively affect our ability to add new customers, retain existing customers and grow our business. • Our Digipass authenticator business **has a complex supply chain and** is dependent on a limited number of suppliers **for certain** ~~, and the loss of their manufacturing capability,~~ components ~~and technology~~ **, such that supply chain disruptions** could materially impact our operations. Our Digipass business may also experience inventory- related losses. • The sales cycle for our products is often long, and we may incur substantial expenses for sales that do not occur when anticipated or at all. • If we are unable to **retain key employees and** successfully hire ~~,~~ **and** train ~~, and retain~~ qualified ~~personnel~~ **new employees** , we may be unable to achieve our business objectives ~~. In addition, we are dependent on the continued services and performance of our senior management and other key employees, the loss of whom could adversely affect our business, operating results and financial condition~~ . • Security breaches or cyberattacks could expose us to significant liability, cause our business and reputation to suffer ~~,~~ and harm our competitive position. • Real or perceived malfunctions and errors in our products could result in warranty and product liability risks and economic and reputational damages. • We depend on third party hosting providers and other technology vendors, as well as our own infrastructure, to provide our products and solutions to our customers in a timely manner. Interruptions or delays in performance of our products and solutions could result in customer dissatisfaction, damage to our reputation, loss of customers, and a reduction in revenue. • Our success depends in part on establishing and maintaining relationships with other companies to distribute our technology and products or to incorporate their technology into our products and services, or vice versa. • We have operated at a loss for each of the past three years, and we may not be profitable in the future. • Our financial results may fluctuate from period to period, making it difficult to project future results. If we fail to meet the expectations of securities analysts or investors, the price of our common stock could decline. • **Consolidations, failures and other developments in the banking and financial services industry may adversely impact our revenue. •** We face a number of risks associated with our international operations, any or all of which could result in a disruption in our business and a decrease in our revenue. • Acquisitions or other strategic transactions may not achieve the intended benefits or may disrupt our current plans and operations. • We may be subject to legal proceedings for a variety of claims, including intellectual property disputes, labor and employment issues, commercial disagreements, securities law violations and other matters. These proceedings may be costly, subject us to significant liability, limit our ability to use certain technologies, increase our costs of doing business or otherwise adversely affect our business and operating results. • We are subject to numerous laws and regulations and customer requirements governing the production, distribution, sale and use of our products. Any failure to comply with these laws, regulations and requirements could result in unanticipated costs **and other negative impacts,** and could have a materially adverse effect on our business, results of operations and financial condition. Our business involves significant risks, some of which are described below. You should carefully consider the following risks, some of which have manifested and any of which may occur in the future, together with all of the other information in this Annual Report on Form 10- K, including in the preceding Risk Factors Summary, and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10- K before making an investment decision with respect to any of our securities. ~~.~~ Risks Related to our Business and Industry **In December 2021, our Board approved a restructuring plan designed to advance our operating model, streamline our business, improve efficiency, and enhance our capital resources. The first phase of this restructuring plan began and was substantially completed during the three months ended March 31, 2022.** In May 2022, **our Board approved additional actions in connection with the restructuring plan and** we announced **our 2022 strategic plan,** a three- year ~~strategic transformation~~ plan ~~that~~ **which** began on January 1, 2023. ~~Although~~ **During the quarter ended June 30, 2023,** we ~~believe~~ **determined** that **we were unlikely** ~~this plan will enable~~ to ~~us~~

~~accelerate~~ **achieve the** revenue growth **levels set forth in the 2022 strategic plan within the contemplated three- year timeframe. A number of factors contributed to the challenges achieving the originally planned growth levels, particularly in Digital Agreements, on the timeframes set forth in the 2022 strategic plan, including: macroeconomic uncertainties in the banking** and **financial services segments, which have resulted in longer sales cycles and greater price sensitivity on the part of customers;** ~~increase~~ **increasing** ~~profitability,~~ **maturity and competitiveness in the market for e- signature solutions; limited awareness of our brand among buyers of e- signature tools; and higher pricing aggressiveness from competitors. These and other factors made it more difficult than** we ~~may not~~ **originally anticipated to build our Digital Agreements sales pipeline, generate demand for our Digital Agreements solutions through marketing efforts, and improve our sales force productivity levels. In response to these challenges in growing our Digital Agreements revenue, we modified our strategy to focus more heavily on improving Adjusted EBITDA margin across the business. To this end, in August 2023, our Board approved the 2023 Actions described in Item 1, Business to seek to drive higher levels of Adjusted EBITDA while maintaining our long- term growth potential. The 2023 Actions consisted primarily of workforce related reductions, with a significantly smaller contribution from vendor contract termination and rationalization actions. Further information about the 2023 Actions, including associated expected restructuring charges, can** be ~~successful~~ **found** in ~~executing~~ **Item 7, Management' s Discussion and Analysis. The 2023 Actions and** ~~the~~ **other cost reduction actions implemented under our restructuring** plan **originally adopted in December 2021 may yield unintended consequences and costs, such as: higher than anticipated restructuring charges; disruption to our operations; litigation and regulatory actions; reduced employee morale, attrition of valued employees, and adverse effects** on our **reputation as an employer; loss of institutional know- how; slower customer service response times; and reduced ability to complete or undertake new product development projects and other business, product, technical, compliance or risk mitigation initiatives. In addition, our ability to complete the 2023 Actions and achieve the anticipated benefits from the 2023 Actions within the** expected ~~timeframe~~ **time frame** or at all ~~,~~ **is subject to estimates and assumptions and may vary materially from** ~~or~~ **our** ~~the plan~~ **expectations, including as a result of factors that are beyond our control, such that we** may not **succeed in** ~~achieve~~ **achieving all** ~~the results we expect, for~~ - **or part** ~~a number~~ of ~~reasons, including the following: • The assumptions we used in developing the plan, including assumptions regarding customer acquisition, customer retention, market needs, market opportunity size, and the impact of our marketing initiatives, may prove incorrect; • We may experience challenges or delays in growing our salesforce and marketing programs to support our growth plans or in training and incentivizing our salespeople to execute our new go- to- market approach; • We may have difficulties in hiring and retaining employees in general due to the challenging hiring environment; • It may be more difficult, time consuming, or expensive than we anticipate to build a robust sales pipeline, increase our brand awareness, or enhance our product distribution channels; • We may encounter difficulties and delays in platform and product- related initiatives to support our growth, including delays in the availability of new product offerings or the buildout of our next- generation transaction- cloud platform due to staffing and other~~ -- **the intended benefits of the 2023 Actions** ~~resource constraints; • Ongoing component shortages and shipping delays affecting our Digipass authenticator devices could negatively impact revenue and cash flow for our Security Solutions segment, which we are relying upon to help fund growth in our Digital Agreements segment; and • Economic slowdown or recession, heightened inflation, capital markets volatility, political instability or conflict, and changes in interest rates and foreign exchange rates may negatively affect our financial and operating results~~ . Our success will depend significantly on our ability to attract new customers ~~, particularly enterprise~~ **and retain and expand sales to existing** customers. We have experienced, and expect to continue to experience ~~in the near term~~ , challenges in adding new customers ~~,~~ **. Factors that we believe have contributed to these challenges** in **the Digital Agreements segment include: our limited brand awareness; reluctance on the** part ~~because we are in the early stages~~ of ~~scaling our sales and marketing capabilities to support our strategic transformation plan. If we are unable to adequately enhance our sales and marketing organizations in the timeframe we expect, we may~~ **many customers to switch from well- known e- signature providers such as DocuSign or Adobe Systems, which may be highly integrated into their internal processes, to a comparatively lesser- known provider; the fact that we do** not ~~be able to attract sufficient new~~ **yet offer some third- party integrations and features that certain customers, particularly large** enterprise customers ~~to achieve the growth objectives in our strategic transformation plan~~ **, may expect; and increased price aggressiveness from competitors** , which ~~would have an adverse effect on our business~~ **has generally reduced price- based incentives for potential new customers to switch to us** . The achievement of our ~~growth~~ **business** objectives also depends on our ability to retain and expand sales to existing customers. **While this factor is important in both of our reporting segments, it is especially significant for our Security Solutions segment, which has been focused in recent years mostly on expanding sales to existing customers rather than seeking new customers.** Our renewal and expansion rates **in either segment** may be below our expectations, decline or fluctuate as a result of a number of factors, including customer budgets, decreases in the number of users at our customers, changes in the type and size of our customers, pricing, competitive conditions **, the competitiveness of our solutions** , customer attrition and general economic and global market conditions. If our efforts to expand sales to our existing customers are not successful or if our customers do not renew their subscriptions at the rates we expect, our business will be negatively impacted. ~~Our ability to increase our customer base and achieve broader market acceptance of our products and solutions depends to a significant extent on our ability to effectively develop and expand our sales and marketing operations. As part of our three- year strategic transformation plan, we are making significant investments in and changes to our sales operations. We are in the process of implementing a unified go- to- market approach across our entire business rather than having separate salespeople for Digital Agreements and Security Solutions. This initiative involves intensive training to enable our sales force to sell across our full product portfolio. We are also shifting our sales model to target high- potential enterprise sales prospects using an account- based engagement model. This buildout of our salesforce involves, among other things, hiring of additional salespeople to support our growth plans. To achieve this, we must locate and hire a significant number of qualified~~

