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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024

OR

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

FOR THE TRANSITION PERIOD FROM _______ TO

Commission file number 000-24389

OneSpan Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4169320**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1 Marina Park Drive, Unit 1410
Boston, Massachusetts 02210
(Address of Principal Executive Offices) (Zip Code)

(312) 766-4001
(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock, par value $0.001 per share	OSPN	Nasdaq

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

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

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Emerging growth company	o
		Smaller reporting company	o

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

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

There were 37,871,062 shares of Common Stock, $0.001 par value per share, outstanding at July 26, 2024.

OneSpan Inc.
Form 10-Q
For the Quarter Ended June 30, 2024
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

OneSpan Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 63,843	$ 43,001
Restricted cash	460	529
Accounts receivable, net of allowances of $1,506 at June 30, 2024 and $1,536 at December 31, 2023	43,799	64,387
Inventories, net	12,507	15,553
Prepaid expenses	6,126	6,575
Contract assets	6,036	5,139
Other current assets	11,096	11,159
Total current assets	143,867	146,343
Property and equipment, net	20,251	18,722
Operating lease right-of-use assets	7,262	6,171
Goodwill	93,072	93,684
Intangible assets, net of accumulated amortization	8,679	10,832
Deferred income taxes	1,693	1,721
Other assets	12,039	11,718
Total assets	$ 286,863	$ 289,191
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 14,593	$ 17,452
Deferred revenue	55,928	69,331
Accrued wages and payroll taxes	12,386	14,335
Short-term income taxes payable	2,521	2,646
Other accrued expenses	8,124	10,684
Deferred compensation	151	382
Total current liabilities	93,703	114,830
Long-term deferred revenue	3,374	4,152
Long-term lease liabilities	7,003	6,824
Deferred income taxes	992	1,067
Other long-term liabilities	3,212	3,177
Total liabilities	108,284	130,050
Commitments and contingencies		
Stockholders' equity		
Preferred stock: 500 shares authorized, none issued and outstanding at June 30, 2024 and December 31, 2023	—	—
Common stock: $0.001 par value per share, 75,000 shares authorized; 41,510 and 41,243 shares issued; 37,786 and 37,519 shares outstanding at June 30, 2024 and December 31, 2023, respectively	38	38
Additional paid-in capital	120,237	118,620
Treasury stock, at cost: 3,724 shares outstanding at June 30, 2024 and December 31, 2023	(47,377)	(47,377)
Retained earnings	118,960	98,939
Accumulated other comprehensive loss	(13,279)	(11,079)
Total stockholders' equity	178,579	159,141
Total liabilities and stockholders' equity	$ 286,863	$ 289,191

See accompanying notes to condensed consolidated financial statements.

OneSpan Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenue				
Product and license	$ 32,438	$ 30,583	$ 70,236	$ 63,729
Services and other	28,486	25,150	55,531	49,611
Total revenue	60,924	55,733	125,767	113,340
Cost of goods sold				
Product and license	11,247	14,038	20,953	25,326
Services and other	9,336	7,401	17,078	14,434
Total cost of goods sold	20,583	21,439	38,031	39,760
Gross profit	40,341	34,294	87,736	73,580
Operating costs				
Sales and marketing	10,510	19,713	23,437	39,724
Research and development	8,341	10,090	16,600	19,553
General and administrative	11,557	15,826	21,564	32,479
Restructuring and other related charges	1,711	5,846	3,208	6,552
Amortization of intangible assets	585	583	1,180	1,166
Total operating costs	32,704	52,058	65,989	99,474
Operating income (loss)	7,637	(17,764)	21,747	(25,894)
Interest income, net	521	585	622	1,088
Other income (expense), net	331	29	622	(11)
Income (loss) before income taxes	8,489	(17,150)	22,991	(24,817)
Provision for income taxes	1,936	601	2,970	1,290
Net income (loss)	$ 6,553	$ (17,751)	$ 20,021	$ (26,107)
Net income (loss) per share				
Basic	$ 0.17	$ (0.44)	$ 0.52	$ (0.65)
Diluted	$ 0.17	$ (0.44)	$ 0.52	$ (0.65)
Weighted average common shares outstanding				
Basic	38,529	40,399	38,229	40,435
Diluted	39,007	40,399	38,680	40,435

See accompanying notes to condensed consolidated financial statements.

OneSpan Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income (loss)	$ 6,553	$ (17,751)	$ 20,021	$ (26,107)
Other comprehensive income (loss)				
Cumulative translation adjustment, net of tax	(488)	1,025	(2,143)	2,740
Pension adjustment, net of tax	(29)	(61)	(59)	(121)
Unrealized gain (loss) on available-for-sale securities	2	1	2	8
Comprehensive income (loss)	$ 6,038	$ (16,786)	$ 17,821	$ (23,480)

See accompanying notes to condensed consolidated financial statements.

OneSpan Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

For the Six Months Ended June 30, 2024:

	Common Stock		Treasury - Common Stock					
Description	**Shares**	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**
Balance at December 31, 2023	37,519	$ 38	3,724	$ (47,377)	$ 118,620	$ 98,939	$ (11,079)	$ 159,141
Net income	—	—	—	—	—	13,468	—	13,468
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(1,655)	(1,655)
Share-based compensation	—	—	—	—	1,540	—	—	1,540
Vesting of restricted stock awards	402	—	—	—	—	—	—	—
Tax payments for stock issuances	(153)	—	—	—	(1,595)	—	—	(1,595)
Pension adjustment, net of tax	—	—	—	—	—	—	(30)	(30)
Balance at March 31, 2024	37,768	$ 38	3,724	$ (47,377)	$ 118,565	$ 112,407	$ (12,764)	$ 170,869
Net income	—	—	—	—	—	6,553	—	6,553
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(488)	(488)
Share-based compensation	—	—	—	—	1,908	—	—	1,908
Vesting of restricted stock awards	29	—	—	—	—	—	—	—
Tax payments for stock issuances	(11)	—	—	—	(236)	—	—	(236)
Unrealized gain (loss) on available-for-sale securities	—	—	—	—	—	—	2	2
Pension adjustment, net of tax	—	—	—	—	—	—	(29)	(29)
Balance at June 30, 2024	37,786	$ 38	3,724	$ (47,377)	$ 120,237	$ 118,960	$ (13,279)	$ 178,579

For the Six Months Ended June 30, 2023:

Description	Common Stock Shares	Common Stock Amount	Treasury - Common Stock Shares	Treasury - Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2022	39,726	$ 40	1,038	$ (18,222)	$ 107,305	$ 128,738	$ (14,550)	$ 203,311
Net loss	—	—	—	—	—	(8,356)	—	(8,356)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	1,715	1,715
Share-based compensation	—	—	—	—	3,812	—	—	3,812
Vesting of restricted stock awards	329	—	—	—	—	—	—	—
Tax payments for stock issuances	(105)	—	—	—	(1,098)	—	—	(1,098)
Unrealized gain (loss) on available-for-sale-securities	—	—	—	—	—	—	7	7
Pension adjustment, net of tax	—	—	—	—	—	—	(60)	(60)
Balance at March 31, 2023	39,950	$ 40	1,038	$ (18,222)	$ 110,019	$ 120,382	$ (12,888)	$ 199,331
Net loss	—	—	—	—	—	(17,751)	—	(17,751)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	1,025	1,025
Share-based compensation					4,503			4,503
Vesting of restricted stock awards	44	—	—	—	—	—	—	—
Tax payments for stock issuances	(15)	—	—	—	(449)	—	—	(449)
Unrealized gain (loss) on available-for-sale-securities	—	—	—	—	—	—	1	1
Pension adjustment, net of tax	—	—	—	—	—	—	(61)	(61)
Balance at June 30, 2023	39,979	$ 40	1,038	$ (18,222)	$ 114,073	$ 102,631	$ (11,923)	$ 186,599

OneSpan Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ 20,021	$ (26,107)
Adjustments to reconcile net income (loss) from operations to net cash used in operations:		
Depreciation and amortization of intangible assets	4,145	2,835
Write-off of intangible assets	804	—
Write-off of property and equipment, net	955	2,087
Impairments of inventories, net	—	1,568
Deferred tax benefit	(108)	66
Stock-based compensation	3,448	8,315
Allowance for credit losses	(31)	(49)
Changes in operating assets and liabilities:		
Accounts receivable	19,877	27,356
Inventories, net	2,621	(4,299)
Contract assets	(1,666)	(1,017)
Accounts payable	(2,634)	35
Income taxes payable	(107)	(2,638)
Accrued expenses	(4,046)	(1,728)
Deferred compensation	(231)	(122)
Deferred revenue	(13,662)	(13,940)
Other assets and liabilities	(124)	1,248
Net cash provided by (used in) operating activities	29,262	(6,390)
Cash flows from investing activities:		
Maturities of short-term investments	—	2,330
Additions to property and equipment	(5,321)	(6,491)
Additions to intangible assets	(39)	(14)
Cash paid for acquisition of business	—	(1,800)
Net cash used in investing activities	(5,360)	(5,975)
Cash flows from financing activities:		
Contingent payment related to acquisition	(200)	—
Tax payments for restricted stock issuances	(1,831)	(1,546)
Net cash used in financing activities	(2,031)	(1,546)
Effect of exchange rate changes on cash	(1,098)	624
Net increase (decrease) in cash	20,773	(13,287)
Cash, cash equivalents, and restricted cash, beginning of period	43,530	97,374
Cash, cash equivalents, and restricted cash, end of period	$ 64,303	$ 84,087

See accompanying notes to condensed consolidated financial statements.

OneSpan Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Unless otherwise noted, references in this Quarterly Report on Form 10-Q to "OneSpan," "Company," "we," "our," and "us," refer to OneSpan Inc. and its subsidiaries.

Note 1 – Description of the Company and Basis of Presentation

Description of the Company

OneSpan provides security, identity, electronic signature ("e-signature") and digital workflow solutions that protect and facilitate digital transactions and agreements. The Company delivers products and services that automate and secure customer-facing and revenue-generating business processes for use cases ranging from simple transactions to workflows that are complex or require higher levels of security. The Company's solutions help its customers ensure the integrity of the people and records associated with digital agreements, transactions, and interactions in industries including banking, financial services, healthcare, and professional services. OneSpan has operations in Austria, Australia, Belgium, Canada, China, France, Japan, The Netherlands, Singapore, Switzerland, the United Arab Emirates, the United Kingdom (U.K.), and the United States (U.S.).

Business Transformation

In December 2021, the Company's Board of Directors approved a restructuring plan (the "restructuring plan") designed to advance the Company's operating model, streamline its business, improve efficiency, and enhance its 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, the Company's Board of Directors announced a three-year strategic transformation plan that began on January 1, 2023 (the "2022 strategic plan"). In conjunction with the 2022 strategic plan and to enable a more efficient capital deployment model, effective with the quarter ended June 30, 2022, the Company began reporting under the following two lines of business, which are its reportable operating segments: Digital Agreements and Security Solutions. For further information regarding the Company's reportable segments, see Note 3, *Segment Information*.

During the quarter ended June 30, 2023, the Company determined that it was unlikely to achieve the revenue growth levels set forth in its 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.

In response to these challenges, the Company modified its strategy to focus more heavily on improving profitability margins across the business. To this end, in August 2023, the Company's Board approved cost reduction actions (the "2023 Actions") to seek to drive higher levels of profitability while maintaining the Company's long-term growth potential.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of OneSpan and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results of the interim periods presented. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Estimates and Assumptions

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation and Transactions

The financial position and results of operations of the majority of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Accordingly, assets and liabilities are translated into U.S. Dollars using current exchange rates as of the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the year. Translation adjustments arising from differences in exchange rates are charged or credited to other comprehensive income (loss). Gains and losses resulting from foreign currency transactions are included in the condensed consolidated statements of operations in other (expense) income, net. Foreign exchange transaction gains aggregated to $ 0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively. Foreign exchange transaction losses aggregated to $0.2 million and $0.4 million for the three and six months ended June 30, 2023, respectively.

Note 2 – Summary of Significant Accounting Policies

There have been no changes to the significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 6, 2024 that have had a material impact on the Company's condensed consolidated financial statements and related notes.

Restricted Cash

The Company is party to lease agreements that require letters of credit to secure the obligations which totaled $ 0.5 million and $0.4 million at June 30, 2024 and December 31, 2023, respectively. Additionally, the Company maintained a cash guarantee with a payroll vendor in the amount of $0 and $0.1 million at June 30, 2024 and December 31, 2023, respectively. The restricted cash related to the letters of credit and the payroll vendor cash guarantee is recorded in "Restricted cash" on the condensed consolidated balance sheets.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) – Improvements to Income Tax Disclosures, which is intended to enhance the transparency and decision usefulness of income tax disclosures. Public business entities are required to adopt for annual fiscal periods beginning after December 15, 2024 and early adoption is permitted. The Company is evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements and related disclosures.

Note 3 – Segment Information

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker (CODM), in deciding how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer.

- **Digital Agreements.** Digital Agreements consists of solutions that enable our clients to secure and automate business processes associated with their digital agreement and customer transaction lifecycles that require consent, non-repudiation and compliance. These solutions, which are largely cloud-based, include OneSpan Sign e-signature, OneSpan Notary, and Identity Verification. This segment also includes costs attributable to our transaction cloud platform.

- **Security Solutions**. Security Solutions consists of our broad portfolio of software products, software development kits (SDKs) and Digipass authenticator devices that are used to build applications designed to defend against attacks on digital transactions across online environments, devices, and applications. The software products and SDKs included in the Security Solutions segment are largely on-premises software products and include multi-factor authentication and transaction signing solutions, such as mobile application security and mobile software tokens.

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue, sales and marketing, research and development expenses, amortization expense, and restructuring and other related charges that are incurred directly by a segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not directly attributable to a particular segment.

The tables below set forth information about the Company's reportable operating segments for the three and six months ended June 30, 2024 and 2023, along with the items necessary to reconcile the segment information to the totals reported in the accompanying condensed consolidated financial statements.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except percentages)	2024	2023	2024	2023
Digital Agreements				
Revenue	$ 15,463	$ 11,862	$ 29,876	$ 23,414
Gross profit (1)	$ 9,741	$ 8,583	$ 19,632	$ 17,031
Gross margin	63 %	72 %	66 %	73 %
Operating loss (2)	$ (155)	$ (7,121)	$ (420)	$ (13,154)
Security Solutions				
Revenue	$ 45,461	$ 43,871	$ 95,891	$ 89,926
Gross profit (3)	$ 30,600	$ 25,711	$ 68,104	$ 56,549
Gross margin	67 %	59 %	71 %	63 %
Operating income (4)	$ 20,693	$ 8,523	$ 46,571	$ 24,154
Total Company:				
Revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340
Gross profit	$ 40,341	$ 34,294	$ 87,736	$ 73,580
Gross margin	66 %	62 %	70 %	65 %
Statements of Operations reconciliation:				
Segment operating income	$ 20,538	$ 1,402	$ 46,151	$ 11,000
Corporate operating expenses not allocated at the segment level	12,901	19,166	24,404	36,894
Operating income (loss)	$ 7,637	$ (17,764)	$ 21,747	$ (25,894)
Interest income, net	521	585	622	1,088
Other income (expense), net	331	29	622	(11)
Income (loss) before income taxes	$ 8,489	$ (17,150)	$ 22,991	$ (24,817)

(1) Digital Agreements gross profit includes intangible asset write-off of $0.8 million and internal capitalized software write-off of $ 0.7 million (see Note 7, *Intangible Assets* and Note 8, *Property and Equipment, net*) for the three and six months ended June 30, 2024.

(2) Digital Agreements operating loss includes $0.6 million and $1.1 million of amortization of intangible assets expense for the three and six months ended June 30, 2024, respectively, and $0.6 million and $1.1 million of amortization of intangible assets expense for the three and six months ended June 30, 2023, respectively.

(3) Security Solutions gross profit includes $1.6 million of inventory impairments related to discontinuation of investments in our Digipass CX product for the three and six months ended June 30, 2023 (see Note 5, *Inventories, net*).

