

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number 000-24389

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

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

36-4169320  
(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 ☒ No ☐

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
		Smaller reporting company	<input type="checkbox"/>

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

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

There were 37,991,056 shares of Common Stock, \$0.001 par value per share, outstanding at October 24, 2024.

**OneSpan Inc.**  
**Form 10-Q**  
**For the Quarter Ended September 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)

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 77,478	\$ 43,001
Restricted cash	350	529
Accounts receivable, net of allowances of \$ 1,414 at September 30, 2024 and \$ 1,536 at December 31, 2023	28,841	64,387
Inventories, net	13,019	15,553
Prepaid expenses	6,703	6,575
Contract assets	6,390	5,139
Other current assets	9,092	11,159
Total current assets	141,873	146,343
Property and equipment, net	20,838	18,722
Operating lease right-of-use assets	7,872	6,171
Goodwill	96,132	93,684
Intangible assets, net of accumulated amortization	8,117	10,832
Deferred income taxes	1,770	1,721
Other assets	12,672	11,718
<b>Total assets</b>	<b>\$ 289,274</b>	<b>\$ 289,191</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 13,279	\$ 17,452
Deferred revenue	48,418	69,331
Accrued wages and payroll taxes	9,452	14,335
Short-term income taxes payable	3,160	2,646
Other accrued expenses	5,903	10,684
Deferred compensation	232	382
Total current liabilities	80,444	114,830
Long-term deferred revenue	2,929	4,152
Long-term lease liabilities	7,431	6,824
Deferred income taxes	1,104	1,067
Other long-term liabilities	2,780	3,177
<b>Total liabilities</b>	<b>94,688</b>	<b>130,050</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Preferred stock: 500 shares authorized, none issued and outstanding at September 30, 2024 and December 31, 2023	—	—
Common stock: \$ 0.001 par value per share, 75,000 shares authorized; 41,634 and 41,243 shares issued; 37,910 and 37,519 shares outstanding at September 30, 2024 and December 31, 2023, respectively	38	38
Additional paid-in capital	122,098	118,620
Treasury stock, at cost: 3,724 shares outstanding at September 30, 2024 and December 31, 2023	( 47,377 )	( 47,377 )
Retained earnings	127,233	98,939
Accumulated other comprehensive loss	( 7,406 )	( 11,079 )
Total stockholders' equity	194,586	159,141
<b>Total liabilities and stockholders' equity</b>	<b>\$ 289,274</b>	<b>\$ 289,191</b>

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Product and license	\$ 28,640	\$ 31,732	\$ 98,875	\$ 95,461
Services and other	27,602	27,106	83,133	76,717
Total revenue	56,242	58,838	182,008	172,178
Cost of goods sold				
Product and license	7,394	11,004	28,347	36,330
Services and other	7,300	7,165	24,377	21,599
Total cost of goods sold	14,694	18,169	52,724	57,929
Gross profit	41,548	40,669	129,284	114,249
Operating costs				
Sales and marketing	10,138	16,664	33,574	56,388
Research and development	7,533	10,133	24,133	29,686
General and administrative	11,343	11,559	32,907	44,038
Restructuring and other related charges	697	6,524	3,905	13,076
Amortization of intangible assets	585	583	1,766	1,749
Total operating costs	30,296	45,463	96,285	144,937
Operating income (loss)	11,252	( 4,794 )	32,999	( 30,688 )
Interest income, net	624	587	1,246	1,675
Other income (expense), net	( 1,915 )	353	( 1,293 )	342
Income (loss) before income taxes	9,961	( 3,854 )	32,952	( 28,671 )
Provision for income taxes	1,688	279	4,658	1,569
Net income (loss)	\$ 8,273	\$ ( 4,133 )	\$ 28,294	\$ ( 30,240 )
Net income (loss) per share				
Basic	\$ 0.21	\$ ( 0.10 )	\$ 0.74	\$ ( 0.75 )
Diluted	\$ 0.21	\$ ( 0.10 )	\$ 0.73	\$ ( 0.75 )
Weighted average common shares outstanding				
Basic	38,695	40,454	38,323	40,529
Diluted	39,458	40,454	38,864	40,529

See accompanying notes to condensed consolidated financial statements.

**OneSpan Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 8,273	\$ ( 4,133 )	\$ 28,294	\$ ( 30,240 )
Other comprehensive income (loss)				
Cumulative translation adjustment, net of tax	5,907	( 2,647 )	3,764	93
Pension adjustment, net of tax	( 32 )	( 61 )	( 91 )	( 182 )
Unrealized gain (loss) on available-for-sale securities	( 2 )	( 2 )	—	6
Comprehensive income (loss)	<u>\$ 14,146</u>	<u>\$ ( 6,843 )</u>	<u>\$ 31,967</u>	<u>\$ ( 30,323 )</u>

See accompanying notes to condensed consolidated financial statements.

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

For the Nine Months Ended September 30, 2024:

Description	Common Stock		Treasury - Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2023</b>	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 )
<b>Balance at March 31, 2024</b>	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 on available-for-sale securities	—	—	—	—	—	—	2	2
Pension adjustment, net of tax	—	—	—	—	—	—	( 29 )	( 29 )
<b>Balance at June 30, 2024</b>	37,786	\$ 38	3,724	\$ ( 47,377 )	\$ 120,237	\$ 118,960	\$ ( 13,279 )	\$ 178,579
Net income	—	—	—	—	—	8,273	—	8,273
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	5,907	5,907
Share-based compensation	—	—	—	—	2,662	—	—	2,662
Vesting of restricted stock awards	205	—	—	—	—	—	—	—
Tax payments for stock issuances	( 81 )	—	—	—	( 801 )	—	—	( 801 )
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	( 2 )	( 2 )
Pension adjustment, net of tax	—	—	—	—	—	—	( 32 )	( 32 )
<b>Balance at September 30, 2024</b>	37,910	\$ 38	3,724	\$ ( 47,377 )	\$ 122,098	\$ 127,233	\$ ( 7,406 )	\$ 194,586

**For the Nine Months Ended September 30, 2023:**

Description	Common Stock		Treasury - Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other	Total Stockholders'
	Shares	Amount	Shares	Amount			Comprehensive Income (Loss)	
<b>Balance at December 31, 2022</b>	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 on available-for-sale securities	—	—	—	—	—	—	7	7
Pension adjustment, net of tax	—	—	—	—	—	—	( 60 )	( 60 )
<b>Balance at March 31, 2023</b>	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 on available-for-sale securities	—	—	—	—	—	—	1	1
Pension adjustment, net of tax	—	—	—	—	—	—	( 61 )	( 61 )
<b>Balance at June 30, 2023</b>	39,979	\$ 40	1,038	\$ ( 18,222 )	\$ 114,073	\$ 102,631	\$ ( 11,923 )	\$ 186,599
Net loss	—	—	—	—	—	( 4,133 )	—	( 4,133 )
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	( 2,647 )	( 2,647 )
Share-based compensation	—	—	—	—	1,878	—	—	1,878
Vesting of restricted stock awards	226	—	—	—	—	—	—	—
Tax payments for stock issuances	( 84 )	—	—	—	( 789 )	—	—	( 789 )
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	( 2 )	( 2 )
Share repurchases	( 305 )	—	305	( 3,527 )	—	—	—	( 3,527 )
Pension adjustment, net of tax	—	—	—	—	—	—	( 61 )	( 61 )
<b>Balance at September 30, 2023</b>	39,816	\$ 40	1,343	\$ ( 21,749 )	\$ 115,162	\$ 98,498	\$ ( 14,633 )	\$ 177,318