~~individuals with the experience and skills necessary to sell our full product portfolio, and competition for such individuals is intense. Once a new salesperson is hired, we must invest considerable time and resources into training before the person is able to achieve full productivity. If we are unable to retain the individual for a sufficiently long period of time, we may never recoup this investment. We are also dedicating significant resources to demand generation and marketing efforts, and doing more outbound targeted marketing than we have historically. Since our investment in marketing has been relatively limited in the past and because we have limited brand awareness in many of our markets, it may take time and substantial expense to generate demand and a robust and consistent sales pipeline. If we cannot train or expand our sales force or successfully generate demand for our products through our marketing efforts in the timeframe contemplated by our strategic transformation plan, we may not be able to achieve the goals of the plan on time or at all, which may have a material adverse effect on our business.~~ Technological changes occur rapidly in our industry and ~~our~~ development of new products and features is critical to maintain and grow our revenue. Our ~~future growth~~ **ability to attract and retain customers** will depend in part upon our ability to enhance our current products and develop innovative new solutions to distinguish us from the competition and to meet customers' changing needs. Product developments and technology innovations by others may adversely affect our competitive position and we may not successfully anticipate or adapt to changing technology, industry standards or customer requirements on a timely basis. The introduction by our competitors of products embodying new technologies ~~and~~ **or** the emergence of new industry standards could render our existing products obsolete and unmarketable **. For example, if our competitors are better able to effectively integrate new technologies such as generative artificial intelligence (" AI") into their products, our competitive position may suffer** . We spend substantial amounts of time and money to research and develop new offerings and enhanced versions of our existing offerings in order to meet our customers' rapidly evolving needs. When we develop a new offering or an enhanced version of an existing offering, we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop or acquire new or enhanced offerings, their introduction must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. **In some cases, we determine that product initiatives we initially believed were promising do not warrant further investment.** For example, ~~if~~ **in 2023, we decided to discontinue investments in** our **Digipass CX product in order to rationalize and focus our product portfolio, and incurred non- cash charges as a result. If other** recent **or future** new product offerings ~~, such as our Digipass CX and OneSpan Notary products,~~ do not garner widespread customer adoption and implementation, **we may incur future non- cash charges and** our business may be adversely affected ~~. Any such adverse effect may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new offerings or enhancements~~ . We derive a substantial portion of our revenue from a limited number of customers. The loss of substantial sales to any one of them could adversely affect our operations and results. In **2023,** 2022, **and** 2021 ~~, and 2020~~ , our top 10 largest customers contributed **22 %,** 23 %, **and** 22 ~~%, and 21~~ %, respectively, of our total worldwide revenue. We believe that enhancing our brand recognition is important to our efforts to attract new customers and channel partners ~~. If we do not build~~ **, and that our relative lack of brand** awareness ~~of our brand~~ , **particularly in the Digital Agreements segment** ~~we could be at a competitive disadvantage to companies whose brands are~~ , ~~or become,~~ **has made it** more ~~recognizable than ours~~ **challenging to acquire new customers** . Our brand recognition and reputation are dependent upon numerous factors including: • our marketing efforts; • our ability to continue to offer high quality, innovative and reliable products; • our ability to maintain customer satisfaction with our products; • our ability to be responsive to customer concerns and provide high quality customer support, training and professional services; • any misuse or perceived misuse of our products; • positive or negative publicity, including through reviews by industry analysts; • our ability to prevent or quickly react to any cyberattack on our information technology systems or security breach of or related to our software; and • litigation or regulatory-related developments. Improving our brand recognition is likely to require significant additional expenditures and may not be successful or yield increased revenues. If we do not successfully enhance our brand and maintain our reputation, we may **continue to** have **difficulties attracting new customers, including due to** reduced pricing power relative to competitors with stronger brands **,** and we could lose customers or renewals, which would adversely affect our business. The market for digital solutions for identity, authentication, and secure digital agreements is very competitive and, like most technology- driven markets, is subject to rapid change and constantly evolving solutions and services. Our identity verification and authentication products are designed to allow authorized users access to digital business processes and properties, in some cases using patented technology, as a replacement for or supplement to a static password. Our main competitors in our identity verification and authentication markets are Gemalto, a subsidiary of Thales Group, **Yubico** and RSA Security. There are also many other companies, such as Transmit Security, Symantec, and Duo Security, that offer competing services. In addition to these companies, we face competition from many small authentication solution providers, many of whom offer new technologies and niche solutions such as biometric or risk and behavioral analysis. We believe that competition in this market is likely to intensify as a result of increasing demand for security products. Our primary competitors for electronic signature solutions are DocuSign and Adobe Systems. Both companies are significantly larger than us. In addition to these companies, there are numerous smaller and regional or niche providers of electronic signing solutions. Some of our present and potential competitors have significantly greater **brand awareness and** financial, technical, marketing, purchasing, and other resources than we do. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, devote greater resources to the development, promotion and sale of products, or deliver competitive products at a lower end- user price than we do. ~~Any of these~~ **These** factors ~~would~~ **have** ~~make~~ **made** it **more** difficult for us to compete successfully **and may continue to do so** , which would negatively affect our business. In the event that the supply of components or finished products for our Digipass authenticator business is interrupted or relations with any of our principal **component** vendors **or contract manufacturers** is terminated, there could be increased costs and considerable delay in finding suitable replacement sources ~~to~~ **for components or alternative** ~~manufacture~~ **manufacturers for** our hardware products. Our ~~hardware~~ Digipass authentication devices are assembled at facilities located in mainland China and Romania. The importation of these products from China and Romania exposes us to the possibility of product supply disruption and increased costs in the event of changes in the policies of the Chinese **, Romanian or EU** ~~government~~ **governments** , political ~~unrest~~ **unrests , natural disasters, extreme weather** or unstable economic conditions in China, **Romania or the EU,** or developments in **China, Romania,** the U. S. or **the** EU that are adverse to trade, including enactment of protectionist legislation. We experienced supply chain disruption in 2022 as a result of the ~~impact on our Chinese contract manufacturers of~~ China' s implementation and subsequent reversal of its " Zero COVID " policy **and extreme heatwaves and drought affecting southern China, both of which affected our China- based contract manufacturers. We may experience similar disruptions again due to numerous factors, including trade disputes, geopolitical tensions, armed conflict, impacts as a result of the COVID- 19 pandemic, future pandemics or other public health threats, and natural disasters and extreme weather, which are likely to occur more frequently due to climate change. These factors have in the past, and may in the future, cause delays in our fulfillment of customer orders, which may in turn delay our recognition of revenue from such orders or cause customers not to place orders or to seek alternative suppliers** . To mitigate the risks associated with our China- based contract manufacturing facilities, we ~~are considering~~ **regularly evaluate** alternative manufacturing and supply arrangements, such as moving some of the Digipass manufacturing currently done in China to Romania or to other locations. It is possible that ~~this~~ **such a** transition ~~may~~ **, if it occurred, would** cause a disruption in our Digipass manufacturing operations. ~~Product~~ **Regardless of whether we undertake such a transition,** supply **chain** disruptions or related cost increases **affecting our Digipass devices** could have a material adverse impact on our business. Under some circumstances, we purchase multiple years' supply of parts for our Digipass authenticator devices based on internal forecasts of demand, anticipated supply chain constraints, or other reasons. To meet customers' demands for accelerated delivery of product, we sometimes produce finished product for existing customers before we receive the executed order from the customer. Should our forecasts of future demand be inaccurate or if we produce product that is never ordered, we could incur substantial losses related to the realization of our inventory. The sales cycle for our products, which is the period of time between the identification of a potential customer and completion of the sale, is typically lengthy and subject to a number of significant risks over which we have little control. A typical sales cycle in the financial services market is often nine to 18 months long. We often need to spend significant time and resources to better educate and familiarize these potential customers with the value proposition of our products and solutions. Purchasing decisions for our products and services may be subject to delays due to a number of factors, many of which are outside of our control, such as: • Time required for a prospective customer to recognize the need for our products; • Effectiveness of our salesforce; • Changes to regulatory requirements; • The complexity of contracts with certain large business customers; • The significant expense of some of our products and systems; • Customer budgeting and procurement processes; • Economic and other factors impacting customer budgets; and • Customer evaluation, testing and approval process. The timing of sales with our enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for these customers. As our operating expenses are based on anticipated revenue levels, a small fluctuation in the timing of sales can cause our operating results to vary significantly between periods. In addition, during the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in a sale. Our ability to successfully ~~pursue~~ **attain** our **business objectives** ~~three- year strategic transformation plan~~ will depend significantly on our ability to **retain and motivate key employees and** attract **qualified new hires. In 2022 and 2023** , ~~motivate~~ **we terminated the employment of approximately 270 employees as part of our cost reduction and restructuring efforts, and in early January 2024, we terminated the employment of our previous CEO and hired** ~~and~~ **an interim CEO. These layoffs and the changes in our leadership have created uncertainty among our employees, and we expect it may make it more difficult, more time- consuming and more expensive for us to** retain **key** employees **and attract new hires** ~~, especially those in sales~~ . We face intense competition for these employees from numerous technology, software and other companies, many of whom have greater resources than we do ~~. In 2022~~ , ~~we incurred higher compensation- related expenses in order to remain competitive in a tight labor market, particularly in light of wage inflation, and we expect to continue to experience this type of cost pressure. Even with an~~ **and** ~~increase in the compensation we offer, we may not be able to attract, motivate and / or~~ **our** ~~retain sufficient qualified employees. Difficulties attracting and retaining personnel could have an adverse effect on our ability to achieve our sales, operational, or other business objectives and, as a result, our ability to compete could decrease and our financial results could be adversely affected. In addition, even if we are able to identify and recruit a sufficient number of new hires, these new hires will require significant training before they achieve full productivity, particularly in the case of sales employees. We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition. Our future performance depends on the continued services and contributions of our senior management, particularly Matthew Moynahan, our Chief Executive Officer, and other key sales and technical employees. Our senior management and key~~ employees are **generally** employed on an at- will basis, which means that they could terminate their employment with us at any time. The temporary or permanent loss of the services of ~~our~~ senior management or other