(4) Security Solutions operating income includes $1.6 million of inventory impairments and $ 1.4 million of capitalized software write-offs related to discontinuation of investments in our Digipass CX product for the three and six months ended June 30, 2023 (see Note 5, *Inventories, net* and Note 8, *Property and Equipment, net*).

The following tables illustrate the disaggregation of revenues by category and services, including a reconciliation of the disaggregated revenues to revenues from the Company's two reportable operating segments for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	2024		2023	
(In thousands)	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	$ 14,785	$ 14,857	$ 10,486	$ 12,499
Maintenance and support	490	9,742	1,130	10,473
Professional services and other (1)	188	1,123	246	1,253
Hardware products	—	19,739	—	19,646
Total Revenue	$ 15,463	$ 45,461	$ 11,862	$ 43,871

	Six Months Ended June 30,			
	2024		2023	
(In thousands)	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	$ 28,597	$ 41,039	$ 20,834	$ 32,107
Maintenance and support	994	19,808	2,126	20,638
Professional services and other (1)	285	2,728	454	2,669
Hardware products	—	32,316	—	34,512
Total Revenue	$ 29,876	$ 95,891	$ 23,414	$ 89,926

(1) Professional services and other includes perpetual software licenses revenue, which was approximately 1% of total revenue for both the three and six months ended June 30, 2024 and approximately 1% of total revenue for both the three and six months ended June 30, 2023.

The Company allocates goodwill by reporting unit, in accordance with Accounting Standards Codification (ASC) 350 – *Goodwill and Other*. Asset information by segment is not reported to or reviewed by the CODM to allocate resources, and therefore, the Company has not disclosed asset information for the segments.

Note 4 – Revenue from Contracts with Customers

The following tables present the Company's revenues disaggregated by major products and services, geographical region and timing of revenue recognition.

Revenue by major products and services

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Subscription	$ 29,642	$ 22,985	$ 69,636	$ 52,941
Maintenance and support	10,232	11,603	20,802	22,764
Professional services and other (1)	1,311	1,499	3,013	3,123
Hardware products	19,739	19,646	32,316	34,512
Total Revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340

(1) Professional services and other includes perpetual software licenses revenue, which was approximately 1% of total revenue for both the three and six months ended June 30, 2024 and approximately 1% of total revenue for both the three and six months ended June 30, 2023.

Revenue by location of customer for the Three and Six Months Ended June 30, 2024 and 2023

We classify our sales by customer location in three geographic regions: 1) EMEA, which includes Europe, Middle East and Africa; 2) the Americas, which includes North, Central, and South America; and 3) Asia Pacific (APAC), which includes Australia, New Zealand, and India. The breakdown of revenue in each of our major geographic areas was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except percentages)	2024	2023	2024	2023
Revenue				
EMEA	$ 25,194	$ 26,539	$ 57,036	$ 54,359
Americas	21,099	18,331	42,443	38,829
APAC	14,631	10,863	26,288	20,152
Total revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340
% of Total Revenue				
EMEA	41 %	48 %	45 %	48 %
Americas	35 %	33 %	34 %	34 %
APAC	24 %	19 %	21 %	18 %

Timing of revenue recognition

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Products and licenses transferred at a point in time	$ 32,438	$ 30,583	$ 70,236	$ 63,729
Services transferred over time	28,486	25,150	55,531	49,611
Total Revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340

Contract balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers as of June 30, 2024 and December 31, 2023:

(In thousands)	June 30, 2024	December 31, 2023
Receivables, inclusive of trade and unbilled	$ 43,799	$ 64,387
Contract Assets (current and non-current)	$ 6,864	$ 5,322
Contract Liabilities (Deferred Revenue current and non-current)	$ 59,302	$ 73,483

Contract assets relate primarily to multi-year term license arrangements and the remaining contractual billings. These contract assets are transferred to receivables when the right to bill occurs over a 2- to 5-year period. The contract liabilities primarily relate to the advance consideration received from customers for subscription and maintenance services. Revenue is recognized for these services over time.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when it is expected, at contract inception, that the period between the Company's transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less. Extended payment terms are not typically included in contracts with customers.

Revenue recognized during the six months ended June 30, 2024 included $ 48.2 million that was included on the December 31, 2023 consolidated balance sheet in contract liabilities. Deferred revenue decreased in the same period due to timing of annual renewals.

Transaction price allocated to the remaining performance obligations

Remaining performance obligations represent the revenue that is expected to be recognized in future periods related to performance obligations that are unsatisfied, or partially unsatisfied, as of the end of the period. The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2024:

(In thousands)	2024	2025	2026	Beyond 2026	Total
Future revenue related to current unsatisfied performance obligations	$ 31,071	$ 38,266	$ 21,380	$ 7,377	$ 98,094

The Company applies practical expedients and does not disclose information about remaining performance obligations (a) that have original expected durations of one year or less, or (b) where revenue is recognized as invoiced.

Costs of obtaining a contract

The Company incurs incremental costs related to commissions, which can be directly tied to obtaining a contract. The Company capitalizes commissions associated with certain new contracts and amortizes the costs over a period of up to 7 years, which is the determined benefit period based on the transfer of goods or services. The Company determined the period of benefit by taking into consideration the customer contracts, its technology and other factors, including customer attrition. Commissions are earned upon invoicing to the customer. For contracts with multiple year payment terms, because the commissions that are payable after year 1 are payable based on continued employment, they are expensed when incurred. Commissions and amortization expense are included in “Sales and Marketing” expense in the condensed consolidated statements of operations.

As a practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period for the assets that the Company otherwise would have recognized is one year or less. These costs are included in “Sales and Marketing” expense in the condensed consolidated statements of operations.

The following tables provide information related to the capitalized costs and amortization recognized in the current and prior period:

(In thousands)	June 30, 2024	December 31, 2023
Capitalized costs to obtain contracts, current	$ 3,892	$ 3,503
Capitalized costs to obtain contracts, non-current	$ 11,126	$ 10,766

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Amortization of capitalized costs to obtain contracts	$ 942	$ 754	$ 1,826	$ 1,485

Note 5 – Inventories, net

Inventories, net, consisting principally of hardware and component parts, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventories, net consist of the following:

(In thousands)	June 30, 2024	December 31, 2023
Component parts (1)	$ 6,469	$ 8,511
Finished goods	6,038	7,042
Total	$ 12,507	$ 15,553

(1) In conjunction with the Company's decision to discontinue investments in its Digipass CX product (see Note 16 *Restructuring and Other Related Charges*), non-cash impairment charges of $1.6 million for component parts, net, were recorded in "Product and license cost of goods sold" on the condensed consolidated statements of operations for the three months ended June 30, 2023. In November 2023, the Company launched a new product line, Digipass FX1 BIO, and identified the component parts previously purchased for the Digipass CX products that will be used for Digipass FX1 BIO products. For the year ended December 31, 2023, the Company reversed $1.4 million of the previous write-off to "Cost of goods, sold - Product license" within the consolidated statements of operations.

Note 6 – Goodwill

The following table presents the changes in goodwill during the six months ended June 30, 2024:

(In thousands)	Digital Agreements	Security Solutions	Total
Net balance at December 31, 2023	$ 20,893	$ 72,791	$ 93,684
Foreign currency exchange rate effect	(133)	(479)	(612)
Net balance at June 30, 2024	$ 20,760	$ 72,312	$ 93,072

No impairment of goodwill was recorded during the six months ended June 30, 2024 and 2023.

Note 7 – Intangible Assets

Intangible assets as of June 30, 2024 and December 31, 2023 consist of the following:

(In thousands)	Useful Life (in years)	As of June 30, 2024 Gross Carrying Amount	As of June 30, 2024 Accumulated Amortization	As of December 31, 2023 Gross Carrying Amount	As of December 31, 2023 Accumulated Amortization
Acquired technology	3 to 7	$ 42,248	$ 42,082	$ 43,869	$ 42,712
Customer relationships	5 to 12	34,721	27,020	34,773	25,960
Patents, trademarks, and other	10 to 20	13,112	12,300	13,103	12,241
Total		$ 90,081	$ 81,402	$ 91,745	$ 80,913

Amortization expense was $0.7 million and $1.4 million for the three and six months ended June 30, 2024, respectively, compared to $ 0.7 million and $1.3 million for the three and six months ended June 30, 2023, respectively. Amortization expense includes cost of sales amortization expense directly related to delivering cloud subscription revenue of $0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively, and $ 0.1 million and $0.2 million for the three and six months ended June 30, 2023, respectively. Costs are recorded in "Services and other cost of goods sold" on the condensed consolidated statements of operations.

Certain intangible assets are denominated in functional currencies besides the U.S. dollar and are subject to currency fluctuations.

In connection with the continued execution of cost reductions, during the quarter ended June 30, 2024, the Company decided to stop any incremental development investments supporting its previously acquired blockchain technology and related commercial efforts (see Note 16, *Restructuring and Other Related Charges)*. This asset contributed no revenue as it was still in its investment stage. As a result, the Company wrote-off $0.8 million associated with the remaining unamortized value of this intangible asset in "Services and other cost of goods sold" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024.

There were no other write-offs or impairments of intangible assets recorded during the six months ended June 30, 2024 and 2023.

Note 8 – Property and Equipment, net

The following table presents the major classes of property and equipment, net, as of June 30, 2024 and December 31, 2023:

(In thousands)	June 30, 2024	December 31, 2023
Office equipment and software	$ 8,799	$ 8,574
Leasehold improvements	7,589	7,459
Furniture and fixtures	3,637	3,658
Capitalized software	16,217	12,560
Total	36,242	32,251
Accumulated depreciation	(15,991)	(13,529)
Property and equipment, net	$ 20,251	$ 18,722

Depreciation expense was $1.4 million and $2.8 million for the three and six months ended June 30, 2024, respectively, compared to $ 0.8 million and $1.5 million for the three and six months ended June 30, 2023, respectively. Depreciation expense includes cost of sales depreciation expense directly related to delivering cloud subscription revenue of $0.8 million and $1.5 million for the three and six months ended June 30, 2024, respectively, and $ 0.1 million for both the three and six months ended June 30, 2023. Costs are recorded in "Services and other cost of goods sold" on the condensed consolidated statements of operations.

In connection with the continued execution of cost reductions, the Company decided to stop any incremental development investments supporting its previously acquired blockchain technology and related commercial efforts. As a result, the Company wrote-off the internal capitalized software used to build out connection points for its blockchain technology and its e-signature product (see Note 16, *Restructuring and Other Related Charges)*. The total write off amounted to $ 1.0 million within property and equipment, net, of which $ 0.7 million was recognized in "Services and other cost of goods sold" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024. The remaining write-off amount of $0.3 million was recognized in "Restructuring and other related charges" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024.

As part of the Company's decision to discontinue investments in its Digipass CX product (see Note 16, *Restructuring and Other Related Charges)*, write-offs of $1.4 million for capitalized software were recorded in "Restructuring and other related charges" on the condensed consolidated statements of operations for the three months ended June 30, 2023.

In conjunction with the Company's Chicago office lease abandonment (see Note 16, *Restructuring and Other Related Charges)*, write-offs of $0.6 million for leasehold improvements and $0.1 million for office equipment and software were recorded in "Restructuring and other related charges" on the condensed consolidated statements of operations for the three months ended June 30, 2023.

Note 9 – Fair Value Measurements

The fair values of cash equivalents, accounts receivables, and accounts payable approximate their carrying amounts due to their short duration. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing base upon its own market assumptions.

The estimated fair value of financial instruments has been determined by using available market information and appropriate valuation methodologies, as defined in ASC 820, *Fair Value Measurements*. The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived primarily from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following tables summarize the Company's financial assets by level in the fair value hierarchy, which are measured at fair value on a recurring basis, as of June 30, 2024 and December 31, 2023:

	Fair Value Measurement at Reporting Date Using			
(In thousands)	**June 30, 2024**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
U.S. Treasury Bills	$ 1,999	$ 1,999	$ —	$ —
Money Market Funds	$ 45,793	$ 45,793	$ —	$ —

	Fair Value Measurement at Reporting Date Using			
(In thousands)	**December 31, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money Market Funds	$ 8,496	$ 8,496	$ —	$ —

The Company classifies its investments in debt securities as available-for-sale. The Company reviews available-for-sale debt securities for impairments related to losses and other factors each quarter. The unrealized gains and losses on the available-for-sale debt securities were not material as of June 30, 2024 and December 31, 2023. The Company did not have any financial liabilities that are measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023.

The Company's non-financial assets and liabilities, which include goodwill and long-lived assets held and used, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, the Company would evaluate the non-financial assets and liabilities for impairment. If an impairment was to occur, the asset or liability would be recorded at its estimated fair value.

Note 10 – Allowance for Credit Losses

In accordance with accounting standards updates ("ASU") No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," the Company evaluates its allowance based on expected losses rather than incurred losses, which is known as the current expected credit loss ("CECL") model. The allowance is determined using the loss rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The changes in the allowance for credit losses during the six months ended June 30, 2024 were as follows:

(In thousands)		
Balance at December 31, 2023	$	1,536
Provision		2
Write-offs		(34)
Net foreign currency translation		2
Balance at June 30, 2024	$	1,506

Note 11 – Leases

Operating lease cost details for the three and six months ended June 30, 2024 and 2023 are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(In thousands)	2024		2023		2024		2023	
Building rent	$	204	$	478	$	516	$	1,001
Automobile rentals		330		316		677		566
Total net operating lease costs	$	534	$	794	$	1,193	$	1,567

At June 30, 2024, the Company's weighted average remaining lease term for its operating leases is 5.6 years, and the weighted average discount rate for its operating leases is 6%.

During the six months ended June 30, 2024, there were $ 1.3 million of operating cash payments for lease liabilities and $ 2.0 million of right-of-use assets obtained in exchange for new lease liabilities.

In October 2023, the Company signed a lease agreement to lease new office space in Brussels. The lease agreement consisted of a nine-year lease and commenced in the second quarter of 2024.

As part of its multi-year restructuring plan (see Note 16, *Restructuring and Other Related Charges*), the Company vacated its Chicago office space and abandoned the underlying leases during the three months ended June 30, 2023. The Company accrued a $1.4 million early lease termination fee, which is reflected on the condensed consolidated statements of operations for the three months ended June 30, 2023 in "Restructuring and other related charges". The underlying lease right-of-use asset and lease liability for the Chicago leased office space were written off, and a $0.3 million gain related to rent concessions and tenant improvement allowances was recorded on the condensed consolidated statement of operations for the three months ended June 30, 2023 in "Restructuring and other related charges".

Maturities of the Company's operating leases as of June 30, 2024 are as follows:

(In thousands)	As of June 30, 2024
2024	$ 1,137
2025	1,864
2026	1,854
2027	1,671
2028	1,566
Later years	2,167
Less imputed interest	(1,558)
Accrued lease termination fees	714
Total lease liabilities	$ 9,415

Note 12 – Income Taxes

The Company's estimated annual effective tax rate for 2024, before discrete items and excluding entities with a valuation allowance, is expected to be approximately 14%. The Company's global effective tax rate is lower than the U.S. statutory tax rate of 21% primarily due to the release of valuation allowances for the current year earnings for companies with a valuation allowance, offset by nondeductible expenses. In addition, the Company received a favorable response in connection with its Mutual Agreement Procedure ("MAP") request related to a Belgium audit concluded in 2020. A tax benefit of $1.1 million was recorded for the six months ended June 30, 2024. The ultimate tax expense will depend on the mix of earnings in various jurisdictions. Income taxes, net of refunds, of $4.4 million and $3.8 million were paid during the six months ended June 30, 2024 and 2023, respectively.

Management assesses the need for a valuation allowance on a regular basis, weighing all positive and negative evidence to determine whether a deferred tax asset will be fully or partially realized. In evaluating the realizability of deferred tax assets, significant pieces of negative evidence such as 3-year cumulative losses are considered. Management also reviews reversal patterns of temporary differences to determine if the Company would have sufficient taxable income due to the reversal of temporary differences to support the realization of deferred tax assets.