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

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 28,294	\$ ( 30,240 )
Adjustments to reconcile net income (loss) from operations to net cash used in operations:		
Depreciation and amortization of intangible assets	6,086	4,524
Write-off of intangible assets	804	—
Write-off of property and equipment, net	1,053	2,712
Impairments of inventories, net	—	1,568
Deferred tax (benefit) expense	( 14 )	44
Stock-based compensation	6,110	10,192
Provision for credit losses, net	( 124 )	62
Changes in operating assets and liabilities:		
Accounts receivable	35,552	26,334
Inventories, net	2,639	( 5,277 )
Contract assets	( 2,080 )	( 542 )
Accounts payable	( 4,197 )	( 834 )
Income taxes payable	519	( 2,826 )
Accrued expenses	( 9,491 )	( 4,620 )
Deferred compensation	( 150 )	( 67 )
Deferred revenue	( 22,165 )	( 15,425 )
Other assets and liabilities	405	557
<b>Net cash provided by (used in) operating activities</b>	<b>43,241</b>	<b>( 13,838 )</b>
<b>Cash flows from investing activities:</b>		
Maturities of short-term investments	—	2,330
Additions to property and equipment	( 7,273 )	( 9,035 )
Additions to intangible assets	( 53 )	( 31 )
Cash paid for acquisition of business	—	( 1,800 )
<b>Net cash used in investing activities</b>	<b>( 7,326 )</b>	<b>( 8,536 )</b>
<b>Cash flows from financing activities:</b>		
Contingent payment related to acquisition	( 200 )	—
Tax payments for restricted stock issuances	( 2,632 )	( 2,335 )
Repurchase of common stock	—	( 3,527 )
<b>Net cash used in financing activities</b>	<b>( 2,832 )</b>	<b>( 5,862 )</b>
Effect of exchange rate changes on cash	1,215	145
<b>Net increase (decrease) in cash</b>	<b>34,298</b>	<b>( 28,091 )</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>43,530</b>	<b>97,375</b>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 77,828</b>	<b>\$ 69,284</b>

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 nine months ended September 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 losses aggregated to \$ 2.0 million and \$ 1.8 million for the three and nine months ended September 30, 2024, respectively. Foreign exchange transaction losses aggregated to \$ 0.1 million and \$ 0.5 million for the three and nine months ended September 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 \$ 0.4 million at both September 30, 2024 and December 31, 2023. Additionally, the Company maintained a cash guarantee with a payroll vendor in the amount of \$ 0 and \$ 0.1 million at September 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 does not expect the adoption of the new standard to have a material impact on its 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 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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(In thousands, except percentages)</i>				
<b>Digital Agreements</b>				
Revenue	\$ 15,405	\$ 13,012	\$ 45,280	\$ 36,426
Gross profit (1)	\$ 11,031	\$ 9,808	\$ 30,664	\$ 26,839
Gross margin	72 %	75 %	68 %	74 %
Operating income (loss) (2)	\$ 3,419	\$ ( 4,666 )	\$ 3,000	\$ ( 17,820 )
<b>Security Solutions</b>				
Revenue	\$ 40,837	\$ 45,826	\$ 136,728	\$ 135,752
Gross profit (3)	\$ 30,517	\$ 30,861	\$ 98,620	\$ 87,410
Gross margin	75 %	67 %	72 %	64 %
Operating income (4)	\$ 20,200	\$ 15,673	\$ 66,770	\$ 39,827
<b>Total Company:</b>				
Revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178
Gross profit	\$ 41,548	\$ 40,669	\$ 129,284	\$ 114,249
Gross margin	74 %	69 %	71 %	66 %
<b>Statements of Operations reconciliation:</b>				
Segment operating income	\$ 23,619	\$ 11,007	\$ 69,770	\$ 22,007
Corporate operating expenses not allocated at the segment level	12,367	15,801	36,771	52,695
Operating income (loss)	\$ 11,252	\$ ( 4,794 )	\$ 32,999	\$ ( 30,688 )
Interest income, net	624	587	1,246	1,675
Other income (expense), net	( 1,915 )	353	( 1,293 )	342
Income (loss) before income taxes	\$ 9,961	\$ ( 3,854 )	\$ 32,952	\$ ( 28,671 )

- (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 nine months ended September 30, 2024.
- (2) Digital Agreements operating income (loss) includes \$ 0.6 million and \$ 1.9 million of amortization of intangible assets expense for the three and nine months ended September 30, 2024, respectively, and \$ 0.6 million and \$ 1.7 million of amortization of intangible assets expense for the three and nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2024 and 2023:

(In thousands)	Three Months Ended September 30,			
	2024		2023	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	\$ 15,045	\$ 18,603	\$ 11,807	\$ 14,378
Maintenance and support	327	9,317	995	11,276
Professional services and other (1)	33	820	210	1,333
Hardware products	—	12,097	—	18,839
Total Revenue	\$ 15,405	\$ 40,837	\$ 13,012	\$ 45,826

(In thousands)	Nine Months Ended September 30,			
	2024		2023	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	\$ 43,641	\$ 59,642	\$ 32,641	\$ 46,485
Maintenance and support	1,321	29,125	3,121	31,914
Professional services and other (1)	318	3,548	664	4,002
Hardware products	—	44,413	—	53,351
Total Revenue	\$ 45,280	\$ 136,728	\$ 36,426	\$ 135,752

- (1) Professional services and other includes perpetual software licenses revenue, which was less than 1 % of total revenue for both the three and nine months ended September 30, 2024 and approximately 1 % of total revenue for both the three and nine months ended September 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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Subscription	\$ 33,648	\$ 26,185	\$ 103,283	\$ 79,126
Maintenance and support	9,644	12,271	30,446	35,035
Professional services and other (1)	853	1,543	3,866	4,666
Hardware products	12,097	18,839	44,413	53,351
Total Revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178

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

##### Revenue by location of customer

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:

(In thousands, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
EMEA	\$ 22,342	\$ 26,233	\$ 79,377	\$ 80,592
Americas	22,106	19,999	64,549	58,828
APAC	11,794	12,606	38,082	32,758
Total revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178
% of Total Revenue				
EMEA	40 %	45 %	44 %	47 %
Americas	39 %	34 %	35 %	34 %
APAC	21 %	21 %	21 %	19 %

##### Timing of revenue recognition

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Products and licenses transferred at a point in time	\$ 28,640	\$ 31,732	\$ 98,875	\$ 95,461
Services transferred over time	27,602	27,106	83,133	76,717
Total Revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178

### Contract balances

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

(In thousands)	September 30,	December 31,
	2024	2023
Receivables, inclusive of trade and unbilled	\$ 28,841	\$ 64,387
Contract Assets (current and non-current)	\$ 7,496	\$ 5,322
Contract Liabilities (Deferred Revenue current and non-current)	\$ 51,347	\$ 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 nine months ended September 30, 2024 included \$ 58.1 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 September 30, 2024:

(In thousands)	2024	2025	2026	Beyond 2026	Total
Future revenue related to current unsatisfied performance obligations	\$ 18,493	\$ 41,877	\$ 22,792	\$ 7,878	\$ 91,040

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 within "Other current assets" and "Other assets" on the condensed consolidated balance sheets:

<i>(In thousands)</i>	September 30, 2024	December 31, 2023
Capitalized costs to obtain contracts, current	\$ 4,099	\$ 3,503
Capitalized costs to obtain contracts, non-current	\$ 11,367	\$ 10,766

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of capitalized costs to obtain contracts	\$ 1,056	\$ 801	\$ 2,882	\$ 2,286

#### 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:

<i>(In thousands)</i>	September 30, 2024	December 31, 2023
Component parts (1)	\$ 5,655	\$ 8,230
Finished goods	7,364	7,323
Total	\$ 13,019	\$ 15,553

#### Note 6 – Goodwill

The following table presents the changes in goodwill during the nine months ended September 30, 2024:

<i>(In thousands)</i>	Digital Agreements	Security Solutions	Total
Net balance at December 31, 2023	\$ 20,893	\$ 72,791	\$ 93,684
Foreign currency exchange rate effect	534	1,914	2,448
Net balance at September 30, 2024	\$ 21,427	\$ 74,705	\$ 96,132

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

#### Note 7 – Intangible Assets

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

<i>(In thousands)</i>	Useful Life (in years)	As of September 30, 2024		As of December 31, 2023	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired technology	3 to 7	\$ 42,836	\$ 42,664	\$ 43,869	\$ 42,712
Customer relationships	5 to 12	35,173	28,048	34,773	25,960
Patents, trademarks, and other	10 to 20	13,147	12,327	13,103	12,241
Total		\$ 91,156	\$ 83,039	\$ 91,745	\$ 80,913

Amortization expense was \$ 0.6 million and \$ 2.0 million for the three and nine months ended September 30, 2024, respectively, compared to \$ 0.7 million and \$ 2.0 million for the three and nine months ended September 30, 2023, respectively. Amortization expense includes cost of sales amortization expense directly related to delivering cloud subscription revenue of \$ 0 and \$ 0.2 million for the three and nine months ended September 30, 2024, respectively, and

\$ 0.1 million and \$ 0.3 million for the three and nine months ended September 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 nine months ended September 30, 2024.

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

#### Note 8 – Property and Equipment, net

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

(In thousands)	September 30, 2024	December 31, 2023
Office equipment and software	\$ 8,820	\$ 8,574
Leasehold improvements	7,642	7,459
Furniture and fixtures	3,669	3,658
Capitalized software	18,063	12,560
Total	38,194	32,251
Accumulated depreciation	( 17,356 )	( 13,529 )
Property and equipment, net	\$ 20,838	\$ 18,722

Depreciation expense was \$ 1.4 million and \$ 4.1 million for the three and nine months ended September 30, 2024, respectively, compared to \$ 1.0 million and \$ 2.5 million for the three and nine months ended September 30, 2023, respectively. Depreciation expense includes cost of sales depreciation expense directly related to delivering cloud subscription revenue of \$ 0.7 million and \$ 2.2 million for the three and nine months ended September 30, 2024, respectively, and \$ 0.4 million for both the three and nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2023.

Due to the Company's Brussels office lease termination (see Note 16, *Restructuring and Other Related Charges*), \$0.6 million of leasehold improvements were written off and recorded in "Restructuring and other related charges" on the condensed consolidated statements of operations during the three and nine months ended September 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 September 30, 2024 and December 31, 2023:

(In thousands)	Fair Value Measurement at Reporting Date Using			
	September 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
		Significant Unobservable Inputs (Level 3)		
<b>Assets:</b>				
Money Market Funds	\$ 58,138	\$ 58,138	\$ —	\$ —

(In thousands)	Fair Value Measurement at Reporting Date Using			
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
		Significant Unobservable Inputs (Level 3)		
<b>Assets:</b>				
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 September 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 September 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 nine months ended September 30, 2024 were as follows:

(In thousands)

<b>Balance at December 31, 2023</b>	<b>\$ 1,536</b>
Provision for (recovery of)	( 87 )
Write-offs	( 37 )
Net foreign currency translation	2
<b>Balance at September 30, 2024</b>	<b>\$ 1,414</b>

#### Note 11 – Leases

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In thousands)				
Building rent	\$ 331	\$ 369	\$ 847	\$ 1,370
Automobile rentals	337	270	1,014	836
<b>Total net operating lease costs</b>	<b>\$ 668</b>	<b>\$ 639</b>	<b>\$ 1,861</b>	<b>\$ 2,206</b>

At September 30, 2024, the Company's weighted average remaining lease term for its operating leases is 5.5 years, and the weighted average discount rate for its operating leases is 6 %.

During the nine months ended September 30, 2024, there were \$ 1.9 million of operating cash payments for lease liabilities and \$ 2.8 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 June 2023. The Company accrued a \$ 1.4 million early lease termination fee, which is reflected on the condensed consolidated statements of operations for the nine months ended September 30, 2023 in "Restructuring and other related charges". The underlying lease right-of-use asset 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 nine months ended September 30, 2023 in "Restructuring and other related charges". In August 2024, the Company finalized its early termination agreement with the landlord to terminate and release any further obligations for either party.

In September 2023, the Company vacated its Brussels office and terminated the lease as of September 30, 2023. The Company accrued a \$ 0.3 million early lease termination fee, which is reflected on the condensed consolidated statements of operations for the three and nine months ended September 30, 2023 in "Restructuring and other related charges". The underlying lease right-of-use asset and lease liability for the Brussels leased office space were written off, and a \$ 0.6 million loss related to rent concessions and tenant improvement allowances was recorded on the condensed consolidated statements of operations for the three and nine months ended September 30, 2023 in "Restructuring and other related charges".

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

(In thousands)	As of September 30, 2024
2024	\$ 960
2025	2,112
2026	2,124
2027	1,867
2028	1,757
Later years	2,330
Less imputed interest	( 1,581 )
Total lease liabilities	<u>\$ 9,569</u>

## 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 16 %. 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 \$ 1.2 million was recorded for the nine months ended September 30, 2024. The ultimate tax expense will depend on the mix of earnings in various jurisdictions. Income taxes, net of refunds, of \$ 2.5 million and \$ 4.4 million were paid during the nine months ended September 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 0.4 million restricted stock units during the nine months ended September 30, 2024, subject to time-based vesting. The fair value of the unissued time-based restricted stock unit grants was \$ 5.0 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 nine months ended September 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 Company awarded restricted stock units subject to the achievement of service and market conditions during the three and nine months ended September 30, 2024, which allows for up to 0.3 million shares to be earned if the market condition is achieved at the target level. The fair value of these awards was \$ 3.7 million as the dates of grant and the awards are being amortized over the requisite service period of one to four 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 nine months ended September 30, 2024 and 2023:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock-based compensation (1)	\$ 2,662	\$ 1,878	\$ 6,110	\$ 10,192
Other long-term incentive plan compensation (2)	82	55	248	234
Total compensation	\$ 2,744	\$ 1,933	\$ 6,358	\$ 10,426

(1) Stock-based compensation increased for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, and was primarily due to awards granted to the former interim CEO upon accepting the permanent role of President and CEO. For the nine months ended September 30, 2024, stock-based compensation declined as compared to the nine months ended September 30, 2023, which was largely due to the departure of the former CEO and forfeitures reversed upon his termination and timing of annual grants, lower awards granted for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, offset by awards granted to the CEO in the current quarter.