key employees for any reason could significantly delay or prevent the achievement of our objectives and harm our business, financial condition and results of operations. Further, **the** ~~such a~~ loss **of key employees, particularly those in senior management roles,** could be negatively perceived in the capital markets, which could reduce the market value of our securities. ~~Security breaches or cyberattacks~~ **Difficulties retaining, motivating and attracting qualified employees** could ~~expose us~~ **have an adverse effect on our ability** to **achieve our business objectives and, as a result, our ability to compete could decrease and our financial results could be adversely affected. In addition, even if we are able to identify and recruit a sufficient number of new hires, these new hires will require** significant ~~liability and~~ **training before they achieve full productivity, particularly in the** ~~cause~~ **case of sales employees** ~~our business and reputation to suffer and harm our competitive position~~ . Our corporate infrastructure stores and processes our sensitive, proprietary and other confidential information (including ~~as~~ **information** related to financial, technology, employees, marketing, sales, etc.) which is used ~~on a~~ daily ~~basis~~ in our operations. In addition, our ~~software~~ **solutions** ~~involves~~ - **involve** transmission and processing of our customers' confidential, proprietary and sensitive information. We have legal and contractual obligations to protect the confidentiality and appropriate use of customer data. Because we are a **digital agreements and** cybersecurity company, and because the majority of our customers are banks and other financial institutions, which are frequent targets of cyberattacks, we may be an attractive target for cyber attackers or other data thieves. High- profile cyberattacks and security breaches have increased in recent years, with the potential for such acts heightened **because** ~~as a result~~ of the number of employees working remotely due to the COVID- 19 pandemic. Security industry experts and government officials have warned about the risks of hackers and cyberattacks targeting **information technology, or** IT **,** products and enterprise infrastructure. Because techniques used to obtain unauthorized access or to sabotage systems **are constantly evolving,** change frequently and often are not recognized until launched against a specific target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As we seek to increase our client base and expand awareness of our brand, we may become more of a target for third parties seeking to compromise our security systems and we anticipate that hacking attempts and cyberattacks will increase in the future. We have experienced several security incidents in the past. None have been material to date, but it is possible that we will experience a material event in the future. Even though we have established teams, processes and strategies to protect our assets, we may not always be successful in preventing or repelling unauthorized access to our systems. We also may face delays in our ability to identify or otherwise respond to ~~any~~ **a** cybersecurity incident or ~~any~~ other breach. Additionally, we use third- party service providers to provide some services to us that involve the storage or transmission of data, such as software as a service (SaaS), cloud computing, and internet infrastructure and bandwidth, and they face various cybersecurity threats and ~~also~~ may suffer cybersecurity incidents or other security breaches. Despite our security measures, our IT and infrastructure may be vulnerable to attacks. Threats to IT security can take a variety of forms. Individual and groups of hackers and sophisticated organizations, including state- sponsored organizations or nation- states, continuously undertake attacks that pose threats to our customers and our **own** IT. These actors may use a wide variety of methods, which may include developing and deploying malicious software or exploiting vulnerabilities in hardware, software, or other infrastructure in order to attack our products and services or gain access to our networks, using social engineering techniques to induce our employees, users, partners, or customers to disclose passwords or other sensitive information or take other actions to gain access to our data or our users' or customers' data, or acting in a coordinated manner to launch distributed denial of service or other coordinated attacks. Inadequate account security practices may also result in unauthorized access to confidential and / or sensitive data. Security ~~risks~~ **incidents may have a number of negative consequences to us** , including ~~, but not limited to, unauthorized use or disclosure of customer data, theft~~ -- **the following:** ~~of proprietary information, theft of intellectual property, theft of internal employees' personally identifiable information, theft of financial data and financial reports, loss or corruption of customer data and computer hacking attacks or other cyberattacks, could require~~ **requiring** us to expend significant capital and other resources to alleviate the ~~problem~~ **incidents** and to improve **our security** technologies **;** ~~, may impair~~ **impairing** our ability to provide services to our customers and protect the privacy of their data **delaying** ~~, may result in~~ product development **efforts;** ~~delays, may compromise~~ **compromising** confidential or technical business information ~~, may harm~~ **; harming our reputation** ~~our~~ - **or** competitive position **;** ~~, may result~~ **resulting** in theft or misuse of our intellectual property or other assets **;** and **exposing** ~~could expose~~ us to substantial litigation expenses and damages, indemnity and other contractual obligations, government fines and penalties, mitigation expenses, costs for remediation and incentives offered to affected parties, including customers, other business partners and employees, in an effort to maintain business relationships after **an** ~~a breach or other~~ incident ~~, and other liabilities~~ . We are continuously working to improve our IT systems, together with creating security boundaries around our critical and sensitive assets. We provide ~~advanced~~ security awareness training to our employees and contractors that focuses on various aspects of cybersecurity. All ~~of~~ these steps are taken ~~in order~~ to mitigate the risk of attack and to ensure our readiness to responsibly ~~handle any~~ **manage a** security violation or attack. However, ~~because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until successfully launched against a target,~~ we may **nevertheless** be unable to anticipate **attacks** ~~these techniques~~ or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures and our products could be harmed, we could lose potential sales and existing customers, our ability to operate our business could be impaired, we may incur significant liabilities, we could suffer harm to our reputation and competitive position, and our business and financial condition could be negatively impacted. Our products are inherently complex and may malfunction or contain undetected errors or defects when first introduced or as new versions are released. We have experienced these malfunctions and errors or defects in connection with new products and product upgrades, and we expect that these malfunctions, errors and defects will continue to be found from time to time in new or enhanced products. Malfunctions and defects may make our products vulnerable to attacks, prevent vulnerability detection, **result in system instability or latency- related delays,** or temporarily impact our ~~customer~~ **customers '** ~~' s~~ environments. These problems may result in a breach of a legal obligation or may cause physical harm or damage which could result in tort or warranty claims against us. We seek to reduce the risk of these losses by using qualified engineers in the design, manufacturing and testing of our hardware products, proper development, testing, and scanning of our software solutions (including SaaS), attempting to negotiate warranty disclaimers and liability limitation clauses in our sales agreements, and maintaining customary insurance coverage. However, these measures may ultimately prove ineffective in limiting our liability for damages. In addition to any monetary liability for the failure of our products, a publicly known defect or perceived defect in our products could lead to customers delaying or withholding payments, divert the attention of our key personnel, adversely affect the market' s perception of us and our products, and have an adverse effect on our reputation and the demand for our products. Our revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including: • The size, timing, and payment terms of significant orders, and any unexpected delay or ~~cancelation~~ **cancellation** of such orders; • The variability of revenue realized from individual customers, as their buying patterns can vary significantly from period to period and are affected by the individual solutions purchased and the structure of the contract; • Larger customers delaying renewal of their subscriptions or failing to renew at all; • Changes in customer budgets; • The effectiveness of our sales and marketing programs, including our ability to hire, train and retain our sales personnel; • Changes in pricing by competitors; • New product announcements or introductions by competitors; • Technological changes in the market for our products, including the adoption of new technologies and standards; • Our ability to develop, introduce and market new products and product enhancements on a timely basis; • Market and customer acceptance of any new products and product enhancements that we introduce; • With respect to our Digipass business, component costs and availability; • Network outages, security breaches, technical difficulties or interruptions affecting our products; • Seasonality in our business; • Changes in foreign currency exchange rates; • General economic and political conditions, as well as economic conditions specifically affecting industries in which our customers operate; and • Other events or factors, including those resulting from pandemics, war, natural disasters, incidents of terrorism or responses to these events. Any one of these or other factors discussed elsewhere in this Annual Report on Form 10- K, or the cumulative effect of a combination of these factors, may result in fluctuations in our financial results, which may cause us to miss our guidance and analyst expectations and cause the price of our common stock to decline. We have operated at a loss for each of the past three fiscal years, and we may not be profitable in the future. Over our approximately 30- year operating history, we have operated at a loss for many of those years, including for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , for which we reported a net loss of $ **29. 8 million, $** 14. 4 million, **and** $ 30. 6 ~~million, and $ 5. 5~~ million, respectively. We will need to generate and sustain increased revenue levels and manage our expenses in future periods to become profitable and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to incur significant expenses to **maintain** ~~support growth~~ , ~~further~~ develop and enhance our products and solutions, ~~expand~~ **improve** our infrastructure and technology ~~, increase our sales headcount and marketing activities~~ , and grow our customer base. ~~Our~~ **These** efforts ~~to grow our business~~ may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and experience unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease ~~. Our business, operations and financial performance may be negatively affected by adverse changes in the evolving COVID- 19 pandemic. The COVID- 19 pandemic is continuing to evolve, and significant adverse changes in the spread or severity of COVID- 19 infections and the resulting economic impact could have a material adverse effect on our business, operations and financial performance. In our Digipass authenticator device business, we are exposed to specific risks related to manufacturing, supply chain, shipping and distribution, all of which have been impacted by the COVID- 19 pandemic. As a result of COVID- 19, we have experienced, and may continue to experience, delays and increased costs related to fulfilling our device orders. Although we have managed these issues to date, ongoing disruptions in global transportation may continue to delay fulfillment, which may in turn delay our recognition of revenue from customer orders, or even prevent us from satisfying certain customer orders for our products in the future if orders substantially increase and / or further supply chain problems emerge. In order to meet our customers' needs, we have and may continue to incur increased freight and other costs related to our Digipass devices, which would reduce our margins. We experienced some increased sales for our e- signature solution and products used to facilitate remote employee access in 2020 that we attribute in part to the COVID- 19 pandemic; however, since that time, customer buying patterns have generally returned to more typical