Certain operations have incurred net operating losses (NOLs), which are currently subject to a valuation allowance. These NOLs may become deductible to the extent these operations become profitable. For each of its operations, the Company evaluates whether it is more likely than not that the tax benefits related to NOLs will be realized. As part of this evaluation, the Company considers evidence such as tax planning strategies, historical operating results, forecasted taxable income, and recent financial performance. In the year that certain operations record a loss, the Company does not recognize a corresponding tax benefit, thus increasing its effective tax rate, or decreasing its effective tax rate when reporting income in a jurisdiction that has a valuation allowance. Upon determining that it is more likely than not that the NOLs will be realized, the Company will reduce the tax valuation allowances related to these NOLs, which will result in a reduction of its income tax expense and its effective tax rate in the period.

Note 13 – Long-Term Compensation Plan and Stock Based Compensation

Under the OneSpan Inc. 2019 Omnibus Incentive Plan, the Company awards restricted stock units subject to time-based vesting, restricted stock units which are subject to the achievement of future performance criteria and restricted stock units that are subject to the achievement of market conditions. The Company also awards a small amount of cash incentive awards under the 2019 Omnibus Incentive Plan, as shown in the table below.

The Company awarded 0.3 million restricted stock units during the six months ended June 30, 2024, subject to time-based vesting. The fair value of the unissued time-based restricted stock unit grants was $3.5 million at the dates of grant and the grants are being amortized over the vesting periods of one to three years.

The Company awarded restricted stock units subject to the achievement of service and future performance criteria during the six months ended June 30, 2024, which allows for up to 0.1 million shares to be earned if the performance criteria are achieved at the target level. The fair value of these awards was $1.6 million as the dates of grant and the awards are being amortized over the requisite service period of one to three years. The Company currently believes that approximately 100% of these shares are expected to be earned.

The following table summarizes stock-based compensation expense and other long-term incentive plan compensation expense for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Stock-based compensation (1)	$ 1,908	$ 4,503	$ 3,448	$ 8,315
Other long-term incentive plan compensation (2)	86	68	167	179
Total compensation	$ 1,994	$ 4,571	$ 3,615	$ 8,494

(1) Stock-based compensation declined for the three and six months ended June 30, 2024 as compared to the three and six months ended June 30, 2023, and was primarily due to the departure of the former CEO and forfeitures reversed upon his termination and timing of annual grants, as well as lower awards granted for the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023.

(2) Other long-term incentive compensation consists of immaterial expense for cash incentive awards granted to employees located in jurisdictions where we do not issue stock-based compensation due to tax, regulatory or similar reasons.

Note 14 – Earnings per Share

Basic earnings per share is based on the weighted average number of shares outstanding and excludes the dilutive effect of common stock equivalents. Diluted earnings per share is based on the weighted average number of shares outstanding and includes the dilutive effect of common stock equivalents to the extent they are not anti-dilutive. Because the Company was in a net loss position for the three and six months ended June 30, 2023, diluted net loss per share for the period excludes the effects of common stock equivalents, which are anti-dilutive.

The details of the earnings per share calculations for the three and six months ended June 30, 2024 and 2023 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2024	2023	2024	2023
Net income (loss)	$ 6,553	$ (17,751)	$ 20,021	$ (26,107)
Weighted average common shares outstanding:				
Basic	38,529	40,399	38,229	40,435
Incremental shares with dilutive effect:				
Restricted stock units	478	—	451	—
Diluted	39,007	40,399	38,680	40,435
Net income (loss) per share:				
Basic	$ 0.17	$ (0.44)	$ 0.52	$ (0.65)
Diluted	$ 0.17	$ (0.44)	$ 0.52	$ (0.65)

Note 15 – Legal Proceedings and Contingencies

The Company is subject to certain legal proceedings and claims that have arisen in the ordinary course of business. The Company currently does not anticipate that these matters, if resolved against the Company, will have a material adverse impact on its financial results or financial condition.

The Company accrues loss contingencies when losses become probable and are reasonably estimable. As of June 30, 2024, the Company has recorded an accrual of $1.1 million for loss contingencies associated with employment-termination benefits and landlord dispute matters.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible, but not probable. As of June 30, 2024, the Company does not have any reasonably possible losses for which an estimate can be made. Although the Company intends to defend its legal matters vigorously, the ultimate outcome of these matters is uncertain. However, the Company does not expect the potential losses, if any, to have a material adverse impact on its operating results, cash flows, or financial condition.

Note 16 – Restructuring and Other Related Charges

In December 2021, the Company's Board approved a restructuring plan (“Plan”) designed to advance the Company’s operating model, streamline its business, improve efficiency, and enhance its capital resources. As part of the first phase of the Plan, the Company reduced headcount by eliminating positions in certain areas of its organization. The first phase of the Plan began and was substantially completed during the three months ended March 31, 2022.

In May 2022, the Board approved additional actions related to the Plan through the year ending December 31, 2025. This second phase of the Plan consisted primarily of headcount-related reductions and was designed to achieve the same objectives as the first phase of the Plan.

On August 3, 2023, the Board approved additional cost reduction and restructuring actions (the "2023 Actions") to seek to drive higher levels of Adjusted EBITDA while maintaining the Company's long-term growth potential. The Company has incurred and expects to continue to incur restructuring charges in connection with the 2023 Actions, and anticipates that these charges will consist primarily of charges related to employee transition and severance payments, with a significantly smaller amount of charges relating to vendor contract termination and rationalization actions.

In connection with the Plan (including the 2023 Actions), the Company recorded $ 3.2 million and $4.7 million in restructuring charges for the three and six months ended June 30, 2024 of which $1.5 million is recorded in "Services and other cost of goods sold" in the condensed consolidated statements of operations for both the three and six months ended June 30, 2024 and $1.7 million and $3.2 million is recorded in “Restructuring and other related charges” in the condensed consolidated statements of operations for the three and six months ended June 30, 2024. The Company recorded $5.8 million and $6.6 million for the three and six months ended June 30, 2023, respectively, in “Restructuring and other related charges” in the condensed consolidated statements of operations.

The main categories of charges are in the following areas:

- Employee costs – include severance, related benefits and retention pay costs incurred as a result of eliminating positions in certain areas of the Company. For the three and six months ended June 30, 2024 employee costs were $1.2 million and $2.6 million, respectively. For the three and six months ended June 30, 2023, employee costs were $2.4 million and $3.1 million, respectively. In total, there were approximately 320 employees, across multiple functions, whose positions were made redundant. The $2.0 million current portion of the restructuring liability at June 30, 2024 is included in "Accrued wages and payroll taxes" in the consolidated balance sheet and is expected to be paid within the next 12 months. The $0.5 million non-current portion is included in "Other long-term liabilities" in the condensed consolidated balance sheet and is expected to be paid within the next 24 months.

- Real estate rationalization costs – includes costs to align the real estate footprint with the Company’s needs. During 2023, the Company vacated its Chicago and Brussels office spaces, which resulted in the abandonment and termination of the underlying leases. The Company accrued contract termination fees of $1.4 million for the Chicago office during the three months ended June 30, 2023. The Company terminated its Brussels warehouse lease, effective July 31, 2024, and accrued $0.3 million in settlement costs. For the three months ended June 30, 2024, the Company accrued an additional $ 0.1 million in costs for the Brussels warehouse lease. The $0.3 million current portion of the restructuring liability at June 30, 2024 is included in "Other accrued expenses" in the condensed consolidated balance sheet and is expected to be paid within the next 12 months. The remaining $0.7 million portion is included in "Current lease liabilities" in the condensed consolidated balance sheet and is expected to be paid within the next 12 months. In conjunction with the abandonment of the Chicago lease, the underlying right-of-use asset and liability were written off and a $0.3 million gain was recorded related to rent concessions and tenant improvement allowances for restructuring. The Company wrote off $0.7 million of fixed assets in its Chicago leased office space (see Note 8, *Property and Equipment, net*).

- Product and services optimization costs - include costs to discontinue products and services that are no longer advancing the Company's operating model. The Company made the decision to stop any incremental development investments supporting its previously acquired blockchain technology, and related commercial efforts. As a result, the Company wrote-off the related acquired technology and previously capitalized software. The Company recorded a $0.8 million write-off of intangible assets in "Services and other cost of goods sold" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024 (see Note 7, *Intangible Assets*). For capitalized software, the Company recorded a write-off of $1.0 million of property and equipment, net, of which $ 0.7 million was recognized in "Services and other cost of goods sold" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024 (see Note 8, *Property and Equipment, net*). The remaining write-off amount of $0.3 million was recognized in "Restructuring and other related charges" on the condensed consolidated statements of operations for the three and six months ended June 30, 2024. During the three months ended June 30, 2023, the Company made the decision to discontinue investments in its Digipass CX product and incurred $1.4 million of write-offs for capitalized software. The charges are recorded in "Restructuring and other related charges" on the condensed consolidated statements of operations for the three months ended June 30, 2023 (see Note 8, *Property and Equipment, net*).

- Vendor rationalization costs – include costs for contractually committed services the Company is no longer utilizing. For the three and six months ended June 30, 2024, the Company accrued $0.1 million and $0.2 million and for the three and six months ended June 30, 2023, the Company accrued $0.2 million. These costs are included in "Restructuring and other related charges" on the condensed consolidated statements of operations.

The table below sets forth the changes in the carrying amount of the restructuring charge liability for the six months ended June 30, 2024.

(In thousands)	Employee Costs	Real Estate Rationalization	Total
Balance as of December 31, 2023	$ 3,130	$ 1,885	$ 5,015
Additions	2,789	93	2,882
Payments	(3,572)	(795)	(4,367)
Balance as of June 30, 2024	$ 2,347	$ 1,183	$ 3,530

Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise noted, references in this Quarterly Report on Form 10-Q to “OneSpan,” “Company,” “we,” “our,” and “us” refer to OneSpan Inc. and its subsidiaries.

This commentary should be read in conjunction with the condensed consolidated financial statements and related notes thereto of OneSpan for the three- and six-month periods ended June 30, 2024 and 2023 as well as our consolidated financial statements and related notes thereto and management’s discussion and analysis of financial condition and results of operations in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “Form 10-K”).

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of applicable U.S. securities laws, including statements regarding the outcomes we expect from our updated strategic transformation plan and cost reduction and restructuring actions approved in August 2023 and in prior periods, including the ability of those actions to allow us to accelerate Adjusted EBITDA growth and drive value creation by growing revenue efficiently and profitably; estimates concerning the timing and amount of savings, Adjusted EBITDA improvements, and/or restructuring charges that may result from our cost reduction and restructuring actions; our plans for managing our Digital Agreements and Security Solutions segments; expectations about trends in our cost of goods sold, gross margin, and sales and marketing, research and development, and general and administrative expenses; the impact of foreign currency rate fluctuations; expectations regarding sources and uses of cash; and our general expectations regarding our operational or financial performance in the future. Forward-looking statements may be identified by words such as "seek", "believe", "plan", "estimate", "anticipate", “expect", "intend", "continue", "outlook", "may", "will", "should", "could", or "might", and other similar expressions. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could materially affect our business and financial results include, but are not limited to: our ability to execute our updated strategic transformation plan and cost reduction and restructuring actions in the expected timeframe and to achieve the outcomes we expect from them; unintended costs and consequences of our cost reduction and restructuring actions, including higher than anticipated restructuring charges, disruption to our operations, litigation or regulatory actions, reduced employee morale, attrition of valued employees, 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; our ability to attract new customers and retain and expand sales to existing customers; our ability to successfully develop and market new product offerings and product enhancements; changes in customer requirements; the potential effects of technological changes; the loss of one or more large customers; difficulties enhancing and maintaining our brand recognition; competition; lengthy sales cycles; challenges retaining key employees and successfully hiring and training qualified new employees; security breaches or cyber-attacks; real or perceived malfunctions or errors in our products; interruptions or delays in the performance of our products and solutions; reliance on third parties for certain products and data center services; our ability to effectively manage third party partnerships, acquisitions, divestitures, alliances, or joint ventures; economic recession, inflation, and political instability; claims that we have infringed the intellectual property rights of others; price competitive bidding; changing laws, government regulations or policies; pressures on price levels; component shortages; delays and disruption in global transportation and supply chains; impairment of goodwill or amortizable intangible assets causing a significant charge to earnings; actions of activist stockholders; and exposure to increased economic and operational uncertainties from operating a global business, as well as other factors described in the “Risk Factors” section of our most recent Annual Report on Form 10-K. Our filings with the Securities and Exchange Commission (the “SEC”) and other important information can be found in the Investor Relations section of our website at investors.onespan.com. We do not have any intent, and disclaim any obligation, to update the forward-looking information to reflect events that occur, circumstances that exist or changes in our expectations after the date of this Form 10-Q, except as required by law.

Our website address is included in this Quarterly Report on Form 10-Q as an inactive textual reference only.

Overview

OneSpan provides security, identity, electronic signature (“e-signature”) and digital workflow solutions that protect and facilitate digital transactions and agreements. Through our two business units, Security Solutions and Digital

Agreements, we deliver products and services that automate and secure customer-facing and revenue-generating business processes for use cases ranging from simple transactions to workflows that are complex or require higher levels of security.

Our solutions help our customers ensure the integrity of the people and records associated with digital agreements, transactions, and interactions in industries including banking, financial services, healthcare, and professional services. We are trusted by global blue-chip enterprises, including more than 60% of the world’s 100 largest banks, and we process millions of digital agreements and billions of transactions in more than 100 countries annually.

We offer our products primarily through a subscription licensing model and provide multiple deployment options, including cloud-based and on-premises solutions. Our solutions are sold worldwide through our direct sales force, as well as through distributors, resellers, systems integrators, and original equipment manufacturers.

Business Transformation

We are currently in the midst of a business transformation. In December 2021, our board of directors (“Board” or “Board of Directors”) approved a restructuring plan (the “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 related to the restructuring plan and we announced a three-year strategic transformation plan that began on January 1, 2023 (the "2022 strategic plan"). In conjunction with the 2022 strategic plan and to enable a more efficient capital deployment model, effective with the quarter ended June 30, 2022, we began reporting under the following two lines of business, which are our reportable operating segments: Digital Agreements and Security Solutions.

- **Digital Agreements.** Digital Agreements consists of solutions that enable our clients to secure and automate business processes associated with their digital agreement and customer transaction lifecycles that require consent, non-repudiation and compliance. These solutions, which are largely cloud-based, include OneSpan Sign e-signature, OneSpan Notary, and Identity Verification. This segment also includes costs attributable to our transaction cloud platform.

- **Security Solutions**. Security Solutions consists of our broad portfolio of software products, software development kits (SDKs) and Digipass authenticator devices that are used to build applications designed to defend against attacks on digital transactions across online environments, devices, and applications. The software products and SDKs included in the Security Solutions segment are largely on-premises software products and include multi-factor authentication and transaction signing solutions, such as mobile application security and mobile software tokens.

When we began the 2022 strategic plan, we expected that we would manage Digital Agreements for accelerated growth and market share gains and Security Solutions for cash flow given its more modest growth profile.

During the quarter ended June 30, 2023, we determined that we were unlikely to achieve the revenue growth levels set forth in our 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; increasing 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 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 cost reduction actions (the “2023 Actions”) to seek to drive higher levels of Adjusted EBITDA while maintaining our long-term growth potential. We intend to continue to pursue the overall strategy set forth in the 2022 strategic plan, including driving efficient growth in Digital Agreements and managing Security Solutions for modest growth and cash flow, while implementing adjustments to our operating model that are intended to achieve greater operational efficiency and strengthen our ability to create value for our shareholders.

Our updated strategy, the 2023 Actions and other cost reduction actions implemented under our restructuring plan originally adopted in December 2021 involve numerous risks and uncertainties. For additional details please see Item 1A, *Risk Factors*, below and Part 1, Item 1A, *Risk Factors* in our Form 10-K.

Restructuring Plan

In December 2021, our Board approved the restructuring plan discussed above. 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 related to the restructuring plan through the year ending December 31, 2025.