(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 nine months ended September 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 nine months ended September 30, 2024 and 2023 are as follows:

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 8,273	\$ ( 4,133 )	\$ 28,294	\$ ( 30,240 )
Weighted average common shares outstanding:				
Basic	38,695	40,454	38,323	40,529
Incremental shares with dilutive effect:				
Restricted stock units	763	—	541	—
Diluted	39,458	40,454	38,864	40,529
Net income (loss) per share:				
Basic	\$ 0.21	\$ ( 0.10 )	\$ 0.74	\$ ( 0.75 )
Diluted	\$ 0.21	\$ ( 0.10 )	\$ 0.73	\$ ( 0.75 )

#### **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 September 30, 2024, the Company has recorded an accrual of \$ 0.8 million for loss contingencies associated with employment-termination benefits.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible, but not probable. 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. As of September 30, 2024, the Company does not have any reasonably possible losses for which an estimate can be made.

#### **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 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 \$ 0.7 million and \$ 5.5 million in restructuring charges for the three and nine months ended September 30, 2024 of which less than \$ 0.1 million and \$ 1.5 million is recorded in "Services and other cost of goods sold" in the condensed consolidated statements of operations for the three and nine months ended September 30, 2024, respectively, and \$ 0.7 million and \$ 3.9 million is recorded in "Restructuring and other related charges" in the condensed consolidated statements of operations for the three and nine months ended September 30, 2024, respectively. The Company recorded \$ 6.5 million and \$ 13.1 million for the three and nine months ended September 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 nine months ended September 30, 2024 employee costs were \$ 0.7 million and \$ 3.4 million, respectively. For the three and nine months ended September 30, 2023, employee costs were \$ 5.1 million and \$ 8.2 million, respectively. In total, there were approximately 330 employees, across multiple functions, whose positions were made redundant. The \$ 1.8 million current portion of the restructuring liability at September 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.
- 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. As of September 30, 2024, the Company continued to accrue contract termination fees of \$ 0.5 million for the Chicago office, which are included in "Current lease liabilities" in the condensed consolidated balance sheet and is expected to be paid

within the next 12 months. In August 2024, the Company finalized its early termination agreement with the Chicago office landlord to terminate and release any further obligations for either party. In conjunction with the abandonment and termination of the Chicago and Brussels office leases, the underlying right-of-use assets and liabilities were written off and a \$ 0.3 million gain and \$ 0.1 million loss, respectively, were recorded related to rent concessions and tenant improvement allowances for restructuring. The Company wrote off \$ 0.7 million and \$ 0.6 million of fixed assets in its Chicago and Brussels leased office space, respectively (see Note 8, *Property and Equipment, net*). During 2023, the Company terminated its Brussels warehouse lease, effective July 31, 2024, and incurred settlement costs associated with the lease termination.

- **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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2024. During 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 nine months ended September 30, 2023 (see Note 8, *Property and Equipment, net*).
- **Vendor rationalization costs** – include costs for contractually committed services the Company is no longer utilizing. The Company recognized \$ 0 and \$ 0.2 million, respectively, of vendor rationalization costs for the three and nine months ended September 30, 2024, and \$ 0.5 million and \$ 0.7 million, respectively, for the three and nine months ended September 30, 2023. 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 nine months ended September 30, 2024.

(In thousands)	Real Estate		
	Employee Costs	Rationalization	Total
Balance as of December 31, 2023	\$ 3,130	\$ 1,885	\$ 5,015
Additions	3,447	227	3,674
Payments	( 4,901 )	( 1,491 )	( 6,392 )
Balance as of September 30, 2024	\$ 1,676	\$ 621	\$ 2,297

## 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 nine-month periods ended September 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, or employee turnover; 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; 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](https://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 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 \$0.5 million to \$1.5 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 330 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 lease, and, in future periods, plan to further align our real estate footprint with our 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 August 2024, we finalized our early termination agreement with the landlord to terminate and release any further obligations for either party.
- 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 we are 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 the remaining workforce reductions will occur by the end 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 September 30, 2024 compared to the comparable prior year period resulted in an increase in operating expenses of less than \$0.1 million. We estimate the change in currency rates during the nine months ended September 30, 2024 compared to the comparable prior year period resulted in an increase in operating expenses of less than \$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 September 30, 2024 and 2023, operating expenses included \$2.7 million and \$1.9 million, respectively, of expenses related to stock-based and long-term incentive plans. During the nine months ended September 30, 2024 and 2023, operating expenses included \$6.4 million and \$10.4 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. 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. 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. 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 September 30, 2024 and 2023, we generated approximately 81% and 83% of our revenues and incurred approximately 58% and 61% of our operating expenses, respectively, outside of the U.S. During the nine months ended September 30, 2024 and 2023, we generated approximately 83% and 82% of our revenues and incurred approximately 60% and 58% 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 nine months ended September 30, 2024 was denominated in U.S. Dollars. For the nine months ended

September 30, 2024, approximately 55% of our revenue was denominated in U.S. Dollars, 41% was denominated in Euros and 4% was denominated in other currencies. For the nine months ended September 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 gain of \$5.9 million and \$3.8 million during the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, translation adjustments arising from differences in exchange rates generated a comprehensive loss of \$2.6 million and comprehensive gain of \$0.1 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 losses aggregated \$2.0 million and \$1.8 million for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, losses resulting from foreign currency transactions were \$0.1 million and \$0.5 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Digital Agreements</b>				
Revenue	\$ 15,405	\$ 13,012	\$ 45,280	\$ 36,426
Gross profit	\$ 11,031	\$ 9,808	\$ 30,664	\$ 26,839
Gross margin	72 %	75 %	68 %	74 %
Operating income (loss)	\$ 3,419	\$ (4,666)	\$ 3,000	\$ (17,820)
<b>Security Solutions</b>				
Revenue	\$ 40,837	\$ 45,826	\$ 136,728	\$ 135,752
Gross profit	\$ 30,517	\$ 30,861	\$ 98,620	\$ 87,410
Gross margin	75 %	67 %	72 %	64 %
Operating income	\$ 20,200	\$ 15,673	\$ 66,770	\$ 39,827
<b>Total Company:</b>				
Revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178
Gross profit	\$ 41,548	\$ 40,669	\$ 129,284	\$ 114,249
Gross margin	74 %	69 %	71 %	66 %
<b>Statements of Operations reconciliation:</b>				
Segment operating income	\$ 23,619	\$ 11,007	\$ 69,770	\$ 22,007
Corporate operating expenses not allocated at the segment level	12,367	15,801	36,771	52,695
Operating income (loss)	11,252	(4,794)	32,999	(30,688)
Interest income, net	624	587	1,246	1,675
Other income (expense), net	(1,915)	353	(1,293)	342
Income (loss) before income taxes	\$ 9,961	\$ (3,854)	\$ 32,952	\$ (28,671)