pre- pandemic levels. A resurgence or similar development in the COVID- 19 pandemic would likely create additional economic uncertainty and have a number of adverse effects, including: a negative impact on our customers' ability or willingness to attend our sales and marketing events or to purchase our offerings; a delay in prospective customers' purchasing decisions; our inability to provide on- site sales meetings or professional services to our customers; delays in the provisioning of our products; longer customer payment terms; lower value or shorter duration of customer contracts; lower margins, especially in our Digipass business; or an increase in customer attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance~~ . We depend on third- party hosting providers and other technology vendors, as well as our own infrastructure, to provide our products and solutions to our customers in a timely manner. Interruptions or delays in performance of our products and solutions could result in customer dissatisfaction, damage to our reputation, loss of customers, and reduction in revenue. We outsource portions of our cloud infrastructure to third- party hosting providers, principally Amazon Web Services, or AWS. We also outsource components of our services to third- party technology vendors who host their products in the cloud. Customers of our products need to be able to access our platform at any time, without interruption or degradation of performance. AWS and other third- party hosting providers run their own platforms that we access, and we are therefore vulnerable to service interruptions on these third- party platforms, as well as to service interruptions affecting our **own infrastructure and our** third- party technology vendors. We have experienced interruptions, delays and outages in service and availability from time to time due to a variety of factors impacting our third- party hosting providers **, our own infrastructure** or other vendors, and we expect to experience these types of incidents in the future. If our products or platform are unavailable or our users are otherwise unable to use our products within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. It may become increasingly difficult to maintain and improve our platform performance, especially during peak usage times, as our products become more complex and the usage of our products increases. We have in the past and may in the future experience capacity constraints that affect our product performance and cause us to miss our service level agreements with our customers. These capacity constraints can be due to a number of causes, including technical failures, natural disasters, fraud or security attacks. To the extent that we do not effectively address capacity constraints, either through our **own infrastructure, our** current **third- party** providers or alternative providers of cloud infrastructure, our business, results of operations and financial condition may be adversely affected. In addition, any changes in service levels from our third- party hosting providers or other cloud- based technology vendors may adversely affect our ability to meet our customers' requirements. Our third- party hosting providers have no obligations to renew their agreements with us on commercially reasonable terms or at all, and the agreements governing these relationships can generally be terminated by either party with limited notice. Access to hosting services may also be restricted by the provider at any time, with no or limited notice. Although we expect that we could receive similar services from other third parties, if any of our arrangements with AWS or other third- party hosting providers are terminated, we could experience interruptions on our platform and in our ability to make our platform available to customers, as well as downtime, delays and additional expenses in arranging alternative cloud infrastructure services. It is also possible that our customers and potential customers would hold us accountable for any breach of security affecting infrastructure of our third- party hosting providers. We may incur significant liability from those customers and from third parties with respect to any such breach, and we may not be able to recover a material portion of our liabilities to our customers and third parties from our hosting providers in the event of any breach affecting their systems. Any of the above circumstances or events may harm our reputation, cause customers to stop using our products, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, subject us to financial penalties and liabilities under our service level agreements and otherwise harm our business, results of operations and financial condition. Part of our business strategy is to enter into partnerships and other cooperative arrangements with third parties. We are regularly involved in cooperative efforts with respect to the incorporation of our products into products of others and vice versa, research and development efforts, and marketing, distributor and reseller arrangements. These relationships are generally non- exclusive, and some of our partners also have cooperative relationships with certain of our competitors or offer some products and services that are competitive with ours. If we lose third- party relationships, if these relationships are not commercially successful, or if we are unable to enter into third- party relationships on commercially reasonable terms in the future, our business could be negatively impacted. SaaS offerings, which involve various risks, constitute an important part of our business. We expect that our SaaS offerings will constitute an increasingly important part of our business. As a result, we will need to continue to evolve our processes to meet a number of regulatory, intellectual property, contractual, service, and security compliance challenges. These challenges include compliance with licenses for open- source and third- party software embedded in our SaaS offerings, maintaining compliance with export control and privacy regulations (including the Health Insurance Portability and Accountability Act of 1996 (**"** HIPAA **"**) and the General Data Protection Regulation (**"** GDPR **"**)), protecting our products from external threats, maintaining continuous service levels and data security practices expected by our customers, preventing inappropriate use of our products, and incurring significant up- front costs where desired higher margins are dependent on achieving significant sales volume and adapting our go- to- market efforts. In addition to using our internal resources, we also utilize third- party resources to deliver SaaS offerings, such as third- party data hosting vendors. The failure of a third- party provider to prevent service disruptions, data losses or security breaches may require us to issue credits or refunds or to indemnify or otherwise be liable to customers or third parties for damages that may occur. Additionally, if these third- party providers fail to deliver on their obligations, our reputation could be damaged, and our customers could lose confidence in us and our ability to maintain and expand our SaaS offerings. Finally, our SaaS offerings need to be designed to operate at significant transaction volumes. When combined with third- party software and hosting infrastructure, our SaaS offerings may not perform as designed, which could lead to service disruptions and associated damages. Failure to maintain high- quality customer support could have a material adverse effect on our business. Our business relies on our customers' satisfaction with the technical and customer support and professional services we provide to support our products. If we fail to provide customer and technical support services that are high- quality, responsive, and able to promptly resolve issues that our customers encounter with our products and services, then they may elect not to purchase or renew subscription licenses or may otherwise reduce or discontinue their business relationship with us. This would likely result in loss of revenue and damage to our reputation, which could have an adverse effect on our business. Failure to effectively manage our product and service lifecycles could harm our business. As part of the natural lifecycle of our products and services, we periodically inform customers that products or services have reached their end of life or end of availability and will no longer be supported or receive updates and security patches. Failure to effectively manage our product and service lifecycles could lead to customer dissatisfaction and contractual liabilities, which could adversely affect our business and operating results. In addition, the failure to generate new revenue to replace and / or expand the revenue realized from discontinued products or services could adversely affect our business and operating results. We are subject to foreign currency exchange rate fluctuations, which could adversely affect our financial condition and results of operations. Because a significant number of our principal customers are located outside the United States, we expect that international sales will continue to generate a significant portion of our total revenue. We are subject to foreign exchange fluctuations and risks because the majority of our product costs are denominated in U. S. ~~Dollars~~ **dollars** , whereas a significant portion of the sales and expenses of our foreign operating subsidiaries are denominated in various foreign currencies. A decrease in the value of any of these foreign currencies relative to the U. S. ~~Dollar~~ **dollar** could adversely affect our revenue and profitability in U. S. ~~Dollars~~ **dollars** of our products sold in these markets. Furthermore, a strengthening of the U. S. dollar could increase the cost in local currency of our products and services to customers outside the United States, which could adversely affect our business, results of operations, financial condition and cash flows. The exchange rate between the U. S. ~~Dollar~~ **dollar** and foreign currencies has fluctuated in recent years and may fluctuate substantially in the future. **For example** ~~As discussed in Management' s Discussion and Analysis of Financial Condition and Results of Operations~~ , the U. S. ~~Dollar~~ **dollar** ' s strength ~~during~~ **against** foreign currencies, particularly the Euro, during 2022 had a significant impact on our 2022 financial results ~~and may continue~~ **. Although foreign exchange impact was not significant** to **our 2023 results, it could** adversely affect our results ~~in the future~~ **for 2024 and beyond** . We do not currently use forward contracts or other hedging strategies such as options or foreign exchange swaps to mitigate our exposure to foreign currency fluctuations. **Mergers, acquisitions, and personnel changes at key banks and financial services organizations have the potential to adversely affect our business, financial condition, cash flows, and results of operations. A majority of our revenue is derived from customers in the banking and financial services industry, making us susceptible to consolidation in, or contraction of, the number of participating institutions within that industry.** In **addition, other factors affecting the banking and financial services industry, such as economic and credit conditions, may create uncertainty or financial pressures that cause our customers or potential customers to adopt cost reduction measures or reduce capital spending, resulting in longer sales cycles, deferrals or delays in purchases of our products, delays in paying our accounts receivable, and increased price competition, any of which could negatively impact our revenue. Furthermore, if customers respond to a negative or unpredictable economic climate by consolidating with other banks or financial institutions, it could reduce the number of our current and / or potential customers. In** ~~2022~~ **2023** , approximately 83 % of our revenue and approximately ~~66~~ **58** % of our operating expenses were generated / incurred outside of the U. S ~~,~~ **.