On August 3, 2023, our Board of Directors approved the 2023 Actions. We have incurred and expect to continue to incur restructuring charges in connection with the 2023 Actions, most of which are related to employee transition and severance payments and employee benefits, with a significantly smaller amount of charges related to vendor contract termination and rationalization actions. We currently expect that we will incur restructuring charges of approximately $1.0 million to $2.0 million related to the 2023 Actions in future periods, substantially all of which relate to employee transition and severance payments.

Actions taken under the restructuring plan consist of the following:

- We have reduced headcount by eliminating approximately 320 redundant positions and incurred severance, related benefits, and retention pay costs.
- In June 2023, we vacated our Chicago leased office space and abandoned the underlying leases, and, in future periods, plan to further align our real estate footprint with the Company's operating needs. We recorded lease termination costs, write-offs related to the vacated location's fixed assets, and a gain on the underlying right-of-use asset and liability write-off.
- In June 2023, we made the decision to discontinue investments in our Digipass CX product, which resulted in write-offs of capitalized software.
- In September 2023, we vacated our Brussels office space and terminated the lease. We recorded lease termination costs and a loss on the underlying right-of-use asset and liability write-off.
- We evaluated our vendor spend and updated or eliminated service providers in instances where there are cost-saving opportunities and where redundancies exist. Vendor rationalization costs include costs for contractually committed services the Company is no longer utilizing.
- In June 2024, we made the decision to stop any incremental development investments supporting our previously acquired blockchain technology and related commercial efforts, which resulted in write-offs of such acquired technology and related capitalized software.

We plan to incrementally take actions under the restructuring plan until December 31, 2025, when the plan terminates.

We completed a majority of the workforce reductions planned as part of the 2023 Actions by the end of 2023, and we expect that most of the remaining workforce reductions will occur over the course of 2024. The vendor contract component of the 2023 Actions is planned for completion by the end of 2025.

Components of Operating Results

Revenue

We generate revenue from the sale of our subscriptions, maintenance and support, professional services, and Digipass hardware products. We believe comparison of revenues between periods is heavily influenced by the timing of orders and shipments reflecting the transactional nature of significant parts of our business.

- *Product and license revenue*. Product and license revenue includes Digipass hardware products and software licenses, which are provided on a perpetual or term basis subscription model.
- *Service and other revenue*. Service and other revenue includes solutions that are provided on a cloud-based subscription model, maintenance and support, and professional services.

Cost of Goods Sold

Our total cost of goods sold consists of cost of product and license revenue and cost of service and other revenue. We expect our cost of goods sold to increase in absolute dollars as our business grows, although it may fluctuate as a percentage of total revenue from period to period.

- *Cost of product and license revenue* . Cost of product and license revenue primarily consists of direct product and license costs, including personnel costs, production costs, freight, and inventory write-off adjustments for discontinued products and services.
- *Cost of service and other revenue* . Cost of service and other revenue primarily consists of costs related to cloud subscription solutions, including personnel and equipment costs, depreciation, amortization, and personnel costs of employees providing professional services and maintenance and support.

Gross Profit

Gross profit is revenue net of the cost of goods sold. Gross profit as a percentage of total revenue, or gross margin, has been and will continue to be affected by a variety of factors, including our average selling price, manufacturing costs, the mix of products sold, and the mix of revenue among products, subscriptions and services. We expect our gross margins to fluctuate over time depending on these factors.

Operating Expenses

Our operating expenses are generally based on anticipated revenue levels and fixed over short periods of time. As a result, small variations in revenue may cause significant variations in the period-to-period comparisons of operating income or operating income as a percentage of revenue.

Generally, the most significant factor driving our operating expenses is headcount. Direct compensation and benefit plan expenses generally represent between 50% and 60% of our operating expenses. In addition, a number of other expense categories are directly related to headcount. We attempt to manage our headcount within the context of the economic environments in which we operate and the investments we believe we need to make for our infrastructure to support future growth and for our products to remain competitive.

Historically, operating expenses have been impacted by changes in foreign exchange rates. We estimate the change in currency rates during the three months ended June 30, 2024 compared to the comparable prior year period resulted in a decrease in operating expenses of approximately $0.1 million. We estimate the change in currency rates during the six months ended June 30, 2024 compared to the comparable prior year period resulted in a decrease in operating expenses of approximately $0.1 million.

The comparison of operating expenses can also be impacted significantly by costs related to our stock-based and long-term incentive plans. Long-term incentive plan compensation expense includes both stock-based incentives and an immaterial amount of cash-based incentives. During the three months ended June 30, 2024 and 2023, operating expenses included $2.0 million and $4.6 million, respectively, of expenses related to stock-based and long-term incentive plans. During the six months ended June 30, 2024 and 2023, operating expenses included $3.6 million and $8.5 million, respectively, of expenses related to stock-based and long-term incentive plans.

Our operating expenses consist of:

- *Sales and marketing*. Sales and marketing expenses consist primarily of personnel costs, commissions and bonuses, trade shows, marketing programs and other marketing activities, travel, outside consulting costs, and long-term incentive compensation. We expect sales and marketing expenses to decrease in absolute dollars as we continue to implement the 2023 Actions described in "Business Transformation" above. However, our sales and marketing expenses may fluctuate as a percentage of total revenue.
- *Research and development*. Research and development expenses consist primarily of personnel costs and long-term incentive compensation. We expect research and development costs to decrease in absolute dollars as we continue to implement the 2023 Actions, and as we capitalize certain costs related to the expansion of our cloud product portfolio. However, our research and development expenses may fluctuate as a percentage of total revenue.

- *General and administrative*. General and administrative expenses consist primarily of personnel costs, legal, consulting and other professional fees, and long-term incentive compensation. We expect general and administrative expenses to decrease in absolute dollars (excluding non-recurring items) as we continue to implement the 2023 Actions, although our general and administrative expenses may fluctuate as a percentage of total revenue.
- *Amortization of intangible assets*. Acquired intangible assets are amortized over their respective amortization periods and are periodically evaluated for impairment or changes in estimated useful life.
- *Restructuring and related charges.* Restructuring and other related charges consist of employee costs which include severance, retention pay, and related benefits incurred from headcount reductions as part of our restructuring plan, including the 2023 Actions; real estate rationalization costs incurred to optimize our real estate footprint which include lease contract termination costs, asset impairment charges, and lease right-of-use asset and lease liability write-off gains or losses; product and services optimization costs incurred to advance our operating model which include write-offs of capitalized software assets no longer in use; write-offs of acquired blockchain technology and related capitalized software due to the discontinuation of incremental development investments and related commercial efforts; and vendor rationalization costs for contractually committed services the Company is no longer utilizing. We plan to incrementally incur additional restructuring costs through December 31, 2025, when the restructuring plan terminates and the 2023 Actions are completed.

Segment Results

Segment operating income (loss) consists of the revenue generated by a segment, less the direct costs of revenue, sales and marketing, research and development amortization and any impairment charges that are incurred directly by a segment. Unallocated corporate costs include general and administrative expense and other company-wide costs that are not attributable to a particular segment. Financial results by reportable operating segment are included below under Results of Operations.

Interest Income, Net

Interest income, net, consists of income earned on our cash equivalents. Our cash equivalents are invested in short-term instruments at current market rates.

Other Income (Expense), Net

Other income (expense), net, primarily includes exchange gains (losses) on transactions that are denominated in currencies other than our subsidiaries' functional currencies, subsidies received from foreign governments in support of our research and development in those countries and other miscellaneous non-operational expenses.

Income Taxes

Our effective tax rate reflects our global structure related to the ownership of our intellectual property ("IP"). The majority of our IP in our Security Solutions business is owned by two subsidiaries, one in the U.S. and one in Switzerland. The e-signature IP in our Digital Agreements business is owned by a subsidiary in Canada. These subsidiaries have entered into agreements with most of the other OneSpan entities under which those other entities provide services to the IP owners on either a percentage of revenue or on a cost plus basis or both. Under this structure, the earnings of our service provider subsidiaries are relatively constant. These service provider companies tend to be in jurisdictions with higher effective tax rates. Fluctuations in earnings flow to the IP owners.

As the majority of our earnings are generated outside of the U.S., our consolidated effective tax rate is strongly influenced by the effective tax rate of our foreign operations. Changes in the effective rate related to foreign operations reflect changes in the geographic mix of earnings and the tax rates in each of the countries in which it is earned. The statutory tax rate for the primary foreign tax jurisdictions ranges from 11% to 35%.

Impact of Currency Fluctuations

During the three months ended June 30, 2024 and 2023, we generated approximately 85% and 83% of our revenues and incurred approximately 60% and 55% of our operating expenses, respectively, outside of the U.S. During the six months ended June 30, 2024 and 2023, we generated approximately 84% and 82% of our revenues and incurred approximately 61% and 55% of our operating expenses, respectively, outside of the U.S. As a result, changes in currency exchange rates, especially the Euro exchange rate and the Canadian Dollar exchange rate, can have a significant impact on our revenue and operating expenses.

While the majority of our revenue is generated outside of the U.S., a significant amount of our revenue earned during the six months ended June 30, 2024 was denominated in U.S. Dollars. For the six months ended June 30, 2024, approximately 54% of our revenue was denominated in U.S. Dollars, 42% was denominated in Euros and 4% was denominated in other currencies. For the six months ended June 30, 2023, approximately 52% of our revenue was denominated in U.S. Dollars, 43% was denominated in Euros and 5% was denominated in other currencies.

In general, to minimize the net impact of currency fluctuations on operating income, we attempt to denominate an amount of billings in a currency such that it would provide a natural hedge against the operating expenses being incurred in that currency. We expect that changes in currency rates may impact our future results if we are unable to match amounts of revenue with our operating expenses in the same currency. If the amount of our revenue in Europe denominated in Euros continues as it is now or declines, we may not be able to balance fully the exposures of currency exchange rates on revenue and operating expenses.

The financial position and the results of operations of our foreign subsidiaries, with the exception of our subsidiaries in Switzerland, Singapore and Canada, are measured using the local currency as the functional currency. The functional currency for our subsidiaries in Switzerland, Singapore and Canada is the U.S. Dollar. Accordingly, assets and liabilities of our foreign subsidiaries are translated into U.S. Dollars using current exchange rates as of the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Translation adjustments arising from differences in exchange rates generated a comprehensive loss of $0.5 million and $2.1 million during the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2023, translation adjustments arising from differences in exchange rates generated a comprehensive gain of $1.0 million and $2.7 million, respectively.

Gains and losses resulting from foreign currency transactions are included in the condensed consolidated statements of operations in other (expense) income, net. Foreign exchange transaction gains aggregated $0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2023, losses resulting from foreign currency transactions were $0.2 million and $0.4 million, respectively.

Results of Operations

The following table sets forth, for the periods indicated, selected segment and condensed consolidated operating results.

(In thousands, except percentages)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Digital Agreements				
Revenue	$ 15,463	$ 11,862	$ 29,876	$ 23,414
Gross profit	$ 9,741	$ 8,583	$ 19,632	$ 17,031
Gross margin	63 %	72 %	66 %	73 %
Operating loss	$ (155)	$ (7,121)	$ (420)	$ (13,154)
Security Solutions				
Revenue	$ 45,461	$ 43,871	$ 95,891	$ 89,926
Gross profit	$ 30,600	$ 25,711	$ 68,104	$ 56,549
Gross margin	67 %	59 %	71 %	63 %
Operating income	$ 20,693	$ 8,523	$ 46,571	$ 24,154
Total Company:				
Revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340
Gross profit	$ 40,341	$ 34,294	$ 87,736	$ 73,580
Gross margin	66 %	62 %	70 %	65 %
Statements of Operations reconciliation:				
Segment operating income	$ 20,538	$ 1,402	$ 46,151	$ 11,000
Corporate operating expenses not allocated at the segment level	12,901	19,166	24,404	36,894
Operating income (loss)	7,637	(17,764)	21,747	(25,894)
Interest income, net	521	585	622	1,088
Other income (expense), net	331	29	622	(11)
Income (loss) before income taxes	$ 8,489	$ (17,150)	$ 22,991	$ (24,817)

Revenue

Revenue by products and services allocated to the segments for the three and six months ended June 30, 2024, and 2023 is as follows:

	Three Months Ended June 30,			
	2024		2023	
(In thousands)	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	$ 14,785	$ 14,857	$ 10,486	$ 12,499
Maintenance and support	490	9,742	1,130	10,473
Professional services and other (1)	188	1,123	246	1,253
Hardware products	—	19,739	—	19,646
Total Revenue	$ 15,463	$ 45,461	$ 11,862	$ 43,871

(In thousands)	Six Months Ended June 30, 2024 Digital Agreements		Six Months Ended June 30, 2024 Security Solutions		Six Months Ended June 30, 2023 Digital Agreements		Six Months Ended June 30, 2023 Security Solutions	
Subscription	$	28,597	$	41,039	$	20,834	$	32,107
Maintenance and support		994		19,808		2,126		20,638
Professional services and other (1)		285		2,728		454		2,669
Hardware products		—		32,316		—		34,512
Total Revenue	$	29,876	$	95,891	$	23,414	$	89,926

(1) Professional services and other includes perpetual software licenses revenue, which was approximately 1% of total revenue for both the three and six months ended June 30, 2024 and approximately 1% of total revenue for both the three and six months ended June 30, 2023.

Total revenue increased by $5.2 million, or 9%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Changes in foreign exchange rates as compared to the same period in 2023 negatively impacted revenue by approximately $0.2 million. For the six months ended June 30, 2024, revenue increased by $12.4 million, or 11%, compared to the six months ended June 30, 2023. Changes in foreign exchange rates as compared to the same period in 2023 favorably impacted revenue by approximately $0.1 million.

Additional information on our revenue by segment follows.

- **Digital Agreements** revenue increased $3.6 million, or 30%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. For the six months ended June 30, 2024, Digital Agreements revenue increased $6.5 million, or 28%. The increase in Digital Agreements revenue for both periods was primarily attributable to existing customer expansions and new logos. Changes in foreign currency rates compared to the same period in 2023 negatively impacted Digital Agreements revenue by less than $0.1 million for the three months ended June 30, 2024. Changes in foreign currency rates compared to the same period in 2023 favorably impacted Digital Agreements revenue by less than $0.1 million for the six months ended June 30, 2024.

- **Security Solutions** revenue increased $1.6 million, or approximately 4%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. The increase in Security Solutions revenue was primarily attributable to an increase in demand for authentication solutions from existing customers, partially offset by modest declines in maintenance revenue as we transition legacy perpetual contracts to subscription licenses. Changes in foreign exchange rates for the three months ended June 30, 2024 compared to the same period in 2023 negatively impacted Security Solutions revenue by $0.2 million. For the six months ended June 30, 2024, Security Solutions revenue increased $6.0 million, or 7%, which was driven by an increase in demand for authentication solutions from existing customers, partially offset by modest declines in maintenance revenue, identity verification revenue, and lower quantities of hardware devices sold. Changes in foreign exchange rates for the six months ended June 30, 2024 compared to the same period in 2023 favorably impacted Security Solutions revenue by $0.1 million.

Our revenue is heavily influenced by the timing of orders and shipments, as well as the timing of customer renewals in any given period. As a result, we believe that the overall strength of our business is best evaluated over a longer term where the impact of transactions in any given period is not as significant as in a quarter-over-quarter comparison.

Revenue by Geographic Regions: We classify our sales by customer location in three geographic regions: 1) EMEA, which includes Europe, Middle East and Africa; 2) the Americas, which includes sales in North, Central, and South America; and 3) Asia Pacific (APAC), which also includes Australia, New Zealand, and India. The breakdown of revenue in each of our major geographic areas was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except percentages)	2024	2023	2024	2023
Revenue				
EMEA	$ 25,194	$ 26,539	$ 57,036	$ 54,359
Americas	21,099	18,331	42,443	38,829
APAC	14,631	10,863	26,288	20,152
Total revenue	$ 60,924	$ 55,733	$ 125,767	$ 113,340
% of Total Revenue				
EMEA	41 %	48 %	45 %	48 %
Americas	35 %	33 %	34 %	34 %
APAC	24 %	19 %	21 %	18 %

For the three months ended June 30, 2024, revenue generated in EMEA was $1.3 million, or 5%, lower than the same period in 2023, primarily due to a decrease in mobile solution products and lower hardware volumes from existing customers. For the six months ended June 30, 2024, revenue generated in EMEA was $2.7 million, or 5%, higher than the same period in 2023, primarily due to an increase in on-premises term subscription revenue from existing customer expansions in authentication products, partially offset by lower hardware revenue and mobile application security solutions.