## Revenue

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

(In thousands)	Three Months Ended September 30,			
	2024		2023	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	\$ 15,045	\$ 18,603	\$ 11,807	\$ 14,378
Maintenance and support	327	9,317	995	11,276
Professional services and other (1)	33	820	210	1,333
Hardware products	—	12,097	—	18,839
Total Revenue	\$ 15,405	\$ 40,837	\$ 13,012	\$ 45,826

(In thousands)	Nine Months Ended September 30,			
	2024		2023	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
Subscription	\$ 43,641	\$ 59,642	\$ 32,641	\$ 46,485
Maintenance and support	1,321	29,125	3,121	31,914
Professional services and other (1)	318	3,548	664	4,002
Hardware products	—	44,413	—	53,351
Total Revenue	\$ 45,280	\$ 136,728	\$ 36,426	\$ 135,752

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

Total revenue decreased by \$2.6 million, or 4%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Changes in foreign exchange rates as compared to the same period in 2023 favorably impacted revenue by approximately \$0.2 million. For the nine months ended September 30, 2024, revenue increased by \$9.8 million, or 6%, compared to the nine months ended September 30, 2023. Changes in foreign exchange rates as compared to the same period in 2023 favorably impacted revenue by approximately \$0.3 million.

Additional information on our revenue by segment follows.

- **Digital Agreements** revenue increased \$2.4 million, or 18%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024, Digital Agreements revenue increased \$8.9 million, or 24%. The increase in Digital Agreements revenue for both periods was primarily attributable to higher cloud subscription revenue from existing customer expansions and new logos. 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 three months ended September 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 nine months ended September 30, 2024.
- **Security Solutions** revenue decreased \$5.0 million, or approximately 11%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The decrease in Security Solutions revenue was primarily attributable to lower volumes of hardware devices sold, and lower maintenance revenue due to our transition from legacy perpetual contracts to subscription licenses, partially offset by an increase in on-premises subscription revenue specific to authentication solution products from existing customer expansions. Changes in foreign exchange rates for the three months ended September 30, 2024 compared to the same period in 2023 favorably impacted Security Solutions revenue by \$0.1 million. For the nine months ended September 30, 2024, Security Solutions revenue increased \$1.0 million, or 1%, which was driven by an increase in on-premises subscription revenue from existing customer expansion and higher year over year renewals, partially offset by a decline in maintenance revenue, and lower volumes of hardware devices sold. Changes in foreign exchange rates for the nine months ended September 30, 2024 compared to the same period in 2023 favorably impacted Security Solutions revenue by \$0.2 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:

(In thousands, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenue</b>				
EMEA	\$ 22,342	\$ 26,233	\$ 79,377	\$ 80,592
Americas	22,106	19,999	64,549	58,828
APAC	11,794	12,606	38,082	32,758
Total revenue	\$ 56,242	\$ 58,838	\$ 182,008	\$ 172,178
<b>% of Total Revenue</b>				
EMEA	40 %	45 %	44 %	47 %
Americas	39 %	34 %	35 %	34 %
APAC	21 %	21 %	21 %	19 %

For the three months ended September 30, 2024, revenue generated in EMEA was \$3.9 million, or 15%, lower than the same period in 2023, primarily due to a decrease in hardware volumes from existing customers, and the impact of an end-of-life product. For the nine months ended September 30, 2024, revenue generated in EMEA was \$1.2 million, or 2%, lower than the same period in 2023, primarily due to a decrease in hardware volumes sold, the impact of end-of-life products, partially offset by higher on-premises subscription revenue from existing customer expansions in authentication solution products.

For the three months ended September 30, 2024, revenue generated in the Americas was \$2.1 million, or 11%, higher than the three months ended September 30, 2023. The increase was primarily driven by an increase in Digital Agreements revenue. For the nine months ended September 30, 2024, revenue generated in the Americas was \$5.7 million, or 10%, higher than the same period in 2023, primarily due to an increase in Digital Agreements e-signature revenue and software authentication products, partially offset by lower hardware revenue.

For the three months ended September 30, 2024, revenue generated in APAC was \$0.8 million, or 6%, lower than the three months ended September 30, 2023, largely due to a decrease in hardware volumes sold. For the nine months ended September 30, 2024, revenue generated in APAC was \$5.3 million, or 16%, higher than the same period in 2023, primarily due to customer expansion in authentication and mobile security solutions products.

### Cost of Goods Sold and Gross Margin

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

(In thousands, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of goods sold				
Product and license	\$ 7,394	\$ 11,004	\$ 28,347	\$ 36,330
Services and other	7,300	7,165	24,377	21,599
Total cost of goods sold	<u>\$ 14,694</u>	<u>\$ 18,169</u>	<u>\$ 52,724</u>	<u>\$ 57,929</u>
Gross profit	\$ 41,548	\$ 40,669	\$ 129,284	\$ 114,249
Gross margin				
Product and license	74 %	65 %	71 %	62 %
Services and other	74 %	74 %	71 %	72 %
Total gross margin	74 %	69 %	71 %	66 %

The cost of product and license revenue decreased by \$3.6 million, or 33%, and \$8.0 million, or 22% during the three and nine months ended September 30, 2024, respectively, compared to the three and nine months ended September 30, 2023. The decrease in cost of product and license revenue for both the three and nine months ended September 30, 2024 was driven primarily by 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 \$0.1 million, or 2%, and \$2.8 million, or 13%, during the three and nine months ended September 30, 2024, respectively, compared to the three and nine months ended September 30, 2023. The increase in cost of services for both three and nine months ended September 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 for the nine months ended September 30, 2024.

Gross profit increased \$0.9 million, or 2%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Gross profit margin was 74% for the three months ended September 30, 2024, compared to 69% for the three months ended September 30, 2023. Gross profit increased \$15.0 million, or 13% during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. Gross profit margin was 71% for the nine months ended September 30, 2024, compared to 66% for the nine months ended September 30, 2023. The change in profit margin was driven primarily by higher software versus hardware revenue mix 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 \$0.3 million for both the three and nine months ended September 30, 2024. Had currency rates during the three months ended September 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 favorable currency rate impact to revenue. Had currency rates during the nine months ended September 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 favorable currency rate impact to revenue.

Additional information on our gross profit by segment follows.

- **Digital Agreements** gross profit increased \$1.2 million, or 12%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Digital Agreements gross margin for the three months ended September 30, 2024 was 72%, compared to 75% for the three months

ended September 30, 2023. For the nine months ended September 30, 2024, Digital Agreements gross profit increased \$3.8 million, or 14%, compared to the comparable period in 2023. Digital Agreements gross margin for the nine months ended September 30, 2024 was 68%, compared to 74% for the nine months ended September 30, 2023. The increase in gross profit for both periods was driven by higher overall revenue, partially offset by higher cloud platform costs and 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 and the write-off of the previously capitalized software for the nine months ended September 30, 2024 only, as compared to prior year.