** In ~~2021~~ **2022** , approximately ~~86~~ **83** % of our revenue and approximately ~~68~~ **66** % of our operating expenses were generated / incurred outside of the U. S. In ~~2020~~ **2021** , approximately ~~88~~ **86** % of our revenue and approximately ~~73~~ **68** % of our operating expenses were generated / incurred outside of the U. S. A severe economic decline in any of our major foreign markets could adversely affect our results of operations and financial condition. In addition to exposures to changes in the economic conditions of our major foreign markets, we are subject to a number of risks related to our international operations, any or all of which could result in a disruption in our business and a decrease in our revenue. These include: • increased management, infrastructure and legal costs associated with having international operations; • costs of compliance with foreign legal and regulatory requirements, including, but not limited to data privacy, data protection and data security regulations ~~,~~ **and sustainability reporting requirements** and the risks and costs of non- compliance; • costs of compliance with U. S. laws and regulations for foreign operations, including the U. S. Foreign Corrupt Practices Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell or provide our solutions in certain foreign markets, and the risks and costs of non- compliance; • heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, and irregularities in, financial statements; • costs of compliance with multiple and possibly overlapping tax structures, and related potential adverse tax impacts; • risks of reliance on channel partners for sales in some countries; • differing technology standards in certain international markets; • the uncertainty and limitation of protection for intellectual property rights in some countries; • greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods; • difficulties and costs of staffing and managing international operations, including maintaining internal controls and challenges in closing or restructuring such operations; • difficulty in providing support and training to customers in certain international locations; • management communication and integration problems resulting from cultural and linguistic differences and geographic dispersion; • foreign currency exchange rate fluctuations; • adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash; • increased exposure to climate change, natural disasters, **armed conflict** ~~acts of war~~ , terrorism, epidemics, or pandemics and other health crises ~~, including the ongoing COVID- 19 pandemic~~ ; and • economic or political instability in foreign markets, including instability related to the United Kingdom' s ~~recent~~ exit from the EU ~~, China' s " zero COVID " policies,~~ and the impact of geopolitical tensions between China and the U. S. over Taiwan, Hong Kong, tariffs and other matters. Our business, including the sales of our products and professional services by us and our channel partners, may be subject to foreign governmental regulations, which vary substantially from country to country and change from time to time. Our failure, or the failure by our channel partners, to comply with these regulations could adversely affect our business. Further, in some foreign countries, it may be more common for others to engage in business practices that are prohibited by our internal policies and procedures or U. S. regulations applicable to us. Violations of laws or internal policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our products and could have a material adverse effect on our business and results of operations. If we are unable to successfully manage the challenges of international expansion and operations, our business and operating results could be adversely affected. If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings. We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. At December 31, ~~2022~~ **2023** , we had goodwill and intangible assets with a net book value of $ ~~103~~ **104** . ~~0~~ **5** million primarily related to our acquisitions. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets ~~. Any such charges may have a material negative impact on our operating results~~ . Because we recognize revenue from subscription- based software licenses over the term of the relevant contract, downturns or upturns in sales contracts are not immediately reflected in full in our operating results. In addition, our reported revenue may fluctuate widely due to the interpretation or application of accounting rules. Approximately ~~41~~ **45** % of our total revenue for the year ended December 31, ~~2022~~ **2023** was attributable to subscription license contracts. We recognize subscription revenue over the term of each of our subscription contracts, which are typically one year in length but may be up to three years or longer. As a result, much of our revenue is generated from the recognition of contract liabilities from contracts entered into during previous periods. Consequently, a shortfall in demand for our products or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenue for that quarter but could negatively affect our revenue in future quarters. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales contracts in any period, as revenue from new customers is recognized over the applicable term of their contracts. In addition, our sales arrangements often include multiple elements, including hardware, services, software, maintenance and support. We have sold software related arrangements in multiple forms, including perpetual licenses, term- based licenses and SaaS subscriptions, each of which may be treated differently under accounting rules. The accounting rules for such arrangements are complex and subject to change from time to time. The nature of the arrangement can create variations in the timing of revenue recognition. If applicable accounting standards or practices change, or if the judgments or estimates we use when applying existing standards prove to be incorrect, our financial results may be adversely affected. We could be subject to additional tax liabilities, and our ability to use our net operating losses may be limited. We are subject to U. S. federal, state, local and sales taxes in the United States and foreign income taxes, withholding taxes and transaction taxes in numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain and the relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, by changes to our operating structure (including a currently in- process revenue of our intellectual property structure), by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes, sales taxes and value-added taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period for which a determination is made. At December 31, ~~2022~~ **2023** we had U. S. federal, state **,** and foreign net operating losses (**"** NOLs **"**), of ~~$ 18. 0 million,~~ $ 27. ~~7~~ **5** million, ~~and~~ $ ~~80~~ **30** . ~~1~~ **5 million, and $ 124. 3** million, respectively, available to offset future taxable income, some of which begin to expire in ~~2023~~ **2025** . Federal NOLs incurred in taxable years beginning after December 31, 2017 can be carried forward indefinitely, but the deductibility of federal NOLs in taxable years beginning after December 31, 2021, is subject to certain limitations. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. In addition, under the provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, substantial changes in our ownership may limit the amount of pre- change NOLs that can be utilized annually in the future to offset taxable income. Section 382 of the Internal Revenue Code imposes limitations on a company' s ability to use its NOLs if one or more stockholders or groups of stockholders that own at least 5 % of the company' s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. Similar rules may apply under state tax laws. Based upon an analysis as of December 31, 2021, we determined that we do not expect these limitations to materially impair our ability to use our NOLs prior to expiration. However, if changes in our ownership occurred after such date, or occur in the future, our ability to use our NOLs may be further limited. Subsequent statutory or regulatory changes in respect of the utilization of NOLs for federal or state purposes, such as suspensions on the use of NOLs or limitations on the deductibility of NOLs carried forward, or other unforeseen reasons, may result in our existing NOLs expiring or otherwise being unavailable to offset future income tax liabilities. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we achieve profitability. In order to remain competitive, we have in the past and may in the future seek to acquire additional businesses, products or technologies or to make investments in, or enter into joint ventures or similar transactions with, third parties. These transactions involve numerous risks, including the following: • Difficulties or delays in integrating the acquired businesses, which could prevent us from realizing the anticipated benefits of acquisitions; • Delays or reductions in customer purchases for both us and the company we acquired due to customer uncertainty about continuity and effectiveness of service from either company; • Challenges in successfully cross- selling acquired products to our existing customer base, or in cross-selling our products to the acquired company' s customer base; • Difficulties in supporting and migrating acquired customers, if any, to our platforms, which could cause customer churn, unanticipated costs, and damage to our reputation; • Disruption of our ongoing business and diversion of management and other resources from existing operations; • Constraints on our liquidity ~~and~~ in the event that we use cash or incur debt to fund an acquisition, or dilution to existing stockholders in the event we issue equity securities as part of the consideration for the acquisition; • Our use of cash to pay for acquisitions would limit other potential uses for our cash and affect our liquidity; • Assumption of debt or other actual or contingent liabilities of the acquired company, including litigation risk; • Differences in in corporate culture, compliance protocols, and risk management practices between us and acquired companies; • Potential loss of the key employees of an acquired business; • Potential loss of the customers or partners of an acquired business due to the actual or perceived impact of the acquisition; • Difficulties associated with governance, management, and control matters in majority or minority investments or joint ventures; • Unforeseen or undisclosed liabilities or challenges associated with the companies, businesses, or technologies we acquire; • Adverse tax consequences, including exposure of our entire business to taxation in additional jurisdictions; and • Accounting effects, including potential impairment charges and requirements that we record acquired deferred revenue at fair value. Any of these risks could result in acquisitions or other strategic transactions disrupting our business and / or failing to achieve their intended objectives. We also review our product portfolio from time to time for contributions to our objectives and alignment with our strategy, and we may pursue divestiture activities as a result of these reviews. However, we may not be successful in separating any underperforming or non- strategic assets, and gains or losses on any divestiture of, or lost operating income from, such assets may adversely affect our results of operations. Divestitures could also expose us to unanticipated liabilities or result in ongoing obligations, including transition service obligations and indemnity obligations. Provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses. Our agreements with customers, solution partners and channel partners generally include provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for damages caused by us to property or persons or for other damages. In the past, we worked with a customer at our expense to resolve a claim brought against the customer related to our technology, and it is likely that we will need to indemnify our customers for similar claims in the future. The expense of defending these types claims may adversely affect our financial results and may not be covered by any insurance policies we maintain. In addition, any such disputes and litigation could divert management attention and harm our reputation in the market. We also make certain representations and warranties and incur obligations under our contracts in the ordinary course of business, including for items related to data security and potential data privacy breaches. Although we normally contractually limit our liability with respect to such representations, warranties and other contractual obligations, we may still incur substantial liability related to them. Not all of our potential losses under our contracts are covered by insurance policies, which could increase the impact of any such loss should it occur. Large indemnity payments or damages resulting from our contractual obligations could harm our business, operating results and financial condition. Any failure to protect our proprietary technology and intellectual property rights could substantially harm our business and operating results. Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws and contractual provisions in an effort to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have been issued patents in the U. S. and other countries and have additional patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Any of our patents, trademarks or other intellectual property rights may be challenged or circumvented by others or invalidated through administrative process or litigation. There can be no guarantee that others will not independently develop similar products, duplicate any of our products or design around our patents. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and solutions that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our products may be unenforceable under the laws of jurisdictions outside the U. S. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with ~~the~~ parties with whom we have strategic relationships and business alliances. These agreements may not be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our products and solutions. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect and enforce these rights, including through litigation. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management' s attention and resources, could delay further sales or the implementation of our products and solutions, impair the functionality of our products and solutions, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our products and solutions or injure our reputation. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property may be difficult, expensive and time- consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the U. S. and where mechanisms for enforcement of intellectual property rights may be weak. If we fail to adequately protect our intellectual property and proprietary rights, our business, operating results and financial condition could be adversely affected. From time to time, we are involved as a party or an indemnitor in disputes or regulatory inquiries. These may include alleged claims, lawsuits and proceedings regarding intellectual property disputes, labor and employment issues, commercial disagreements, securities law violations and other matters. In particular, companies in the software industry are often required to defend against litigation or claims based on allegations of infringement or other violations of intellectual property rights. In certain instances, we **have** ~~receive~~ **received** claims that we have infringed the intellectual property rights of others, including claims regarding patents, copyrights, and trademarks. Because of constant technological change in the markets in which we compete, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents, it is possible that the number of these claims may grow. Such claims sometimes involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our own patents may therefore provide little or no deterrence. In addition, former employers of our former, current, or future employees may assert claims that such employees have improperly disclosed to us the confidential or proprietary information of these former employers. If we are not successful in defending such claims, we could be required to stop selling our products, delay shipments, redesign our products, pay monetary amounts as damages, enter into royalty or licensing arrangements (which may not be available to us on commercially reasonable terms), or satisfy indemnification obligations to our customers, any of which could have a material adverse effect on our business. Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, lawsuits are time- consuming and expensive to resolve, divert management' s time and attention, and could harm our reputation. Although we carry general liability and other forms of insurance, our insurance may not cover potential claims that arise or may not be adequate to indemnify us for all liability that may be imposed. We may also determine that the most cost- effective way to resolve a dispute is to enter into a settlement agreement. Litigation is inherently unpredictable and we cannot predict the timing, nature, controversy or outcome of lawsuits, and it is possible that litigation could have an adverse effect on our business, operating results or financial condition. We use open- source software in our products, which could subject us to litigation or other actions. We use open- source software in our products and solutions. Any use of open- source software may expose us to greater risks than the use of commercial software because open- source licensors generally do not provide warranties or controls on the functionality or origin of the software. Any use of open- source software may involve security risks, making it easier for hackers and other third parties to determine how to compromise our platform. From time to time, there have been claims challenging the ownership of open- source software against companies that incorporate open- source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open- source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open- source software in a certain manner, we could, under certain of the open- source licenses, be required to release the source code of our proprietary software products. If we inappropriately use or incorporate open- source software subject to certain types of open- source licenses that challenge the proprietary nature of our software products, we may be required to re- engineer our products, discontinue the sale of our products and solutions or take other remedial actions. There is significant government regulation of technology imports and exports. If we cannot meet the requirements of ~~the~~ **applicable** regulations **,** we may be prohibited from exporting some of our products, which could negatively impact our revenue. Our international sales and operations are subject to risks such as the imposition of government controls, new or changed export license requirements, restrictions on the export of critical technology, trade restrictions and changes in tariffs. If we are unable to obtain regulatory approvals on a timely basis, our business may be impacted. Certain of our products are subject to export controls under U. S. law including the U. S. Export Administration Regulations, U. S. Customs regulations, and various economic and trade sanctions administered by the U. S. Treasury Department' s Office of Foreign Assets Control. The list of products and countries for which export approval is required, and the regulatory policies with respect thereto, may be revised from time to time and our inability to obtain required approvals under these regulations could materially and adversely affect our ability to make international sales. Additionally, we may be negatively affected if our third- party technology partners fail to obtain proper licenses and permits for the import and export of their products. We maintain trade control compliance requirements for our partners; however, we cannot guarantee that our partners will comply with these requirements. Violations of export control and international trade laws could result in penalties, fines, adverse reputational consequences, and other materially adverse consequences. In the past, we voluntarily disclosed a trade control matter to the U. S. government. Although this matter was closed during 2019 with no fines, penalties, or finding of wrongdoing, similar issues could arise in the future. In addition, future changes in government regulation technology imports and exports could negatively affect our business. We employ cryptographic technology in our authentication products. If the codes used in our cryptographic technology are eventually broken or become subject to additional government regulation, our technology and products may become less effective, which would have a material adverse effect on our business. A portion of our products are based on cryptographic technology. With cryptographic technology, a user is given a key that is required to encrypt and decode messages. The security afforded by this technology depends on the integrity of a user' s key and in part on the application of algorithms, which are advanced mathematical factoring equations. These codes may eventually be broken or become subject to government regulation regarding their use, which would render our technology and products less effective. The occurrence of any one of the following could result in a decline in demand for our technology and products, which would have a material adverse effect on our business: • Any significant advance in techniques for attacking cryptographic systems, including the development of an easy factoring method or faster, more powerful computers, such as quantum computing; • Publicity of the successful decoding of cryptographic messages or the misappropriation of keys; and • Increased government regulation limiting the use, scope or strength of cryptography. International and domestic ~~regulatory environments regarding~~ privacy and data protection **laws and** regulations could have a material adverse impact on our results of operations. We collect, transmit, store, and otherwise process (on our systems and on our third- party partners' systems) our customers' and our employees' data that includes ~~personally~~ -- **personal data** ~~identifiable information that is~~ subject to international and domestic privacy and data protection **laws and** regulations. For example, in Europe, we are subject to the European Union' s General Data Protection Regulation, (EU) 2016 / 679 **("** ~~, commonly known as the~~ GDPR ~~,~~ **")** and laws implemented by EU member states. ~~The~~ **These** ~~GDPR and member state~~ laws **and regulations** impose restrictions on the collection and use of personal data that are generally more stringent, and impose more significant burdens on subject businesses, than current privacy standards in the United States. They establish several obligations that organizations must follow with respect to use of personal data, including **consent requirements, data subject rights, and** a prohibition on the transfer of personal ~~information~~ **data** from the EU to other countries whose laws do not protect personal data to an adequate level of privacy or security. We continue to adapt our compliance with GDPR **using** ~~through the use of~~ standard contractual clauses and other methods; however, it is difficult to be certain that compliance has been achieved. We have expended significant resources to comply, but those methods may be subject to scrutiny by data protection authorities in EU member states. ~~Moreover~~ **In addition** , ~~the~~ **other** ~~decision of~~ **jurisdictions such as Brazil, Canada, and** the United Kingdom **have enacted privacy and** ~~, or UK to leave the EU has created uncertainty with regard to~~ data protection **laws and** regulations ~~in the UK, particularly because the UK government has recently announced~~ that **impose similar restrictions and** ~~it intends to revise aspects of its data protection regime to move further away from the EU approach. This may result in substantively different compliance~~ obligations ~~with respect to transfers of personal data out of the UK and the EU. Compliance with a newly adopted UK data privacy regime may result in substantial operational costs and require us to modify our data handling practices. The costs of compliance with GDPR and new UK data privacy laws, and other burdens imposed by such laws, regulations and policies that are applicable to us may limit our use of personal data and solutions and could have a material adverse impact~~ on **products** ~~our results of operations. Additionally, we may face audits or investigations by one or more foreign government agencies relating to our compliance with GDPR~~ and **services we sell** ~~new UK data privacy laws that could result in the imposition of penalties or fines~~ . In the United States **,** the federal and state governments have also enacted privacy and data protection **laws and** regulations that impact us, our customers, and partners. For example, in June 2018, California enacted the California Consumer Privacy Act ~~, or~~ **("** CCPA **")**, which took effect January 1, 2020, and imposed many requirements on businesses that process the personal information of California residents. Many of the CCPA' s requirements are similar to those found in the GDPR, including requiring businesses to provide notice to data subjects regarding the information collected about them and how such information is used and shared, and providing data subjects the right to request access to such personal information and, in certain cases, request the erasure of such personal information. The CCPA also affords California residents the right to opt- out of " sales " of their personal information. The CCPA contains significant penalties for companies that violate its requirements. In ~~November~~ **January** ~~2020~~ **2023 ,** ~~California voters passed a ballot initiative for~~ the California Privacy Rights Act of 2020 ~~, or~~ **("** CPRA ~~, which~~ **")** went into effect ~~on January 1, 2023~~, and significantly expanded the CCPA to incorporate additional GDPR- like provisions including requiring that the use, retention, and sharing of personal information of California residents be reasonably necessary and proportionate to the purposes of collection or processing, granting additional protections for sensitive personal information, and requiring greater disclosures related to notice to residents regarding retention of information. The CPRA also created a new enforcement agency – the California Privacy Protection Agency – whose sole responsibility is to enforce the CPRA, which will further increase compliance ~~risk~~ **risks** . The provisions in the CPRA may apply to some of our business activities. In addition, **several** other states ~~, including Virginia, Colorado, Utah, and Connecticut, already~~ have passed state privacy **and data protection** laws ~~. Virginia' s privacy law also went into effect on January 1~~ , ~~2023,~~ and ~~the laws in the other~~ -- **the U** ~~three states will go into effect later in the year~~ . **S.