For the three months ended June 30, 2024, revenue generated in the Americas was $2.8 million, or 15%, higher than the three months ended June 30, 2023. The increase was primarily driven by an increase in Digital Agreements revenue. For the six months ended June 30, 2024, revenue generated in the Americas was $3.6 million, or 9%, higher than the same period in 2023, primarily due to an increase in Digital Agreements revenue and software authentication products, partially offset by lower hardware revenue.

For the three months ended June 30, 2024, revenue generated in APAC was $3.8 million, or 35%, higher than the three months ended June 30, 2023. For the six months ended June 30, 2024, revenue generated in APAC was $6.1 million, or 30%, higher than the same period in 2023. The increase for both periods was driven by customer expansion in authentication and mobile solutions, higher customer purchase volumes of hardware products, and a higher average selling price.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold for our products and services for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except percentages)	**2024**	**2023**	**2024**	**2023**
Cost of goods sold				
Product and license	$ 11,247	$ 14,038	$ 20,953	$ 25,326
Services and other	9,336	7,401	17,078	14,434
Total cost of goods sold	$ 20,583	$ 21,439	$ 38,031	$ 39,760
Gross profit	$ 40,341	$ 34,294	$ 87,736	$ 73,580
Gross margin				
Product and license	65 %	54 %	70 %	60 %
Services and other	67 %	71 %	69 %	71 %
Total gross margin	66 %	62 %	70 %	65 %

The cost of product and license revenue decreased by $2.8 million, or 20%, and $4.4 million, or 17% during the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. The decrease in cost of product and license revenue for both the three and six months ended June 30, 2024 was driven primarily by flat to lower hardware revenue and lower third-party license costs, and the $1.6 million inventory non-cash impairment recognized in the prior year in conjunction with the discontinuation of investments in our Digipass CX product.

The cost of services and other revenue increased by $1.9 million, or 26%, and $2.6 million, or 18%, during the three and six months ended June 30, 2024, respectively, compared to the three and six months ended June 30, 2023. The increase in cost of services for both three and six months ended June 30, 2024 was largely due to higher cloud platform costs related to higher volume usage and the write-off associated with acquired technology and capitalized internally-developed software costs due to the decision to discontinue investment in blockchain technology.

Gross profit increased $6.0 million, or 18%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Gross profit margin was 66% for the three months ended June 30, 2024, compared to 62% for the three months ended June 30, 2023. Gross profit increased $14.2 million, or 19% during the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Gross profit margin was 70% for the six months ended June 30, 2024, compared to 65% for the six months ended June 30, 2023. The change in profit margin was driven primarily by higher revenue and the changes in costs of revenues discussed above.

The majority of our inventory purchases are denominated in U.S. Dollars. Our sales are denominated in various currencies, including the Euro. The impact of changes in currency rates are estimated to have had an favorable impact on overall cost of goods sold of less than $0.1 million for the three months ended June 30, 2024 and no impact on overall cost of goods sold for the six months ended June 30, 2024. Had currency rates during the three months ended June 30, 2024 been equal to rates in the comparable period of 2023, the gross profit margin would have been less than 1 percentage point lower, driven by the unfavorable currency rate impact to revenue. Had currency rates during the six months ended June 30, 2024 been equal to rates in the comparable period of 2023, the gross profit margin would have been less than 1 percentage point higher, driven by the favorable currency rate impact to revenue.

Additional information on our gross profit by segment follows.

- **Digital Agreements** gross profit increased $1.2 million, or 13%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. Digital Agreements gross margin for the three months ended June 30, 2024 was 63%, compared to 72% for the three months ended June 30, 2023. For the six months ended June 30, 2024, Digital Agreements gross profit increased $2.6 million, or 15%, compared to the comparable period in 2023. Digital Agreements gross margin for the six months ended June 30, 2024 was 66%, compared to 73% for the six months ended June 30, 2023. The increase in gross profit for both periods was driven by higher overall revenue, partially offset by higher cloud platform costs, higher depreciation of capitalized software costs, The decrease in gross margin for both periods is primarily the result of an increase in depreciation of capitalized software costs, including the write-off of the previously capitalized software, as compared to prior year.

- **Security Solutions** gross profit increased $4.9 million, or 19%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023, driven primarily by an increase in subscription revenue. Security Solutions gross margin for the three months ended June 30, 2024 was 67%, compared to 59% for the three months ended June 30, 2023. The increase in gross margin was primarily due to lower overall costs and the inventory impairment recognized in the prior year period. For the six months ended June 30, 2024, Security Solutions gross profit increased $11.6 million, or 20%, compared to the comparable period in 2023. The increase in gross profit was driven by an increase in subscription revenue, lower third-party license costs, and inventory impairments recognized in the prior year period. Security Solutions gross margin for the six months ended June 30, 2024 was 71%, compared to 63% for the six months ended June 30, 2023. The increase in gross margin was primarily due to more favorable revenue mix between software and hardware, more favorable customer mix in our hardware business, lower third-party license costs, and inventory impairments recognized in the prior year period.

Operating Expenses

Operating expenses decreased by $19.4 million, or 37%, during the three months ended June 30, 2024 compared to the three months ended June 30, 2023. For the three months ended June 30, 2024, changes in foreign exchange rates favorably impacted operating expenses by approximately $0.1 million as compared to the same period in 2023. Operating expenses decreased by $33.5 million, or 34%, during the six months ended June 30, 2024 compared to the six months ended June 30, 2023. For the six months ended June 30, 2024, changes in foreign exchange rates favorably impacted operating expenses by approximately $0.1 million as compared to the same period in 2023.

The following table presents the breakout of operating expenses by category as of June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Operating costs				
Sales and marketing	$ 10,510	$ 19,713	$ 23,437	$ 39,724
Research and development	8,341	10,090	16,600	19,553
General and administrative	11,557	15,826	21,564	32,479
Restructuring and other related charges	1,711	5,846	3,208	6,552
Amortization of intangible assets	585	583	1,180	1,166
Total operating costs	$ 32,704	$ 52,058	$ 65,989	$ 99,474

Sales and Marketing Expenses

Sales and marketing expenses for the three months ended June 30, 2024 decreased by $9.2 million, or 47%, compared to the three months ended June 30, 2023. Sales and marketing expenses for the six months ended June 30, 2024 decreased by $16.3 million, or 41%, compared to the six months ended June 30, 2023. The decreases were driven primarily by lower employee compensation costs which included decreases in commissions, salaries, and benefits as a result of headcount reductions, along with decreased marketing costs and travel and entertainment expenses.

Average full-time sales, marketing, support, and operating employee headcount for the three and six months ended June 30, 2024 was 166 and 175, respectively, compared to 380 and 368 for the three and six months ended June 30, 2023, respectively. Average headcount was 56% and 52% lower for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023.

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2024 decreased by $1.7 million, or 17%, compared to the three months ended June 30, 2023. Research and development expenses for the six months ended June 30, 2024 decreased by $3.0 million, or 15%, compared to the six months ended June 30, 2023. The decrease in expense was driven primarily by lower compensation costs as a result of lower headcount and lower consulting expenses related to our strategic transformation plan partially offset by lower year over year capitalized software.

Average full-time research and development employee headcount for the three and six months ended June 30, 2024 was 239 and 245, respectively, compared to 319 and 317 for the three and six months ended June 30, 2023, respectively. Average headcount was 25% and 23% lower for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2024 decreased by $4.3 million, or 27%, compared to the three months ended June 30, 2023. General and administrative expenses for the six months ended June 30, 2024 decreased by $10.9 million, or 34%, compared to the six months ended June 30, 2023. The decrease in expense for the both the three and six months ended June 30, 2024 as compared to the prior year period was largely driven by lower employee compensation costs, which included a decrease in salaries, payroll taxes, and related benefits as a result of lower headcount. Also, stock-based compensation expense was lower due to lower headcount, including the termination of our former CEO, and lower annual equity awards granted to employees. These decreases were offset by higher bonus accruals and other non-recurring expenses.

Average full-time general and administrative employee headcount for the three and six months ended June 30, 2024 was 101 and 106, respectively, compared to 149 and 148 for the three and six months ended June 30, 2023, respectively. Average headcount was 32% and 28% lower for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023.

Restructuring and Other Related Charges

Restructuring and other related charges for the three months ended June 30, 2024 decreased by $4.1 million, or 71%, compared to the three months ended June 30, 2023, driven by more significant headcount reduction, the termination of the Chicago lease, and discontinuing investments in our Digipass CX product during the three months ended June 30, 2023, partially offset by capitalized software and acquired technology write-offs incurred in 2024. Restructuring and other related charges for the six months ended June 30, 2024 decreased by $3.3 million, or 51%, compared to the six months ended June 30, 2023. The decrease was also driven by more significant headcount and the termination of the Chicago lease during the six months ended June 30, 2023, partially offset by capitalized software and acquired technology write-offs incurred in 2024.

Amortization of Intangible Assets

Amortization of intangible assets expense for the three months ended June 30, 2024 increased by less than $0.1 million, or 0%, compared to the three months ended June 30, 2023. Amortization of intangible assets expense for the six months ended June 30, 2024 increased by less than $0.1 million, or 1%, compared to the six months ended June 30, 2023.

Segment Operating Income (Loss)

Information on our operating income (loss) by segment follows.

- **Digital Agreements** operating loss for the three and six months ended June 30, 2024 was $0.2 million and $0.4 million, respectively, compared to an operating loss of $7.1 million and $13.2 million, respectively, for the three and six months ended June 30, 2023. The improvement in operating loss for the three and six months ended June 30, 2024 was driven by lower sales and marketing expenses and lower research and development expenses, including lower employee compensation costs, marketing expenses, travel and entertainment costs, partially offset by the write-off of the related acquired technology and previously capitalized software.

- **Security Solutions** operating income for the three months ended June 30, 2024 was $20.7 million, which was a year-over-year increase of $12.2 million, or 143%, from the three months ended June 30, 2023. Operating income for the six months ended June 30, 2024 was $46.6 million, which was a year-over-year increase of

$22.4 million, or 93% from the six months ended June 30, 2023. The increase was largely due to higher subscription revenue and lower sales and marketing expenses and research and development expenses.

Interest income, net

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Interest income, net	$ 521	$ 585	$ 622	$ 1,088

Interest income, net was $0.5 million for the three months ended June 30, 2024 compared to interest income, net of $0.6 million for the three months ended June 30, 2023. Interest income, net was $0.6 million for the six months ended June 30, 2024 compared to interest income, net of $1.1 million for the six months ended June 30, 2023. The decrease in interest income is due to lower excess cash invested in the periods compared to last year.

Other Income (Expense), net

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Other income (expense), net	$ 331	$ 29	$ 622	$ (11)

Other income (expense), net primarily includes subsidies received from foreign governments in support of our research and development in those countries, exchange gains (losses) on transactions that are denominated in currencies other than our subsidiaries' functional currencies, and other miscellaneous non-operational, non-recurring expenses.

Other income, net for the three and six months ended June 30, 2024 was $0.3 million and $0.6 million, respectively, and consisted mostly of transaction gains due to the favorable US dollar rate against other functional currencies. Other income (expense), net for both the three and six months ended June 30, 2023 was less than $0.1 million.

Provision for Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Provision for income taxes	$ 1,936	$ 601	$ 2,970	$ 1,290

We recorded income tax expense of $1.9 million and $0.6 million for the three months ended June 30, 2024 and 2023, respectively. Higher income tax expense for the three months ended June 30, 2024 was primarily attributable to an increase in income before taxes. We recorded income tax expense of $3.0 million and $1.3 million for the six months ended June 30, 2024 and 2023, respectively. Higher income tax expense for the six months ended June 30, 2024 was primarily attributable to an increase in income before taxes, offset by a $1.1 million benefit recorded related to a Belgium audit (see Note 12, *Income Taxes*).

Liquidity and Capital Resources

At June 30, 2024, we had cash and cash equivalent balances of $63.8 million. Our cash and cash equivalents balance includes U.S. treasury bills and money market funds with maturities at acquisition of less than three months.

At December 31, 2023, we had cash and cash equivalent balances of $43.0 million.

The Company is party to lease agreements that require letters of credit to secure the obligations which totaled $0.5 million and $0.4 million at June 30, 2024 and December 31, 2023, respectively. Additionally, the Company maintained a cash guarantee with a payroll vendor in the amount of $0 and $0.1 million at June 30, 2024 and December 31, 2023, respectively. The restricted cash related to the letters of credit and the payroll vendor cash guarantee is recorded in "Restricted cash" on the condensed consolidated balance sheets.

As of June 30, 2024, we held $56.4 million of cash and cash equivalents in subsidiaries outside of the United States. Of that amount, $55.3 million is not subject to repatriation restrictions, but may be subject to taxes upon repatriation.

We believe that our financial resources are adequate to meet our operating needs over the next twelve months.

Our cash flows are as follows:

	Six Months Ended June 30,	
(In thousands)	2024	2023
Cash provided by (used in):		
Operating activities	$ 29,262	$ (6,390)
Investing activities	(5,360)	(5,975)
Financing activities	(2,031)	(1,546)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,098)	624

Operating Activities

Cash used in operating activities primarily consists of net income (loss), as adjusted for non-cash items, and changes in operating assets and liabilities. Non-cash adjustments consist primarily of allowance for doubtful accounts, amortization of intangible assets, asset write-offs, deferred taxes, depreciation of property and equipment, and stock-based compensation. We expect cash inflows from operating activities to be affected by increases or decreases in sales and timing of collections. Our primary uses of cash from operating activities have been for personnel and vendor costs. We expect cash outflows from operating activities to be affected by changes in personnel costs and the payment of expenditures.

For the six months ended June 30, 2024, $29.3 million of cash was provided by operating activities. This was driven by a net income for the period and a decrease in our accounts receivable balance, partially offset by decreases in deferred revenues and accrued expenses. For the six months ended June 30, 2023, $6.4 million of cash was used in operating activities.

Our working capital at June 30, 2024 was $50.2 million compared to $31.5 million at December 31, 2023. The increase was driven by lower deferred revenue and accounts payable balances and increased cash and cash equivalents, partially offset by lower accounts receivable.

Investing Activities

The changes in cash flows from investing activities primarily relate to timing of purchases, maturities and sales of investments, purchases of property and equipment, capitalized software activities, and activity in connection with acquisitions. We expect to continue to purchase property and equipment to support the growth of our business as well as to continue to invest in our infrastructure and activity in connection with acquisitions.

For the six months ended June 30, 2024, net cash used in investing activities was $5.4 million, compared to net cash used in investing activities of $6.0 million for the six months ended June 30, 2023. Cash used in investing activities primarily consisted of additions to property and equipment, net. For the six months ended June 30, 2023, net cash used in investing activities consisted of additions to property and equipment, net, and the purchase of ProvenDB.

Financing Activities

The changes in cash flows from financing activities primarily relate to the purchases of common stock under our share repurchase program and tax payments for restricted stock issuances.

Cash of $2.0 million used in financing activities during the six months ended June 30, 2024 was attributable to tax payments for stock issuances and cash paid for the holdback component of the ProvenDB acquisition. Cash of $1.5 million used in financing activities during the six months ended June 30, 2023 was attributable to tax payments for stock issuances.