- **Security Solutions** gross profit decreased \$0.3 million, or 1%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. Security Solutions gross margin for the three months ended September 30, 2024 was 75%, compared to 67% for the three months ended September 30, 2023. The increase in gross margin was primarily due to higher software versus hardware revenue mix, which has a direct correlation to gross profit. For the nine months ended September 30, 2024, Security Solutions gross profit increased \$11.2 million, or 13%, 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 nine months ended September 30, 2024 was 72%, compared to 64% for the nine months ended September 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 \$15.2 million, or 33%, during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. For the three months ended September 30, 2024, changes in foreign exchange rates negatively impacted operating expenses by less than \$0.1 million as compared to the same period in 2023. Operating expenses decreased by \$48.7 million, or 34%, during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. For the nine months ended September 30, 2024, changes in foreign exchange rates negatively impacted operating expenses by less than \$0.1 million as compared to the same period in 2023.

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating costs				
Sales and marketing	\$ 10,138	\$ 16,664	\$ 33,574	\$ 56,388
Research and development	7,533	10,133	24,133	29,686
General and administrative	11,343	11,559	32,907	44,038
Restructuring and other related charges	697	6,524	3,905	13,076
Amortization of intangible assets	585	583	1,766	1,749
Total operating costs	\$ 30,296	\$ 45,463	\$ 96,285	\$ 144,937

## Sales and Marketing Expenses

Sales and marketing expenses for the three months ended September 30, 2024 decreased by \$6.5 million, or 39%, compared to the three months ended September 30, 2023. Sales and marketing expenses for the nine months ended September 30, 2024 decreased by \$22.8 million, or 40%, compared to the nine months ended September 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 consulting and marketing costs related to our strategic plan, and lower travel and entertainment expenses.

Average full-time sales, marketing, support, and operating employee headcount for the three and nine months ended September 30, 2024 was 148 and 166, respectively, compared to 336 and 357 for the three and nine months ended

September 30, 2023, respectively. Average headcount was 56% and 54% lower for the three and nine months ended September 30, 2024, respectively, compared to the same periods in 2023.

#### *Research and Development Expenses*

Research and development expenses for the three months ended September 30, 2024 decreased by \$2.6 million, or 26%, compared to the three months ended September 30, 2023. Research and development expenses for the nine months ended September 30, 2024 decreased by \$5.6 million, or 19%, compared to the nine months ended September 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 increased bonus expense accruals.

Average full-time research and development employee headcount for the three and nine months ended September 30, 2024 was 228 and 239, respectively, compared to 305 and 313 for the three and nine months ended September 30, 2023, respectively. Average headcount was 25% and 24% lower for the three and nine months ended September 30, 2024, respectively, compared to the same periods in 2023.

#### *General and Administrative Expenses*

General and administrative expenses for the three months ended September 30, 2024 decreased by \$0.2 million, or 2%, compared to the three months ended September 30, 2023. General and administrative expenses for the nine months ended September 30, 2024 decreased by \$11.1 million, or 25%, compared to the nine months ended September 30, 2023. The decrease in expense for both the three and nine months ended September 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 higher during the quarter due to awards granted to the former interim President and CEO upon accepting the permanent role of President and CEO, but was lower year over year 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 nine months ended September 30, 2024 was 95 and 102, respectively, compared to 136 and 144 for the three and nine months ended September 30, 2023, respectively. Average headcount was 30% and 29% lower for the three and nine months ended September 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 September 30, 2024 decreased by \$5.8 million, or 89%, compared to the three months ended September 30, 2023, driven by more significant headcount reduction and the termination of the Brussels lease during the three months ended September 30, 2023. Restructuring and other related charges for the nine months ended September 30, 2024 decreased by \$9.2 million, or 70%, compared to the nine months ended September 30, 2023. The decrease was also driven by more significant headcount, termination of the Brussels and Chicago leases, and discontinuing investments in our Digipass CX product during the nine months ended September 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 September 30, 2024 increased by less than \$0.1 million, or 0%, compared to the three months ended September 30, 2023. Amortization of intangible assets expense for the nine months ended September 30, 2024 increased by less than \$0.1 million, or 1%, compared to the nine months ended September 30, 2023.

#### *Segment Operating Income (Loss)*

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

- **Digital Agreements** operating income for the three and nine months ended September 30, 2024 was \$3.4 million and \$3.0 million, respectively, compared to an operating loss of \$4.7 million and \$17.8 million, respectively, for the three and nine months ended September 30, 2023. The improvement in operating income for the three and nine months ended September 30, 2024 was driven by higher overall revenue, lower sales

and marketing expenses and research and development expenses, including lower employee compensation costs, marketing expenses, travel and entertainment costs, and lower restructuring expenses, partially offset by the write-off of our acquired blockchain technology and related capitalized software for the nine months ended September 30, 2024.

- **Security Solutions** operating income for the three months ended September 30, 2024 was \$20.2 million, which was a year-over-year increase of \$4.5 million, or 29%, from the three months ended September 30, 2023. Operating income for the nine months ended September 30, 2024 was \$66.8 million, which was a year-over-year increase of \$26.9 million, or 68% from the nine months ended September 30, 2023. The increase was largely due to higher subscription revenue and lower sales and marketing expenses, research and development expenses, and restructuring expenses.

#### **Interest income, net**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income, net	\$ 624	\$ 587	\$ 1,246	\$ 1,675

Interest income, net, was \$0.6 million for both three months ended September 30, 2024 and 2023. Interest income, net, was \$1.2 million for the nine months ended September 30, 2024 compared to \$1.7 million for the nine months ended September 30, 2023. The decrease in interest income is due to lower average excess cash invested in the periods compared to last year.

#### **Other Income (Expense), net**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Other income (expense), net	\$ (1,915)	\$ 353	\$ (1,293)	\$ 342

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 (expense), net, for the three and nine months ended September 30, 2024 was \$(1.9) million and \$(1.3) million, respectively, and consisted mostly of transaction losses due to the unfavorable US dollar rate against other functional currencies. Other income, net, for both the three and nine months ended September 30, 2023 was approximately \$0.4 million, and consisted mostly of subsidies received from foreign governments.

#### **Provision for Income Taxes**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Provision for income taxes	\$ 1,688	\$ 279	\$ 4,658	\$ 1,569

We recorded income tax expense of \$1.7 million and \$0.3 million for the three months ended September 30, 2024 and 2023, respectively. Higher income tax expense for the three months ended September 30, 2024 was primarily attributable to an increase in income before taxes. We recorded income tax expense of \$4.7 million and \$1.6 million for the nine months ended September 30, 2024 and 2023, respectively. Higher income tax expense for the nine months ended September 30, 2024 was primarily attributable to an increase in income before taxes, offset by a \$1.2 million benefit recorded related to a Belgium audit (see Note 12, *Income Taxes*).

#### **Liquidity and Capital Resources**

At September 30, 2024, we had cash and cash equivalent balances of \$77.5 million. Our cash and cash equivalents balance includes 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.