** ~~Other states will be considering these laws in the future, and~~ Congress has ~~also~~ been debating passing a federal privacy law. **We use biometric data in some of our identity verification products, and several jurisdictions have imposed legal and compliance requirements on biometric data that are more stringent than requirements on other classifications of personal data. For example, under GDPR, biometric data is considered " sensitive data " which requires special attention and technical and organizational measures to protect the biometric data against breaches of confidentiality, integrity, and availability. Similarly, in the U. S., the Illinois Biometric Information Privacy Act (" BIPA ") regulates the collection, use, safeguarding, and storage of biometric identifiers and information, requires informed consent before collection, imposes fines for non- compliance, and grants residents a private right of action over improper collection and mishandling of biometric data. Similarly, Québec' s Act respecting the protection of personal data in the private sector (" Law 25 " formerly known as " Bill 64 ") introduces substantial changes to the privacy landscape in Quebec, enhancing protection for personal data and introducing new obligations for transparency and accountability in data processing activities, including those involving biometric data. Our activities as a SaaS solution provider mainly involve the processing of personal data on behalf of our customers. Our operations as a processor of our customers' data relate to collecting, transmitting, storing, and processing a wide array of data, including personal data and biometric information of individuals worldwide. This data is handled both on our systems and those of our third- party partners, making us subject to a complex web of regulations across various jurisdictions. Adapting to** ~~These~~ **these** ~~laws~~ **requirements may entail significant operational changes, including revising data processing and storage practices, enhancing data security measures, ensuring transparent communication with data subjects about their rights and our data handling practices, and it** may impact our business activities, including our ~~identification of research subjects,~~ relationships with business partners and ~~ultimately~~ the marketing and distribution of our products. We work to comply with all applicable international and domestic privacy and data protection **laws and** regulations; however, these laws **and regulations** vary greatly from jurisdiction to jurisdiction, change rapidly, and are subject to interpretation, all of which leads to uncertainty in their applicability. ~~Preparation and~~ **The costs of** compliance with these **laws and** regulations **that apply to us, and other burdens imposed by them, may limit our use of personal data and could have a material adverse impact on our results of operations. Compliance** may require that we implement new processes and policies ~~,~~ or change our existing processes and policies or features of our systems, which may require substantial financial and other resources **,** and which otherwise may be difficult to undertake. Any failure or perceived failure by us (or our third- party partners) to comply with these privacy and data protection **laws and** regulations, our processes and policies, contractual provisions, or an actual, perceived or suspected data ~~protection~~ **privacy** or information security incident could result in serious consequences for us. These consequences may include enforcement actions, **audits,** investigations, prosecutions, fines, penalties, debarment, litigation, claims for damages by customers and other affected individuals, reputational loss, and financial and business losses **.** . We must comply with the requirements of being a public company, including developing and maintaining proper and effective disclosure controls and procedures and internal control over financial reporting. Any failure to comply with these requirements may adversely affect investor confidence in our company and, as a result, the value of our common stock. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations that impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements and such compliance **requires significant ongoing** ~~has increased, and may continue to increase, our~~ legal, accounting and financial **reporting** costs. The Sarbanes- Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting and furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. We are also required to have our independent registered public accounting firm issue an opinion annually on the effectiveness of our internal control over financial reporting. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We **have** identified a material weakness in **the past and** ~~our internal control over financial reporting as of December 31, 2019.~~

~~Although we remediated that material weakness,~~ it is possible that ~~additional~~ **other** material weaknesses, or significant deficiencies, in our internal controls will be identified in the future. Failure to maintain effective controls or implement new or improved controls could result in significant deficiencies or material weaknesses, affect management evaluations and auditor attestations regarding the effectiveness of our internal controls, failure to meet periodic reporting obligations, and material misstatements in our financial statements. Any material misstatement of our financial statements may result in a restatement, loss of investor and customer confidence, a decline in the market price of our common stock, and potential sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets. Our business in **certain** countries ~~with a history of corruption~~ and transactions with foreign governments increase the risks associated with our international activities. We are subject to anti-corruption laws in the jurisdictions in which we operate, including the U. S. Foreign Corrupt Practices Act (**"** FCPA **"**), the U. K. Bribery Act, and other similar laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U. S. and other business entities for the purpose of obtaining or retaining business. We have operations, deal with and make sales to governmental or quasi- governmental customers in countries known to experience corruption, particularly certain countries in the Middle East, Africa, East Asia and South and Central America, and further expansion of our international selling efforts may involve additional regions. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or channel partners that could be in violation of various laws, including the FCPA and the U. K. Bribery Act, even though these parties are not always subject to our control. While we have implemented policies and training that mandate compliance with these anti- corruption laws, we cannot guarantee that these policies and procedures will prevent reckless or criminal acts committed by our employees, consultants, sales agents or channel partners. Violations of these laws may result in materially significant diversion of management' s resources as well as significant investigation and outside counsel expense. Violations of these laws may also result in severe criminal or civil sanctions, including suspension or debarment from government contracting, and we may be subject to other liabilities which could disrupt our business and result in **a** materially adverse effect on our reputation, business, results of operations, and financial condition. We are subject to numerous laws, regulations and customer requirements governing the production, distribution, sale and use of our products. Any failure to comply with these laws, regulations and requirements could result in unanticipated costs **and other negative impacts,** and could have a materially adverse effect on our business, results of operation, and financial condition. We are subject to global legal, regulatory, and customer compliance requirements that span many different areas. For example, we are subject to the Restriction on the Use of Hazardous Substances Directive 2002 / 95 / EC (also known as the RoHS Directive) and the Waste Electrical and Electronic Equipment Directive (also known as the WEEE Directive), which restrict the distribution of products containing certain substances ~~, including lead,~~ within applicable geographies and require a manufacturer or importer to recycle products containing those substances. These directives affect the worldwide electronics and electronics components industries as a whole. If we or our customers fail to comply with such laws and regulations, we could incur liabilities and fines and our operations could be suspended. In addition, like many electronic devices, our ~~hardware products~~ **Digipass authenticator devices** contain certain minerals and derivatives **, referred to as Conflict Minerals,** that are subject to SEC **and other** disclosure and reporting requirements ~~, or (Conflict Minerals)~~ . Compliance with these rules ~~also~~ requires due diligence **,** including country of origin inquiries to determine the sources of Conflict Minerals used in our products. We ~~may~~ **expect to** incur ~~continued~~ **ongoing** costs associated with complying with these disclosure **and due diligence** requirements ~~. These requirements may affect pricing, sourcing and availability of Conflict Minerals used to produce our devices~~ . We may be unable to verify the origin of all Conflict Minerals in our products ~~. We~~ **, and** may encounter challenges with customers and stakeholders if we are unable to certify that our products are conflict free. **Disclosure** ~~Environmental compliance~~ and **due diligence requirements may also affect pricing, sourcing and availability of Conflict Minerals used to produce our devices. Efforts to** ~~management~~ ---- **manage** ~~of~~ **and mitigate climate change, pollution, biodiversity loss and other** environmental ~~factors has~~ **impacts have** produced significant regulatory and legislative efforts on a global basis, a trend we expect to continue. ~~New~~ **We expect that new** laws and regulations **in this area will** ~~intended to curb environmental impacts such as climate change and pollution may~~ result in added compliance requirements and increased costs ~~of energy~~ for **us** ~~the Company~~ and our suppliers **,** which could result in a significant negative impact on our ability to operate ~~or operate~~ profitably **. In particular, we expect to be subject to the EU Corporate Social Responsibility Directive and related EU laws beginning for our fiscal year ending December 31, 2025, and believe we will need to incur significant costs to comply with these requirements** . In addition **, many of our customers are also subject to significant new environmental and climate- related regulations or stakeholder pressure, which may affect their purchasing decisions in ways unfavorable to us. For instance, customers who purchase our Digipass authenticator devices sometimes inquire about the environmental impact of the devices, and customers who are especially focused on carbon footprint or waste minimization may choose software- based authentication methods rather than physical authentication devices. Finally** , disclosures we may be required to make with respect to climate change **, pollution or other environmental impacts** may damage our reputation and have an adverse impact on our business. We sell products and services to U. S. federal, state and local ~~,~~ **governments** as well as foreign government entities. Risks associated with selling our products and services to government entities include compliance with complex procurement regulations and government- specific contractual requirements that may vary from our standard terms and conditions, longer sales cycles that are not easy to predict, and varying government funding and budgeting processes. Selling to these entities is expensive and time- consuming and often requires significant up- front resource effort and expense. We have ~~certain policies and~~ processes in place to aid in compliance with applicable government contracting requirements; however, it is difficult to be certain that compliance has been achieved. Non-compliance with government entity requirements may result in significant material risk to the Company including debarment, reputational loss, and financial and business losses. New laws and regulations and changes to current laws and regulations are always possible and, in some ~~jurisdictions~~ **cases** they may be introduced with little or no time to bring related products into compliance. Furthermore, our products are used by customers to assist with achieving compliance with laws and regulations that apply to their industry. Our failure to comply with laws and regulations and to adapt to our customers' needs may prevent us from selling our products in a certain country or to a particular customer. In addition, these laws, regulations, and requirements may increase our cost of supplying the products by forcing us to redesign existing products, change manufacturing practices, or to use more expensive designs or components. In these cases, we may experience unexpected disruptions in our ability to supply customers with products, or we may incur unexpected costs or operational complexities to bring products into compliance, and we may experience lowered customer demand. This could have an adverse effect on our revenues, gross profit margins and results of operations and increase the volatility of our financial results. We may require additional capital to support **our** business ~~growth~~ **objectives** , and this capital might not be available on acceptable terms, if at all. We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Our estimate as to how long we expect our cash and cash equivalents to be able to fund our operations is based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Further, changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned. We intend to continue to make investments to support our business ~~growth~~ **objectives** and may require additional funds to achieve our objectives and respond to business challenges, including the need to develop new features or enhance our products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. General economic conditions both inside and outside the U. S., as well as the COVID- 19 pandemic and geopolitical events, have ~~recently~~ resulted in ~~a~~ significant ~~disruption of~~ **volatility in** global financial markets **in recent years** . If ~~the disruption~~ **this volatility** persists ~~and deepens~~ **or becomes more pronounced** , we could experience an inability to access additional capital, which could in the future negatively affect our capacity for certain corporate development transactions or our ability to make other important, opportunistic investments. In addition, market volatility, high levels of inflation and interest rate fluctuations may increase our cost of financing or restrict our access to potential sources of future liquidity. Adequate additional financing may not be available to us on acceptable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business ~~growth~~ **objectives** and to respond to business challenges could be significantly impaired, and our business may be adversely affected. Risks Related to Ownership of Our Common Stock Our stock price has been and will likely continue to be volatile. The market price of our common stock has been and may continue to be highly volatile and may fluctuate substantially as a result of a variety of factors, including those described in this " Risk Factors " section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the market price of our common stock include the following: • Actual or anticipated fluctuations in our quarterly or annual operating results; • Variance in our financial performance from our own financial guidance or from expectations of securities analysts; • The trading volume of our common stock; • Failure of securities analysts to maintain coverage of our company or changes in financial estimates by any securities analysts who follow our company; • Changes in market valuations of other technology companies; • Announcements by us or our competitors of significant technical innovations, contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; • Our involvement in any litigation or investigations by regulators; • Our sale of our common stock or other securities in the future; • Sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders; • Repurchases pursuant to Board- authorized share repurchase programs, or announcements of the inception or discontinuation of any such program; • Short sales, hedging and other derivative transactions involving our capital stock; • Additions or departures of any of our key personnel; • Changing legal or regulatory developments; • The inclusion or exclusion of our stock in ETFs, indices and other benchmarks, and changes made to related methodologies; • Reactions by investors to uncertainties in the world economy and financial markets. In recent years, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies due to, among other factors, the actions of market participants or other actions outside of our control, including general market volatility caused by geopolitical events, developments in the COVID- 19 pandemic, and general economic developments. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We have been the target of this type of litigation in the past, and may be targeted again the future, which could result in substantial costs and divert our management' s attention. A small group of shareholders control a substantial amount of our common stock and could promote, delay or prevent a change of control. A small number of shareholders control a significant amount of our outstanding common stock, as follows **(based on the number of our shares of common stock outstanding as of December 31, 2023)** : Blackrock, Inc. holds approximately ~~16~~ **9** . ~~3~~ **2** % of our outstanding common stock; Legion Partners Asset Management holds approximately 8. **0** ~~8 %; Mr. T. Kendall Hunt, our founder and former Chairman of the Board, holds approximately 8. 6~~ %; Vanguard Group Holdings holds approximately 6. ~~8~~ **9** %; **First Trust** ~~Altai Capital Management L. P.~~ holds approximately ~~5~~ **6** . ~~8~~ **0** %; ~~and~~ Legal & General Investment Management Limited holds approximately 5. ~~3~~ **9** % **; and Mr. T. Kendall Hunt, our founder and former Chairman of the Board, holds approximately 5. 1 %.** This concentration of ownership may have the effect of a small number of investors promoting, discouraging, delaying or preventing a change in control and may also have an adverse effect on the market price of our common stock. Certain provisions of our charter and of Delaware law make a takeover of our Company more difficult. Our corporate charter and Delaware law contain provisions, such as a class of authorized but unissued preferred stock which may be issued by our Board without stockholder approval that might enable our management to resist a takeover of our Company. Delaware law also limits business combinations with interested stockholders. These provisions might discourage, delay or prevent a change in control or a change in our management. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. Future issuances of blank check preferred stock may reduce voting power of common stock and may have anti- takeover effects that could prevent a change in control. Our corporate charter authorizes the issuance of up to 500, 000 shares of preferred stock with such designations, rights, powers and preferences as may be determined from time to time by our Board of Directors, including such dividend, liquidation, conversion, voting or other rights, powers and preferences as may be determined from time to time by the Board of Directors without further stockholder approval. The issuance of preferred stock could adversely affect the voting power or other rights of the holders of common stock. In addition, the authorized shares of preferred stock and common stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control ~~. U. S. investors may have difficulties in making claims for any breach of their rights as holders of shares because some of our assets and key employees are not located in the United States. Several of our key employees are full- time or part- time residents of foreign countries, and a substantial portion of our assets and those of some of our key employees are located in foreign countries. As a result, it may not be possible for investors to effect service of process on those persons located in foreign countries, or to enforce judgments against some of our key employees based upon the securities or other laws of jurisdictions in those foreign countries~~ . Our business could be adversely affected as a result of actions of activist stockholders. Although we strive to maintain constructive, ongoing communications with all of our stockholders, and welcome their views and opinions with the goal of enhancing value for all of our stockholders, our stockholders have in the past, and may from time to time in the future, engage in proxy solicitations, advance stockholder proposals or otherwise attempt to effect changes or acquire control of the Company. Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short- term stockholder value through actions such as stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist stockholders can be costly and time- consuming and could divert the attention of our Board of Directors and senior management from the management of our operations and the pursuit of our business strategy. We cannot predict whether additional proxy contests or related matters will occur in the future and the time and cost associated with such matters. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy or changes to the composition of our Board of Directors or senior management team arising from proposals by activist stockholders or a proxy contest could lead to the perception of a change in the direction of our business or instability that may be exploited by our competitors and / or other activist stockholders, result in the loss of **customers or** potential business opportunities, ~~result in the loss of our employees and business partners~~ and make it more difficult to pursue our strategic initiatives or attract and retain qualified ~~personnel~~ **employees** and business partners, any of which could have an adverse effect on our business, financial condition and operating results. General Risks Economic uncertainties or downturns could materially adversely affect our business. Negative economic conditions, including conditions resulting from changes in foreign currency rates, changes in interest rates, gross domestic product growth, financial and credit market fluctuations, inflation, political turmoil **(including potential political turmoil or conflict related to the 2024 U. S. presidential elections)** , geopolitical tensions, natural catastrophes, regional and global conflicts, natural disasters, and terrorist attacks, could cause a decrease in business investments, including spending on information technology, and negatively affect the ~~growth~~ **performance** of our business. If global or regional economic and financial market conditions remain uncertain and / or weak for an extended period of time, any of the following factors, among others, could have a material adverse effect on our financial condition and results of operations: • slower consumer or business spending may result in reduced demand for our products and services, reduced orders from customers, order cancellations, lower revenues, increased inventories, and lower gross margins; • ~~continued~~ volatility in the global markets and fluctuations in exchange rates for foreign currencies could negatively impact our reported financial results and condition; • ~~continued~~ volatility in the prices for materials **and components** we use in our **Digipass** products could have a material adverse effect on our costs, gross margins, and profitability; • restructurings, reorganizations, consolidations and other corporate events could affect our customers' budgets and buying cycles, particularly in the banking and financial services industry **, where we have particular exposure due to the majority of our customers being banks and financial institutions** ; • if our customers experience declining revenues, or experience difficulty obtaining financing in the capital and credit markets to purchase our products and services, this could result in reduced orders, longer sales cycles, order cancellations, inability of customers to timely meet their payment obligations to us, extended payment terms, higher accounts receivable, reduced cash flows, greater expense associated with collection efforts and increased bad debt expense; • ~~a~~ severe financial difficulty experienced by our customers **(such as the mid- market bank failures that occurred in 2023)** may cause them to become insolvent or cease business operations, which could reduce sales, cash collections and revenue streams; and • any difficulty or inability on the part of manufacturers of our products or other participants in our supply chain in obtaining sufficient financing to purchase raw materials or to finance general working capital needs may result in delays or non- delivery of shipments of our products. Furthermore, in an adverse economic environment there is a risk that customers may delay their orders until the economic conditions improve. If a significant number of orders are delayed for an indefinite period of time, our revenue and cash receipts may not be sufficient to meet the operating needs of the business. If this is the case, we may need to significantly reduce our workforce, sell certain of our assets, enter into strategic relationships or business combinations, discontinue some or all of our operations, or take other similar restructuring actions. While we expect that these actions would result in a reduction of recurring costs, they also may result in a reduction of recurring revenue and cash receipts. It is also likely that we would incur substantial non- recurring costs to implement one or more of these restructuring actions. Catastrophic events may disrupt our business. Our business operations are subject to interruption by natural disasters, including ~~those~~ **extreme weather** related to the effects of climate change, and other catastrophic events such as fire, floods, power loss, telecommunications failure, cyberattack, war or terrorist attack, or epidemic or pandemic, such as the COVID- 19 pandemic. To the extent such events impact our facilities or off- premises infrastructure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our software development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.