Key Business Metrics and Non-GAAP Financial Measures

In our quarterly earnings press releases and conference calls, we discuss the below key metrics and financial measures that are not calculated according to generally accepted accounting principles ("GAAP"). These metrics and non-GAAP financial measures help us monitor and evaluate the effectiveness of our operations and evaluate period-to-period comparisons. Management believes that these metrics and non-GAAP financial measures help illustrate underlying trends in our business. We use these metrics and non-GAAP financial measures to establish budgets and operational goals (communicated internally and externally), manage our business and evaluate our performance. We also believe that both management and investors benefit from referring to these metrics and non-GAAP financial measures as supplemental information in assessing our performance and when planning, forecasting, and analyzing future periods. We believe these metrics and non-GAAP financial measures are useful to investors both because they allow for greater transparency with respect to financial measures used by management in their financial and operational decision-making and also because they are used by investors and the analyst community to help evaluate the health of our business.

Annual Recurring Revenue

We use annual recurring revenue, or ARR, as an approximate measure to monitor the growth of our recurring business. ARR represents the annualized value of the active portion of SaaS, term-based license, and maintenance and support contracts at the end of the reporting period. ARR is calculated as the approximate annualized value of our customer recurring contracts as of the measurement date. These include subscription, term-based license, and maintenance and support contracts and exclude one-time fees. For term-based license arrangements, the amount included in ARR is consistent with the amount that we invoice the customer annually for the term-based license transaction. A customer with a one-year term-based license contract will be invoiced for the total value of the contract at the beginning of the contractual term, while a customer with a multi-year term-based license contract will be invoiced for each annual period at the beginning of each year of the contract. For contracts that include annual values that increase over time because there are additional deliverables in subsequent periods, we include in ARR only the annualized value of components of the contract that are considered active as of the date of the ARR calculation. We do not include the future committed increases in the contract value as of the date of the ARR calculation.

We consider a contract to be active from when the product or service contractual term commences (the "start date") until the right to use the product or service ends (the "expiration date"). Even if the contract with the customer is executed before the start date, the contract will not count toward ARR until the customer right to receive the benefit of the products or services has commenced.

To the extent that we are negotiating a renewal with a customer within 90 days after the expiration of a recurring contract, we continue to include that revenue in ARR if we are actively in discussions with the customer for a new recurring contract or renewal and the customer has not notified us of an intention not to renew. We exclude from the calculation of ARR renewal contracts that are more than 90 days after their expiration date, even if we are continuing to negotiate a renewal at that time.

ARR is not calculated based on recognized or unearned revenue and there is no direct relationship between revenue recognized in accordance with ASC 606 and the Company's ARR business metric. We believe ARR is a valuable operating measure to assess the health of our SaaS, term-based license, and maintenance and support contracts because it illustrates our customer recurring contracts as of the measurement date. ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates, and does not include revenue from perpetual licenses, purchases of Digipass authenticators, training, professional services or other sources of revenue that are not deemed to be recurring in nature.

ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. Investors should consider our ARR operating measure only in conjunction with our GAAP financial results.

At June 30, 2024, we reported ARR of $165.3 million, which was 15% higher than ARR of $144.4 million at June 30, 2023. Changes in foreign exchange rates during the six months ended June 30, 2024 as compared to the prior year positively impacted ARR by approximately $0.2 million. ARR growth was primarily driven by an increase in subscription contracts and new logos. Like prior quarters, ARR was impacted by increased deal scrutiny requiring additional approvals, continued longer sales cycles, timing of contract renewals, and our decision to discontinue certain product portfolio offerings.

Net Retention Rate

Net Retention Rate, or NRR, is defined as the approximate year-over-year percentage growth in ARR from the same set of customers at the end of the prior year period. It measures our ability to increase revenue across our existing customer base through expanded use of our platform, offset by customers whose subscription contracts with us are not renewed or renew at a lower amount. The Company's ability to drive growth and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with customers. NRR is an important way in which we track our performance in this area.

We reported NRR of 112% and 106% at June 30, 2024 and 2023, respectively. Year-over-year, NRR was primarily impacted by the same factors that affected ARR, as discussed above.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation, amortization, long-term incentive compensation, restructuring and other related charges, and certain non-recurring items, including acquisition related costs, rebranding costs, and non-routine shareholder matters. Adjusted EBITDA is a non-GAAP financial metric. We use Adjusted EBITDA as a simplified measure of performance for use in communicating our performance to investors and analysts and for comparisons to other companies within our industry. As a performance measure, we believe that Adjusted EBITDA presents a view of our operating results that is most closely related to serving our customers. By excluding interest, taxes, depreciation, amortization, long-term incentive compensation, restructuring costs, and certain other non-recurring items, we are able to evaluate performance without considering decisions that, in most cases, are not directly related to meeting our customers' requirements and were either made in prior periods (e.g., depreciation, amortization, long-term incentive compensation, non-routine shareholder matters), deal with the structure or financing of the business (e.g., interest, one-time strategic action costs, restructuring costs, impairment charges) or reflect the application of regulations that are outside of the control of our management team (e.g., taxes). In addition, removing the impact of these items helps us compare our core business performance with that of our competitors.

The following table reconciles net income (loss) as reported on our condensed consolidated statements of operations to Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2024	2023	2024	2023
Net income (loss)	$ 6,553	$ (17,751)	$ 20,021	$ (26,107)
Interest income, net	(521)	(585)	(622)	(1,088)
Provision for income taxes	1,936	601	2,970	1,290
Depreciation and amortization of intangible assets (1)	2,063	1,516	4,145	2,835
Long-term incentive compensation (2)	1,994	4,571	3,615	8,494
Restructuring and other related charges (3)	3,218	5,846	4,734	6,552
Other non-recurring items (4)	906	1,974	1,077	2,559
Adjusted EBITDA	$ 16,149	$ (3,828)	$ 35,940	$ (5,465)

(1) Includes cost of sales depreciation and amortization expense directly related to delivering cloud subscription revenue of $0.9 million and $1.7 million for the three and six months ended June 30, 2024, respectively, and $0.2 million and $0.3 million for the three and six months ended June 30, 2023, respectively. Costs are recorded in "Services and other cost of goods sold" on the condensed consolidated statements of operations.

(2) Long-term incentive compensation includes stock-based compensation and cash incentive grants awarded to employees located in jurisdictions where we do not issue stock-based compensation due to tax, regulatory or similar

reasons. The immaterial expense associated with these cash incentive grants was $0.1 million for both the three months ended June 30, 2024 and 2023 and $0.2 million for both the six months ended June 30, 2024 and 2023.

(3) Includes write-offs of intangible assets and property and equipment, net of $0.8 million and $1.0 million, respectively, for the three and six months ended June 30, 2024 and $0 for both the three and six months ended June 30, 2023. Costs are recorded in "Services and other cost of goods sold" and "Restructuring and other related charges," respectively, on the condensed consolidated statements of operations.

Includes immaterial restructuring and other related charges of less than $0.1 million for both the three and six months ended June 30, 2024 and $0 for both the three and six months ended June 30, 2023. These charges are recorded in "Services and other cost of goods sold" on the condensed consolidated statements of operations.

(4) For the three months ended June 30, 2024, other non-recurring items consist of $0.9 million of fees related to non-recurring projects.

For the three months ended June 30, 2023, other non-recurring items consist of $1.6 million of inventory impairment charges and $0.4 million of fees related to non-recurring projects.

For the six months ended June 30, 2024, other non-recurring items consist of $1.1 million of fees related to non-recurring projects.

For the six months ended June 30, 2023, other non-recurring items consist of $1.6 million of inventory impairment charges and $1.0 million of fees related to non-recurring projects and our acquisition of ProvenDB.

Adjusted EBITDA for the three months ended June 30, 2024 was $16.1 million compared to $(3.8) million for the three months ended June 30, 2023. Adjusted EBITDA for the six months ended June 30, 2024 was $35.9 million compared to $(5.5) million for the six months ended June 30, 2023. The increase for both periods was driven largely by higher revenue and gross profit, as well as lower operating expenses as a result of the restructuring activities. Year-over-year changes in foreign exchange rates unfavorably impacted Adjusted EBITDA by approximately $0.2 million for the three months ended June 30, 2024 and favorably impacted Adjusted EBITDA by approximately $0.1 million for the six months ended June 30, 2024.

Critical Accounting Policies

Our accounting policies are fully described in Note 1, *Summary of Significant Accounting Policies*, to our Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2023 and Note 2, *Summary of Significant Accounting Policies,* of our interim Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for the three months ended June 30, 2024.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our market risk during the three months ended June 30, 2024. For additional information, refer to Part II, Item 7A, *Quantitative and Qualitative Disclosures about Market Risk*, included in our Form 10-K.

Item 4 - Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2024, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in the Company’s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended June 30, 2024.

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings

We are subject to certain legal proceedings and claims incidental to the operation of our business. We are also subject to certain other legal proceedings and claims that have arisen in the ordinary course of business that have not been fully adjudicated. We currently do not anticipate that these matters, if resolved against us, will have a material adverse impact on our financial results.

For further information regarding our legal proceedings and claims, see Note 15, *Legal Proceedings and Contingencies*, included in Part I, Item 1, *Condensed Consolidated Financial Statements*, of this Quarterly Report on Form 10-Q.

Item 1A – Risk Factors

There were no material changes to the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 6, 2024.

Item 2 – Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

The following table provides information about purchases by the Company of its shares of common stock during the second quarter of 2024:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1, 2024 through April 30, 2024	—	$ —	—	$ 15,762,798
May 1, 2024 through May 31, 2024	—	$ —	—	$ 50,000,000
June 1, 2024 through June 30, 2024	—	$ —	—	$ 50,000,000

(1) On May 9, 2024, the Board of Directors terminated the stock repurchase program adopted on May 11, 2022 and adopted a new stock repurchase program under which the Company is authorized to repurchase up to $50.0 million of our issued and outstanding shares of common stock. Share purchases under the program will take place in open market transactions, privately negotiated transactions or tender offers, and may be made from time to time depending on market conditions, share price, trading volume, and other factors. The timing of the repurchases and the amount of stock repurchased in each transaction is subject to our sole discretion and will depend upon market and business conditions, applicable legal and credit requirements, and other corporate considerations. The authorization is effective until May 9, 2026 unless the total amount has been used or authorization has been cancelled.

Item 6 - Exhibits

Exhibit 10.1 - Form of Performance-Based RSU Agreement under the Registrant’s 2019 Omnibus Incentive Plan

Exhibit 10.2 - Form of Time-Based RSU Agreement (Executive) under the Registrant’s 2019 Omnibus Incentive Plan

Exhibit 31.1 – Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 1, 2024.

Exhibit 31.2 – Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated August 1, 2024.

Exhibit 32.1 – Section 1350 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 1, 2024.

Exhibit 32.2 – Section 1350 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August, 1 2024.

Exhibit 101.INS – Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

Exhibit 101.SCH – Inline XBRL Taxonomy Extension Schema Document

Exhibit 101.CAL – Inline XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.LAB – Inline XBRL Taxonomy Extension Label Linkbase Document

Exhibit 101.PRE – Inline XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 101.DEF – Inline XBRL Taxonomy Extension Definition Linkbase Document

Exhibit 104 – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 1, 2024.

OneSpan Inc.

/s/ Victor Limongelli

Victor Limongelli
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jorge Martell

Jorge Martell
Chief Financial Officer
(Principal Financial and Accounting Officer)

AWARD AGREEMENT FOR PERFORMANCE-BASED RESTRICTED STOCK UNITS UNDER THE ONESPAN INC. 2019 OMNIBUS INCENTIVE PLAN

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "**Agreement**") is made as of , 2024 (the "**Effective Date**"), between OneSpan Inc. (the "**Company**") and the individual identified on the signature page and Exhibit A hereto (the "**Grantee**").

WHEREAS, the Company maintains the OneSpan Inc. 2019 Omnibus Incentive Plan (as amended, the "**Plan**") for the benefit of its employees, directors, consultants, and other individuals who provide services to the Company; and

WHEREAS, to further align the Grantee's personal financial interests with those of the Company's stockholders, the Company has approved the award to the Grantee of restricted stock units with respect to shares of Common Stock (as defined below), subject to the restrictions, terms and conditions contained in the Plan and this Agreement.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Pursuant to Article IV of the Plan, the Company hereby grants to the Grantee an award of performance-based restricted stock units (the "**Restricted Stock Units**") with respect to the number of shares of the Company's common stock, par value of $0.001 per share (the "**Common Stock**"), as set forth on Exhibit A hereto, subject to the terms and conditions set forth in this Agreement and in the Plan. The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined in this Agreement have the meanings set forth in the Plan.

2. Vesting of Restricted Stock Units. The Restricted Stock Units will become vested in accordance with this Section 2.

(a) Performance Period. The number of Restricted Stock Units that are earned (the "**Earned RSUs**") shall be determined by the Compensation Committee of the Company's Board of Directors (the "**Committee**"), in its sole and absolute discretion in accordance with Exhibit A attached hereto, based upon the Company's achievement relative to Performance Targets established by the Committee for the performance period that commenced on **January 1, 2024** and will end on **December 31, 2024** (the "**Performance Period**"). The Grantee shall vest in one-third of any Earned RSUs on the First Vesting Date, one-third of any Earned RSUs on December 31, 2025, and one-third of any Earned RSUs on December 31, 2026 (each such date, a "**Vesting Date**"), subject in each case to the Grantee's continued service to the Company through the applicable Vesting Date. The "**First Vesting Date**" shall be the later to occur of (i) the date the Committee determines the Company's achievement relative to the Performance Targets for the Performance Period, which is expected to occur no later than February 28, 2025, and (ii) the first anniversary of the Effective Date. The Performance Targets for the Performance Period are defined and set forth on Exhibit A attached hereto. For the avoidance of doubt, and subject to Exhibit A, (i) the Restricted Stock Units shall be automatically forfeited in their entirety if the Performance Targets are not achieved at least at target level and if the Grantee does not remain in the service of the Company through a Vesting Date, any Earned RSUs that would have vested on such Vesting Date and any future Vesting Dates will be automatically forfeited in their entirety, except as otherwise provided for herein and (ii) the financial metrics used for purposes of the Performance Targets may be defined and/or calculated differently from similar metrics that the Company reports in its quarterly earnings releases and reports filed with the U.S. Securities & Exchange Commission.

(b) In the event of the occurrence of a Change in Control that is a Company Transaction prior to the expiration of the Performance Period the number of Restricted Stock Units that are determined to be Earned RSUs shall be the number of Restricted Stock Units at the target (100%) payout level, prorated based on the ratio of (x) the number of days that have elapsed in the Performance Period up to and including the date of such Change in Control to (y) the total number of days in the Performance Period; provided, however, that if the Company Transaction is a sale of assets or otherwise does not result in direct receipt of consideration by the holders of Common Stock, the Grantee shall receive upon vesting of such Earned RSUs pursuant to Section 2(c) hereof, in exchange for and in lieu of shares of Common Stock in respect of such Earned RSUs, a cash payment equal to the product of (1) the value of the deemed per share consideration received by the Company in the Company Transaction, in each case as determined by the Committee, multiplied by (2) the number of shares of Common Stock that would have otherwise been delivered in respect of the Earned RSUs. For the avoidance of doubt, if the Change in Control occurs following the conclusion of the Performance Period, then the number of Earned RSUs under this Agreement shall be determined based on actual performance and shall not be reduced on a prorated basis.

(c) If, on or within 18 months following a Change in Control and prior to any Vesting Date, either (x) the Grantee's employment is terminated by the Company other than for Cause or (y) the Grantee resigns from employment with the Company for Good Reason, and subject to the Grantee executing the Company's standard release of claims which becomes effective in accordance with its terms within 60 days following such termination of employment, then the number of then-outstanding Earned RSUs determined in accordance with this Section 2 shall become vested immediately prior to (and contingent upon) such termination of employment.