We are party to lease agreements that require letters of credit to secure the obligations which totaled \$0.4 million at both September 30, 2024 and December 31, 2023. Additionally, we maintained a cash guarantee with a payroll vendor in the amount of \$0 and \$0.1 million at September 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 September 30, 2024, we held \$71.2 million of cash and cash equivalents in subsidiaries outside of the United States. Of that amount, \$70.4 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:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Cash provided by (used in):		
Operating activities	\$ 43,241	\$ (13,838)
Investing activities	(7,326)	(8,536)
Financing activities	(2,832)	(5,862)
Effect of foreign exchange rate changes on cash and cash equivalents	1,215	145

### **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 timing of payment of expenditures.

For the nine months ended September 30, 2024, \$43.2 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 a decrease in deferred revenue. For the nine months ended September 30, 2023, \$13.8 million of cash was used in operating activities.

Our working capital at September 30, 2024 was \$61.4 million compared to \$31.5 million at December 31, 2023. The increase was driven by lower deferred revenue, accrued wages and payroll taxes, and other accrued expenses 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 nine months ended September 30, 2024, net cash used in investing activities was \$7.3 million, compared to net cash used in investing activities of \$8.5 million for the nine months ended September 30, 2023. Cash used in investing activities primarily consisted of additions to property and equipment. For the nine months ended September 30, 2023, net cash used in investing activities consisted of additions to property and equipment, net, (primarily capital software activities), and the purchase of ProvenDB described in Note 6, *Goodwill* to the condensed consolidated financial statements.

### ***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 \$2.8 million used in financing activities during the nine months ended September 30, 2024 was attributable to tax payments for stock issuances and cash paid for the holdback component of the ProvenDB acquisition. Cash of \$5.9 million used in financing activities during the nine months ended September 30, 2023 was attributable to tax payments for stock issuances and cash paid for share repurchases.

### **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 September 30, 2024, we reported ARR of \$163.9 million, which was 9% higher than ARR of \$149.8 million at September 30, 2023. Changes in foreign exchange rates during the nine months ended September 30, 2024 as compared to the prior year positively impacted ARR by approximately \$0.1 million. ARR growth was primarily driven by an increase in subscription contracts and new logos.

#### **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. Our 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 106% and 108% at September 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:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 8,273	\$ (4,133)	\$ 28,294	\$ (30,240)
Interest income, net	(624)	(587)	(1,246)	(1,675)
Provision for income taxes	1,688	279	4,658	1,569
Depreciation and amortization of intangible assets (1)	1,941	1,689	6,086	4,524
Long-term incentive compensation (2)	2,744	1,933	6,358	10,426
Restructuring and other related charges (3)	720	6,524	5,454	13,076
Other non-recurring items (4)	1,983	599	3,060	3,160
Adjusted EBITDA	<u>\$ 16,725</u>	<u>\$ 6,304</u>	<u>\$ 52,664</u>	<u>\$ 840</u>

(1) Includes cost of sales depreciation and amortization expense directly related to delivering cloud subscription revenue of \$0.7 million and \$2.4 million for the three and nine months ended September 30, 2024, respectively, and \$0.4

million and \$0.7 million for the three and nine months ended September 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 September 30, 2024 and 2023 and \$0.2 million for both the nine months ended September 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 nine months ended September 30, 2024 and \$0 for both the three and nine months ended September 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 restructuring and other related charges of less than \$0.1 million and \$0.1 million, for the three and nine months ended September 30, 2024, respectively, and \$0 for both the three and nine months ended September 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 September 30, 2024 and 2023, other non-recurring items consist of \$2.0 million and \$0.6 million, respectively, of fees related to non-recurring projects.

For the nine months ended September 30, 2024, other non-recurring items consist of \$3.1 million of fees related to non-recurring projects. For the nine months ended September 30, 2023, other non-recurring items consist of \$1.6 million of inventory impairment charges and \$1.6 million of fees related to non-recurring projects and our acquisition of ProvenDB.

Adjusted EBITDA for the three months ended September 30, 2024 was \$16.7 million compared to \$6.3 million for the three months ended September 30, 2023. Adjusted EBITDA for the nine months ended September 30, 2024 was \$52.7 million compared to \$0.8 million for the nine months ended September 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 described elsewhere in this Item 2. Year-over-year changes in foreign exchange rates unfavorably impacted Adjusted EBITDA by approximately \$0.1 million for the three and nine months ended September 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 September 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 September 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 September 30, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 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 September 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 third 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)
July 1, 2024 through July 31, 2024	—	\$ —	—	\$ 50,000,000
August 1, 2024 through August 31, 2024	—	\$ —	—	\$ 50,000,000
September 1, 2024 through September 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 - Amended 2024 Management Incentive Plan, dated August 14, 2024](#)

[Exhibit 10.2 - Letter Agreement dated October 22, 2024 between the Company and Victor Limongelli](#)

[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 October 30, 2024.

OneSpan Inc.

/s/ Victor Limongelli

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Victor Limongelli

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Jorge Martell

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Jorge Martell

Chief Financial Officer

(Principal Financial and Accounting Officer)



**OneSpan Inc.**  
**2024 Management Incentive Plan (MIP)**

*(as amended August 14, 2024)*

## **1. PURPOSE**

The purpose of the OneSpan Inc. (together with its subsidiaries, the “**Company**” or “**OneSpan**”) 2024 Management Incentive Plan (“**2024 MIP**”) is to share the success of the Company with our leaders and other key personnel.

The 2024 MIP consists of two components (the “**2024 MIP Components**”):

- the “**H1 Component**”, which is based on Company Performance Factors (as defined in Sections 3 and 4 below) for the period beginning on January 1, 2024 and ending on June 30, 2024 (inclusive) (such period, “**H1 2024**”).
- the “**Full Year Component**”, which is based on Company Performance Factors for all of 2024 (covering the period beginning on January 1, 2024 and ending on December 31, 2024 (inclusive)) (such period, “**FY 2024**”, and together with H1 2024, the “**2024 MIP Periods**”).

## **2. PARTICIPATION**

To participate in the 2024 MIP, you must be a full-time employee of OneSpan unless otherwise approved in writing by (i) the Company’s Vice President of Human Resources and (ii) the Chief Executive Officer. Employees participating in the 2024 MIP will be notified by the Company’s Human Resources team in writing.

You must be hired before (x) April 1, 2024 to be eligible to participate in the H1 Component and (y) October 1, 2024 to be eligible to participate in the Full Year Component. Unless otherwise set forth in your offer letter or employment agreement, if any, any Bonus (as defined below) that you earn under the 2024 MIP Components will be prorated based on your date of hire, as illustrated by the following examples:

- If your date of hire is March 15, 2024, you are eligible to participate in both the H1 Component and the Full Year Component, but any Bonus that you earn under either of the 2024 MIP Components will be prorated based on your hire date.
- If your date of hire is May 15, 2024, you are only eligible to participate in the Full Year Component, and any Bonus that you earn under the Full Year Component will be prorated based on your hire date.

## **3. OVERVIEW**

Participants in the 2024 MIP are eligible to receive up to two separate cash bonuses (each, a “**Bonus**”) based upon the Company’s achievement against one or more targets for designated performance metrics (“**Company Performance Factors**”).