(d) If (x) the Grantee's service with the Company ceases by reason of the Grantee's death or termination by the Company due to Disability prior to the expiration of the Performance Period, 100% of the Restricted Stock Units based upon the target (100%) payout level shall become vested immediately prior to (and contingent on) the occurrence of such death or termination by the Company due to Disability or (y) the Grantee's service with the Company ceases by reason of the Grantee's death or termination by the Company due to Disability following the conclusion of the Performance Period and prior to any Vesting Date, any then-outstanding Earned RSUs shall become vested immediately prior to (and contingent on) the occurrence of such death or termination by the Company due to Disability. Notwithstanding the foregoing, a Disability shall not qualify if it is the result of (A) a willfully self-inflicted injury or willfully self-induced sickness; or (B) an injury or disease contracted, suffered, or incurred while participating in a criminal offense. The determination of Disability for purposes of this Agreement shall not be construed to be an admission of disability for any other purpose.

(e) Except as provided in this Agreement or in any other agreement between the Grantee and the Company or any of its Subsidiaries that is in effect as of the Effective Date, upon cessation of the Grantee's service with the Company for any reason or for no reason (and whether such cessation is initiated by the Company, the Grantee or otherwise): (i) any Restricted Stock Units that have not, prior to such cessation, become vested shall immediately and automatically, without any action on the part of the Company or the Grantee, be forfeited, and (ii) the Grantee shall have no further rights with respect to those Restricted Stock Units (or the underlying shares of Common Stock).

(f) For purposes of this Agreement, service with the Company shall be deemed to include service with any Subsidiary of the Company for only so long as such entity remains a Subsidiary.

(g) For purposes of this Agreement, "**Good Reason**" has the meaning given to it in the employment agreement in effect as of the Effective Date between the Grantee and Company, including, for avoidance of doubt, the written notice, cure period, and resignation timing requirements applicable to a termination due to Good Reason under the employment agreement; provided, however, in the event the Grantee is not subject to an employment agreement as of the Effective Date or if an employment agreement in effect as of the Effective Date does not define "Good Reason" or a similar term, then "**Good Reason**" means, without the Grantee's consent:

(i) The Company materially breaches the Company's obligations under any employment, consulting, or other agreement between the Grantee and the Company (each, a "**Company Agreement**"), provided that a change in reporting relationship shall not be deemed a material breach;

(ii) A reduction in Grantee's base salary below the base salary in effect during the immediately preceding year, unless such reduction is commensurate with and part of a general salary reduction program applicable to all senior executives of the Company;

(iii) A requirement that Grantee relocate Grantee's primary place of work by more than 45 miles (including a requirement that Grantee work primarily at a Company office that is located more than 45 miles from the location of Grantee's home office), provided that travel required in connection with the Grantee's performance of Grantee's duties will not be treated as a violation of this clause (iii); and

(iv) Any material diminution of Grantee's authority, duties or responsibilities (provided that a diminution that results in Grantee having authority, duties, or responsibilities with respect to the business represented by the Company that are reasonably comparable to those in effect before the Change in Control shall not be treated as Good Reason);

provided, however, that, (a) Grantee has provided written notice describing such Good Reason in reasonable detail to the Company within 90 days of the initial occurrence of such Good Reason event, (b) the Company failed to cure such Good Reason within 30 days of receipt of such written notice from Grantee, and (c) Grantee's resignation occurs within 60 days following the end of the cure period; provided, further, that in the case of clauses (ii) and (iv), an act or omission shall not constitute Good Reason if Grantee has incurred a Disability.

(h) For purposes of this Agreement, "**Cause**" and "**Wrongful Act**" mean:

(i) Grantee materially breaches Grantee's obligations under any Company Agreement;

(ii) Grantee materially breaches Grantee's obligations under the Company's Code of Ethics and Conduct (or any successor thereto) or an established policy of the Company;

(iii) Grantee engages in conduct prohibited by law (other than minor violations), commits an act of dishonesty, fraud, or serious or willful misconduct in connection with Grantee's job duties, or engages in unethical or immoral conduct that, in the reasonable judgment of the Committee, could injure the integrity, character or reputation of Company;

(iv) Grantee fails or refuses to perform, or habitually neglects, Grantee's duties and responsibilities under any Company Agreement (other than on account of Disability), and continues such failure, refusal or neglect after having been given written notice by the Company that specifies what duties Grantee failed to perform and an opportunity to cure of 30 days;

(v) Subject to Section 10, use or disclosure by Grantee of confidential information or trade secrets other than in the furtherance of the Company's (or its Subsidiaries') business interests, or other violation of a fiduciary duty to the Company (including, without limitation, entering into any transaction or contractual relationship causing diversion of business opportunity from the Company or any of its Subsidiaries (other than with the prior written consent of the Board));

(vi) Grantee fails to reasonably cooperate with any audit or investigation involving the Company or its business practices after having been given written notice by the

Company that specifies Grantee’s failure to cooperate and an opportunity to cure of ten days; or

(vii)Any other act or omission on the part of the Grantee that would constitute just cause for termination under applicable law.

(i) For purposes of this Agreement, “**Disability**” means a mental or physical impairment of Grantee that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes Grantee to be unable to perform his or her material duties for the Company and to be engaged in any substantial gainful activity, in each case as determined by the Company’s chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Committee, whose determination shall be conclusive and binding. The determination of Disability for purposes of this Agreement shall not be construed to be an admission of disability for any other purpose.

3. **Delivery of Common Stock Underlying Restricted Stock Units** Within 60 days after the vesting of any Restricted Stock Units (or such later date as may be required to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“**Section 409A**”)), the Company will issue or deliver, subject to the conditions of this Agreement, the shares of Common Stock in respect of the then-vested Earned RSUs to Grantee. Such issuance or delivery shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided herein. Prior to the issuance to Grantee of the shares of Common Stock subject to the Restricted Stock Units, Grantee shall have no direct or secured claim in any specific assets of the Company or in such shares, and will have the status of a general unsecured creditor of the Company.

4. **Adjustments.** In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation— Stock Compensation) that causes the per share value of shares of Common Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of this Agreement, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of the Grantee. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5. **Rights as a Stockholder**. The Grantee shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to the Restricted Stock Units (including the right to vote) until the underlying Common Stock becomes vested pursuant to Section 2 and the Grantee becomes a stockholder of record with respect to such shares, except that the Grantee shall be entitled to receive dividend equivalents related to the Restricted Stock Units equal in amount to the dividends declared on the underlying shares of Common Stock that become vested pursuant to this Agreement. Dividend equivalent amounts shall accrue and be paid or distributed in cash at the same time the underlying shares of Common Stock are distributed to Grantee in accordance with Section 3.

6. Tax Consequences.

(a) The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant or vesting of the Restricted Stock Units, the dividend equivalents contemplated hereunder or the delivery of the Common Stock underlying the Restricted Stock Units. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) will be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) As a condition precedent to the delivery of the shares of Common Stock upon the vesting of the Restricted Stock Units, the Grantee acknowledges and agrees that the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "**Required Tax Payments**") with respect to such shares of Common Stock. If the Grantee has not been given permission by the Company to advance the Required Tax Payments in cash, then the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Grantee.

(c) The obligation to advance the Required Tax Payments by the Grantee shall by default take place by the Company withholding whole shares of Common Stock which would otherwise be delivered to the Grantee having an aggregate Fair Market Value, determined as of the applicable date, equal to the Required Tax Payments. Shares of Common Stock to be withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Grantee. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full.

7. Nontransferability of Award. The Grantee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any of the Restricted Stock Units until the Restricted Stock Units become vested and settled in accordance with Section 2; provided, however, that the restrictions of this Section 7 shall not apply to any transfer (i) pursuant to applicable laws of descent and distribution or (ii) among Grantee's family group; provided that such restrictions will continue to be applicable to the Restricted Stock Units after any such transfer and the transferees of such Restricted Stock Units have agreed in writing to be bound by the provisions of this Agreement. Grantee’s "family group" means Grantee’s spouse and descendants (whether natural or adopted) and any trust solely for the benefit of Grantee and/or Grantee’s spouse and/or descendants during Grantee’s lifetime.

8. Securities Laws. The Company may from time to time impose any conditions on the Restricted Stock Units or any underlying shares of Common Stock as it deems necessary or advisable to ensure that this Agreement and the Plan satisfies the conditions of Rule 16b-3 adopted under the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”), and otherwise complies with applicable rules and laws.

9. Recoupment of Award.

(a) If Grantee is currently an officer of the Company as defined in Rule 16a-1(f) under the Exchange Act (a “**Section 16 Officer**”), or is designated by the Company’s Board of Directors as a Section 16 Officer in the future, Grantee agrees and acknowledges that Grantee is (or will be upon designation as a Section 16 Officer, as applicable) bound by, and subject to, all of the terms and conditions of the Company’s Dodd-Frank Compensation Recoupment Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the “**Clawback Policy**”). In the event of any inconsistency between the Clawback Policy and the terms of this Agreement or any employment agreement to which Grantee is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Clawback Policy shall govern. In the event it is determined that any compensation or compensatory awards granted, earned or paid to Grantee must be forfeited or reimbursed to the Company pursuant to the Clawback Policy, Grantee will promptly take any action necessary to effectuate such forfeiture and/or reimbursement as determined by the Company.

(b) Notwithstanding anything in this Agreement to the contrary, if the Company’s Board of Directors determines that the Grantee’s Wrongful Act was a significant contributing factor to the Company having to prepare an Accounting Restatement, then in addition to any Erroneously Awarded Compensation recoverable from Grantee under the Clawback Policy, but without duplication thereof, all outstanding Restricted Stock Units will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any shares of Common Stock, cash or other property paid in respect of any Restricted Stock Units during the Recovery Period. As used in this paragraph, the terms Accounting Restatement, Erroneously Awarded Compensation, and Recovery Period have the meanings given to them in the Clawback Policy.

10. Protected Rights. Grantee understands that nothing contained in this Agreement limits Grantee’s ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the

Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("**Government Agencies**"). Grantee further understands that this Agreement does not limit Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit Grantee's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

11. Compliance with Section 409A. The Restricted Stock Units are intended to be exempt from or comply with Section 409A, and shall be interpreted and construed accordingly, and each payment hereunder shall be considered a separate payment. To the extent this Agreement provides for the Restricted Stock Units to become vested and be settled upon the Grantee's termination of employment, the applicable shares of Common Stock shall be transferred to the Grantee or his or her beneficiary upon the Grantee's "separation from service," within the meaning of Section 409A. Notwithstanding any other provision in this Agreement, to the extent any payments hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A, then (a) each such payment which is conditioned upon Grantee's execution of a release of claims and which is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years, and (b) if Grantee is a specified employee (within the meaning of Section 409A) as of the date of Grantee's separation from service, each such payment that is payable upon Grantee's separation from service and would have been paid prior to the six-month anniversary of Grantee's separation from service, shall be delayed until the earlier to occur of (i) the first day of the seventh month following the Grantee's separation from service or (ii) the date of Grantee's death.

12. General Provisions

(a) This Agreement and the Plan together represent the entire agreement between the parties with respect to the granting of the Restricted Stock Units and may only be modified or amended in a manner materially adverse to the Grantee in writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement must be in writing and will be deemed given (i) on the date and at the time delivered via personal, courier or recognized overnight delivery service, (ii) if sent via telecopier on the date and at the time telecopied with confirmation of delivery, (iii) if sent via email or other electronic delivery and receipt is confirmed, on the date and at the time received, or (iv) if mailed, on the date five days after the date of the mailing (which must be by registered or certified mail). Delivery of a notice by telecopy (with confirmation) or by email or other electronic delivery (with confirmation or receipt) will be permitted and will be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to Grantee under this

Agreement will be made to Grantee at the address (or telecopy number, email or other electronic address, as the case may be) listed in the Company’s personnel files. If directed to the Company, any such notice, demand or request will be sent to the Corporate Secretary at the Company’s principal executive office, or such other address or person as the Company may hereafter specify in writing.

(c) The Company may condition delivery of certificates for shares of Common Stock subject to the Restricted Stock Units (or, if the shares are not certificated, the entry in the stock record books of the Company of the transfer to the Grantee of the shares of Common Stock) upon the prior receipt from Grantee of any undertakings which it may determine are required to assure that the certificates are being issued in compliance with federal and state securities laws.

(d) The Grantee has received a copy of the Plan and the Clawback Policy, has read the Plan and the Clawback Policy and is familiar with their terms, and hereby accepts the Restricted Stock Units subject to all of the terms and provisions of the Plan, as amended from time to time, the Clawback Policy and this Agreement. Pursuant to the Plan, the Board and the Committee are authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as they deem appropriate. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan, the Clawback Policy and this Agreement.

(e) Subject to Section 7, neither this Agreement nor any rights or interest hereunder will be assignable by the Grantee, the Grantee’s beneficiaries or legal representatives, and any purported assignment in violation hereof will be null and void.

(f) Either party’s failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party’s right to assert all other legal remedies available to it under the circumstances.

(g) The grant of Restricted Stock Units hereunder does not confer upon the Grantee any right to continue in service with the Company.

(h) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Delaware, without regard to the application of the principles of conflicts or choice of laws.

(i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument. In the event that any signature to this Agreement is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file or picture format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such electronic facsimile signature page were an original thereof. The parties confirm that it is their wish that this Agreement may be executed by means of electronic signature.

(j) The parties hereto have expressly required that this Agreement and any other contract or document relating thereto be drafted in the English language. All other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, shall be drawn up in English. If the Grantee has received the Agreement or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

[SIGNATURE PAGE TO AWARD AGREEMENT FOR PERFORMANCE-BASED RESTRICTED STOCK UNITS]

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement intending it to be effective as of the first date written above.

ONESPAN INC.

By: ____

Name:

Its:

GRANTEE

Name:

Signature:

Exhibit A

GRANTEE SPECIFIC INFORMATION:

Grantee	Target $ USD	Grant Date	Target # of Restricted Stock Units

Performance Targets

The number of Earned RSUs, if any, will be dependent on the Company's achievement of the Performance Targets as defined below:

The "**Performance Targets**" for the RSUs consist of the following metrics and weightings:

Metric	***Weighting***	***Awarded RSUs (Target Level)***
2024 AEBITDA	50%	
2024 Rule of 40 Attainment	50%	

For purposes of this Agreement, the Committee may make adjustments in its sole discretion to Performance Targets (including adjustments to the target and maximum achievement levels) or to the deemed achievement of Performance Targets to include, exclude or otherwise address the impact of any one or more of the following:

- mergers, acquisitions or divestitures;
- reorganizations;
- restructuring charges or transactions;
- extraordinary nonrecurring items; or
- other unexpected activities, developments, trends or events.

The Performance Target metrics shall be subject to a target and maximum achievement level and linear interpolation between the two performance levels as follows:

2024 AEBITDA	**Earned RSUs as a percentage of Awarded RSUs**	**Target**	**Earned RSUs**
Target	100%		
Maximum	125%		

2024 Rule of 40 Attainment	**Earned RSUs as a percentage of Awarded RSUs**	**Target**	**Earned RSUs**
Target	100%		
Maximum	125%		

AWARD AGREEMENT FOR TIME-BASED RESTRICTED STOCK UNITS
UNDER THE
ONESPAN INC. 2019 OMNIBUS INCENTIVE PLAN

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "**Agreement**") is made as , 2024 (the "**Effective Date**"), between OneSpan Inc. (the "**Company**") and the individual identified on the signature page and Exhibit A hereto (the "**Grantee**").

WHEREAS, the Company maintains the OneSpan Inc. 2019 Omnibus Incentive Plan (as amended, the "**Plan**") for the benefit of its employees, directors, consultants, and other individuals who provide services to the Company; and

WHEREAS, to further align the Grantee's personal financial interests with those of the Company's stockholders, the Company wishes to award the Grantee restricted stock units with respect to shares of Common Stock (as defined below), subject to the restrictions, terms and conditions contained in the Plan and this Agreement.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties, intending to be legally bound hereby, agree as follows:

1. **Grant of Restricted Stock Units**. Pursuant to Article III of the Plan, the Company hereby grants to the Grantee an award of restricted stock units (the "**Restricted Stock Units**") with respect to the number of shares of the Company's common stock, par value of $0.001 per share (the "**Common Stock**"), as set forth on Exhibit A hereto, subject to the terms and conditions set forth in this Agreement and in the Plan. The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined in this Agreement have the meanings set forth in the Plan.

2. **Vesting of Restricted Stock Units**. The Restricted Stock Units will become vested in accordance with this Section 2.

(a) Restricted Stock Units will become vested in accordance with the vesting schedule set forth on Exhibit A hereto, provided that on each vesting date, the Grantee has, from the date hereof or as otherwise provided for herein, continuously provided services to the Company.

(b) If the Grantee's employment with the Company terminates as a result of death or by the Company due to Disability and, in the case of termination due to Disability, subject to the Grantee executing the Company's standard release of claims which becomes effective in accordance with its terms within 60 days following such termination of employment, the Restricted Stock Units that are unvested as of such termination of employment shall become immediately vested.

(c) If, on or within 18 months following a Change in Control, either (x) the Grantee's employment is terminated by the Company other than for Cause or (y) the Grantee resigns from employment with the Company for Good Reason, and subject to the Grantee executing the Company's standard release of claims which becomes effective in accordance with its terms within 60 days following such termination of employment, then the Restricted Stock Units that are unvested as of such termination of employment shall become immediately vested.

(d) Except as provided in this Agreement or in any other agreement between the Grantee and the Company or any of its Subsidiaries that is in effect as of the Effective Date, upon cessation of the Grantee's service with the Company for any reason or for no reason (and whether such cessation is initiated by the Company, the Grantee or otherwise): (i) any Restricted Stock Units that have not, prior to such cessation, become vested shall immediately and automatically, without any action on the part of the Company or the Grantee, be forfeited, and (ii) the Grantee shall have no further rights with respect to those Restricted Stock Units (or the underlying shares of Common Stock).

(e) For purposes of this Agreement, service with the Company shall be deemed to include service with any Subsidiary of the Company for only so long as such entity remains a Subsidiary.

(f) For purposes of this Agreement, "**Disability**" means a mental or physical impairment of the Grantee that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Grantee to be unable to perform his or her material duties for the Company and to be engaged in any substantial gainful activity, in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee of the Company's Board of Directors (the "**Committee**"), whose determination shall be conclusive and binding. The determination of Disability for purposes of this Agreement shall not be construed to be an admission of disability for any other purpose.

(g) For purposes of this Agreement, "**Good Reason**" has the meaning given to it in the employment agreement in effect as of the Effective Date between the Grantee and Company, including, for avoidance of doubt, the written notice, cure period, and resignation timing requirements applicable to a termination due to Good Reason under the employment agreement; provided, however, in the event the Grantee is not subject to an employment agreement as of the Effective Date or if an employment agreement in effect as of the Effective Date does not define "Good Reason" or a similar term, then "**Good Reason**" means, without the Grantee's consent:

(i) The Company materially breaches the Company's obligations under any employment, consulting, or other agreement between the Grantee and the Company (each, a "**Company Agreement**"), provided that a change in reporting relationship shall not be deemed a material breach;

(ii) A reduction in Grantee's base salary below the base salary in effect during the immediately preceding year, unless such reduction is commensurate with and part of a general salary reduction program applicable to all senior executives of the Company;

(iii) A requirement that Grantee relocate Grantee's primary place of work by more than 45 miles (including a requirement that Grantee work primarily at a Company office that is located more than 45 miles from the location of Grantee's home office), provided that travel required in connection with the Grantee's performance of Grantee's duties will not be treated as a violation of this clause (iii); and

(iv) Any material diminution of Grantee's authority, duties or responsibilities (provided that a diminution that results in Grantee having authority, duties, or responsibilities with respect to the business represented by the Company that are reasonably comparable to those in effect before the Change in Control shall not be treated as Good Reason);

provided, however, that, (a) Grantee has provided written notice describing such Good Reason in reasonable detail to the Company within 90 days of the initial occurrence of such Good Reason event, (b) the Company failed to cure such Good Reason within 30 days of receipt of such written notice from Grantee, and (c) Grantee's resignation occurs within 60 days following the end of the cure period; provided, further, that in the case of clauses (ii) and (iv), an act or omission shall not constitute Good Reason if Grantee has incurred a Disability.

(h) For purposes of this Agreement, "**Cause**" and "**Wrongful Act**" mean:

(i) The Grantee materially breaches the Grantee's obligations under any Company Agreement;

(ii) The Grantee materially breaches the Grantee's obligations under the Company's Code of Ethics and Conduct (or any successor thereto) or an established policy of the Company;

(iii) The Grantee engages in conduct prohibited by law (other than minor violations), commits an act of dishonesty, fraud, or serious or willful misconduct in connection with the Grantee's job duties, or engages in unethical or immoral conduct that, in the reasonable judgment of the Committee, could injure the integrity, character or reputation of Company;

(iv) The Grantee fails or refuses to perform, or habitually neglects, the Grantee's duties and responsibilities under any Company Agreement (other than on account of Disability), and continues such failure, refusal or neglect after having been given written notice by the Company that specifies what duties the Grantee failed to perform and an opportunity to cure of 30 days;

(v) Subject to Section 10, use or disclosure by the Grantee of confidential information or trade secrets other than in the furtherance of the Company's (or its Subsidiaries') business interests, or other violation of a fiduciary duty to the Company (including, without limitation, entering into any transaction or contractual relationship causing diversion of business opportunity from the Company or any of its Subsidiaries (other than with the prior written consent of the Board));

(vi) The Grantee fails to reasonably cooperate with any audit or investigation involving the Company or its business practices after having been given written notice by the Company that specifies the Grantee's failure to cooperate and an opportunity to cure of ten days; or

(vii) Any other act or omission on the part of the Grantee that would constitute just cause for termination under applicable law.

3. **Delivery of Common Stock Underlying Restricted Stock Units** Within 60 days after the vesting of any Restricted Stock Units (or such later date as may be required to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("**Section 409A**")), the Company will issue or deliver, subject to the conditions of this Agreement, the shares of Common Stock in respect of such vested Restricted Stock Units to the Grantee. Such issuance or delivery shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided herein. Prior to the issuance to the Grantee of the shares of Common Stock subject to the Restricted Stock Units, the Grantee shall have no direct or secured claim in any specific assets of the Company or in such shares, and will have the status of a general unsecured creditor of the Company.

4. **Adjustments.** In the event of any equity restructuring (within the meaning of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation) that causes the per share value of shares of Common Stock to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary dividend, the terms of this Agreement, including the number and class of securities subject hereto, shall be appropriately adjusted by the Committee. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of the Grantee. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5. **Rights as a Stockholder**. The Grantee shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to the Restricted Stock Units (including the right to vote) until the underlying Common Stock becomes vested pursuant to Section 2 and the Grantee becomes a stockholder of record with respect to such shares, except that the Grantee shall be entitled to receive dividend equivalents related to the Restricted Stock Units equal in amount to the dividends declared on the underlying shares of Common Stock. Dividend equivalent amounts shall accrue and be paid or distributed in cash at the same time the underlying shares of Common Stock are distributed to the Grantee in accordance with Section 3.

6. Tax Consequences.

(a) The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee’s income tax liability in connection with the grant or vesting of the Restricted Stock Units, the dividend equivalents contemplated hereunder or the delivery of the Common Stock underlying the Restricted Stock Units. The Grantee has reviewed with the Grantee’s own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understands that the Grantee (and not the Company) will be responsible for the Grantee’s own tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) As a condition precedent to the delivery of the shares of Common Stock upon the vesting of the Restricted Stock Units, the Grantee acknowledges and agrees that the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “**Required Tax Payments**”) with respect to such shares of Common Stock. If the Grantee has not been given permission by the Company to advance the Required Tax Payments in cash, then the obligation to advance the Required Tax Payments by the Grantee shall take place by the Company withholding whole shares of Common Stock which would otherwise be delivered to the Grantee having an aggregate Fair Market Value, determined as of the applicable date, equal to the Required Tax Payments. Shares of Common Stock to be withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Grantee. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full.

7. Nontransferability of Award. The Grantee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any of the Restricted Stock Units until the Restricted Stock Units become vested and settled in accordance with Section 3; provided, however, that the restrictions of this Section 7 shall not apply to any transfer (i) pursuant to applicable laws of descent and distribution or (ii) among the Grantee’s family group; provided that such restrictions will continue to be applicable to the Restricted Stock Units after any such transfer and the transferees of such Restricted Stock Units have agreed in writing to be bound by the provisions of this Agreement. The Grantee’s "family group" means the Grantee’s spouse and descendants (whether natural or adopted) and any trust solely for the benefit of the Grantee and/or the Grantee's spouse and/or descendants during the Grantee's lifetime.

8. **Securities Laws**. The Company may from time to time impose any conditions on the Restricted Stock Units or any underlying shares of Common Stock as it deems necessary or advisable to ensure that this Agreement and the Plan satisfies the conditions of Rule 16b-3 adopted under the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), and otherwise complies with applicable rules and laws.

9. **Recoupment of Award**.

(a) If Grantee is currently an officer of the Company as defined in Rule 16a-1(f) under the Exchange Act (a**Section 16 Officer**"), or is designated by the Company's Board of Directors as a Section 16 Officer in the future, Grantee agrees and acknowledges that Grantee is (or will be upon designation as a Section 16 Officer, as applicable) bound by, and subject to, all of the terms and conditions of the Company's Dodd-Frank Compensation Recoupment Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "**Clawback Policy**"). In the event of any inconsistency between the Clawback Policy and the terms of this Agreement or any employment agreement to which Grantee is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Clawback Policy shall govern. In the event it is determined that any compensation or compensatory awards granted, earned or paid to Grantee must be forfeited or reimbursed to the Company pursuant to the Clawback Policy, Grantee will promptly take any action necessary to effectuate such forfeiture and/or reimbursement as determined by the Company.

(b) Notwithstanding anything in this Agreement to the contrary, if the Company's Board of Directors determines that the Grantee's Wrongful Act was a significant contributing factor to the Company having to prepare an Accounting Restatement, then in addition to any Erroneously Awarded Compensation recoverable from Grantee under the Clawback Policy, but without duplication thereof, all outstanding Restricted Stock Units will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any shares of Common Stock, cash or other property paid in respect of any Restricted Stock Units during the Recovery Period. As used in this paragraph, the terms Accounting Restatement, Erroneously Awarded Compensation, and Recovery Period have the meanings given to them in the Clawback Policy.

10. **Protected Rights.** The Grantee understands that nothing contained in this Agreement limits the Grantee's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("**Government Agencies**"). The Grantee further understands that this Agreement does not limit the Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this Agreement shall limit the Grantee's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

11. Compliance with Section 409A. The Restricted Stock Units are intended to be exempt from or comply with Section 409A, and shall be interpreted and construed accordingly, and each payment hereunder shall be considered a separate payment. To the extent this Agreement provides for the Restricted Stock Units to become vested and be settled upon the Grantee's termination of employment, the applicable shares of Common Stock shall be transferred to the Grantee or his or her beneficiary upon the Grantee's "separation from service," within the meaning of Section 409A. Notwithstanding any other provision in this Agreement, to the extent any payments hereunder constitute nonqualified deferred compensation, within the meaning of Section 409A, then (a) each such payment which is conditioned upon the Grantee's execution of a release of claims and which is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years, and (b) if the Grantee is a specified employee (within the meaning of Section 409A) as of the date of the Grantee's separation from service, each such payment that is payable upon the Grantee's separation from service and would have been paid prior to the six-month anniversary of the Grantee's separation from service, shall be delayed until the earlier to occur of (i) the first day of the seventh month following the Grantee's separation from service or (ii) the date of the Grantee's death.

12. General Provisions.

(a) This Agreement and the Plan together represent the entire agreement between the parties with respect to the granting of the Restricted Stock Units and may only be modified or amended in a manner materially adverse to the Grantee in writing signed by both parties.

(b) Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement must be in writing and will be deemed given (i) on the date and at the time delivered via personal, courier or recognized overnight delivery service, (ii) if sent via telecopier on the date and at the time telecopied with confirmation of delivery, (iii) if sent via email or other electronic delivery and receipt is confirmed, on the date and at the time received, or (iv) if mailed, on the date five days after the date of the mailing (which must be by registered or certified mail). Delivery of a notice by telecopy (with confirmation) or by email or other electronic delivery (with confirmation or receipt) will be permitted and will be considered delivery of a notice notwithstanding that it is not an original that is received. Any notice to the Grantee under this Agreement will be made to the Grantee at the address (or telecopy number, email or other electronic address, as the case may be) listed in the Company's personnel files. If directed to the Company, any such notice, demand or request will be sent to the Corporate Secretary at the Company's principal executive office, or to such other address or person as the Company may hereafter specify in writing.

(c) The Company may condition delivery of certificates for shares of Common Stock subject to the Restricted Stock Units (or, if the shares are not certificated, the entry in the stock record books of the Company of the transfer to the Grantee of the shares of Common Stock) upon the prior receipt from the Grantee of any undertakings which it may determine are required to assure that the certificates are being issued in compliance with federal and state securities laws.

(d) The Grantee has received a copy of the Plan and the Clawback Policy, has read the Plan and the Clawback Policy and is familiar with their terms, and hereby accepts the Restricted Stock Units subject to all of the terms and provisions of the Plan, as amended from time to time, the Clawback Policy and this Agreement. Pursuant to the Plan, the Board and the Committee are authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as they deem appropriate. The Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan, the Clawback Policy and this Agreement.

(e) Subject to Section 7, neither this Agreement nor any rights or interest hereunder will be assignable by the Grantee, the Grantee’s beneficiaries or legal representatives, and any purported assignment in violation hereof will be null and void.

(f) Either party’s failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party’s right to assert all other legal remedies available to it under the circumstances.

(g) The grant of Restricted Stock Units hereunder does not confer upon the Grantee any right to continue in service with the Company.

(h) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of Delaware, without regard to the application of the principles of conflicts or choice of laws.

(i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument. In the event that any signature to this Agreement is delivered by facsimile transmission or by e- mail delivery of a “.pdf” format data file or picture format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such electronic facsimile signature page were an original thereof. The parties confirm that it is their wish that this Agreement may be executed by means of electronic signature.

(j) The parties hereto have expressly required that this Agreement and any other contract or document relating thereto be drafted in the English language. All other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, shall be drawn up in English. If the Grantee has received the Agreement or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version shall control.

[Signature Page Follows]

[SIGNATURE PAGE TO AWARD AGREEMENT FOR TIME-BASED RESTRICTED STOCK UNITS]

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement intending it to be effective as of the first date written above.

ONESPAN INC.

By:_______________

Name:

Its:

GRANTEE

Name: _____________

Signature:_____________

<u>Exhibit A</u>

GRANTEE SPECIFIC INFORMATION:

Grantee	# of RSUs	Vesting Start Date	Vesting Schedule
			• 33.32% of the Restricted Stock Units will vest on the first annual anniversary date of the Vesting Start Date; • An additional 16.67% of the Restricted Stock Units will vest on the eighteen month anniversary date of the Vesting Start Date; • An additional 16.67% of the Restricted Stock Units will vest on the second annual anniversary date of the Vesting Start Date; • An additional 16.67% of the Restricted Stock Units will vest on the thirty month anniversary date of the Vesting Start Date; and • The final 16.67% of the Restricted Stock Units will vest on the third annual anniversary date of the Vesting Start Date.

EXHIBIT 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Victor Limongelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneSpan Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons fulfilling the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 1, 2024

/s/ Victor Limongelli

Victor Limongelli
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jorge Martell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneSpan Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons fulfilling the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 1, 2024	/s/ Jorge Martell
	Jorge Martell
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Victor Limongelli, certify, based upon a review of the Quarterly Report on Form 10-Q for OneSpan Inc. for the second quarter ended June 30, 2024, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Victor Limongelli

Victor Limongelli
President and Chief Executive Officer

August 1, 2024

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Jorge Martell, certify, based upon a review of the Quarterly Report on Form 10-Q for OneSpan Inc. for the second quarter ended on June 30, 2024, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Jorge Martell

Jorge Martell
Chief Financial Officer

August 1, 2024