- For the H1 Component, the Company Performance Factors will pertain to Company performance for H1 2024.
- For the Full Year Component, the Company Performance Factors will pertain to Company performance for FY 2024.

In addition to the Company Performance Factors, your potential Bonus for each 2024 MIP Component depends on your eligible target bonus amount, which may be expressed either as

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a fixed dollar amount or as a percentage of your base salary. If you do not know your eligible target bonus amount, please contact your manager or Human Resources. Please note that eligible target bonus amounts are generally expressed on an annual basis (as a full-year amount), such that your eligible target bonus amount for each 2024 MIP Component (each such target amount, a “**MIP Target**”) would be *one-half* of your full year target bonus amount. For example<sup>1</sup>:

- If your target bonus amount is equal to 10% of your annual earned salary, your MIP Target for each of the 2024 MIP Components would be 5% of your annual earned salary.
- If your target bonus amount is a fixed amount of \$15,000, your MIP Target for each of the 2024 MIP Components would be \$7,500.

#### 4. COMPANY PERFORMANCE FACTORS

Your potential Bonus amount is calculated based on the Company's achievement against one or more specified targets for the Company Performance Factors. Company Performance Factors and associated targets are determined by the Management Development and Compensation Committee (the “**Compensation Committee**”) of the Company's Board of Directors (the “**Board**”). Targets and corresponding payout levels for the 2024 MIP will be communicated to you separately. Different levels of achievement against the targets will correspond to different Bonus payout levels for each 2024 MIP Period.

##### H1 Component

For the H1 Component of the 2024 MIP, the two Company Performance Factors are Revenue and Adjusted EBITDA for all participants, except those individuals who are specifically notified in writing by the Vice President, Global Human Resources or the Chief Executive Officer that different Company Performance Factors will apply to their H1 2024 MIP participation. “Revenue” refers to the Company's publicly reported revenue, and Adjusted EBITDA is defined as defined as the Company's EBITDA (earnings before interest, taxes, depreciation and amortization) excluding stock-based compensation costs, severance costs, and capitalized software costs. Please note that the definition of Adjusted EBITDA used for purposes of the 2024 MIP is different than the definition of Adjusted EBITDA used in our publicly reported earnings releases and SEC filings. The Revenue factor is weighted 50% and the Adjusted EBITDA factor is weighted 50%.

For the H1 Component, achievement levels correspond to Bonus payout levels as set forth below.

- **Revenue:** The Company must achieve at least 100% of the Revenue target for the Revenue factor to contribute to the Bonus payout calculation. A 100% achievement level would correspond to the target payout level of 100%, and a 104.3% or greater achievement level would correspond to the maximum payout level of 125%.
- **Adjusted EBITDA:** The Company must achieve at least 100% of the Adjusted EBITDA target for the Adjusted EBITDA factor to contribute to the Bonus payout calculation. A 100% achievement level would correspond to the target payout level of 100% and a 112.2% or greater achievement level would correspond to the maximum payout level of 125%.

For achievement levels that fall between the target and maximum Revenue and Adjusted EBITDA achievement levels, the corresponding payout levels will be calculated using linear interpolation.

##### Full Year Component

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<sup>1</sup> Example assumes that you are eligible for full, non-prorated participation in both 2024 MIP Components under Section 2 above.

For the Full Year Component of the 2024 MIP, Revenue is the single Company Performance Factor for all participants, except for those individuals who are specifically notified in writing by the Vice President, Global Human Resources or the Chief Executive Officer (or in the case of the Chief Executive Officer, by the Compensation Committee) that a different Company Performance Factor will apply to their FY 2024 MIP participation. "Revenue" refers to the Company's publicly reported revenue.

The Company must achieve at least 98% of the Revenue target for the Revenue factor to contribute to the Bonus payout calculation. A 100% achievement level would correspond to the target payout level of 100%, and a 102% or greater achievement level would correspond to the maximum payout level of 125%.

For achievement levels that fall between the minimum, target and maximum Revenue achievement levels, the corresponding payout levels will be calculated using linear interpolation.

## 5. EXAMPLE BONUS CALCULATIONS

Assume for purposes of these examples that you are employed throughout 2024 and that your eligible target bonus amount (expressed on an annual basis) is \$15,000 (which corresponds to a MIP Target of \$7,500 for each 2024 MIP Component).

### Example 1

If the Company achieves 115% of the Revenue factor and 100% of the Adjusted EBITDA factor for the H1 Component, your Bonus for the H1 Component would be paid out at 112.5% of your H1 2024 MIP Target:

	Achievement Level Against Target	Payout Level	Weight	Weighted Factor (Payout Level*Weight)
<b>Company Performance Factors</b>				
Revenue	115%	125%	50%	62.5%
Adjusted EBITDA	100%	100%	50%	50%
<b>Combined Performance Factor</b> (sum of the two weighted factors)				<b>112.5%</b>

The Combined Performance Factor is then applied to your H1 2024 MIP Target for a Bonus payout of \$8,437.50 (112.5% of \$7,500).

### Example 2

If the Company achieves 99% of the Revenue factor for the Full Year Component, your Bonus for the Full Year Component would be paid out at 75.5% of your Full Year Component MIP Target:

	Achievement Level Against Target	Payout Level	Weight	Weighted Factor (Payout Level*Weight)
<b>Company Performance Factor</b>				
Revenue	99%	75.5%	100%	75.5%

The Performance Factor is then applied to your Full Year 2024 MIP Target for a Bonus payout of \$5,662.50 (75.5% of \$7,500).

## 6. DETERMINATION OF ACHIEVEMENT; PAYMENT OF EARNED BONUSES

The Company expects that the assessment of achievement against Company Performance Factors for the 2024 MIP Periods and the payment of any Bonuses earned for the applicable 2024 MIP Periods will occur on the following timeframes:

- H1 Component: assessment of achievement against Company Performance Factors to be completed during the month of August 2024; any Bonus earned to be paid out via payroll before the end of that month.
- Full Year Component: assessment of achievement to be completed during the first quarter of 2025; any Bonus earned to be paid out via payroll by the end of that quarter.

The Company may adjust these timeframes at its discretion.

Achievement against the applicable Company Performance Factors for each of the 2024 MIP Periods is based on the Company's financial performance for the H1 Component and Full Year Component, as applicable, and is determined by the Compensation Committee. The Compensation Committee has complete discretion to determine the MIP Targets and the extent to which they have been achieved, including discretion to adjust the MIP Targets and/or the achievement of the MIP Targets to address the impact of the following: mergers, acquisitions or divestitures; reorganizations; restructuring charges or transactions; extraordinary nonrecurring items; and other unexpected activities, developments, trends or events. The financial metrics used for purposes of the MIP 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 and Exchange Commission.

## 7. GENERAL TERMS

If your base salary or eligible target bonus amount changes during either 2024 MIP Period, any Bonus amount you earn will be prorated based on the timing of such change. For purposes of this proration, changes that occur on or before the 15<sup>th</sup> of a given month will be considered to have been in effect for the full month, and changes that occur after the 15<sup>th</sup> of a month will be considered to take effect on the first of the immediately following month. For example, if your eligible target bonus amount increases from 15% to 20% on September 10, your FY 2024 Bonus amount would be calculated based on eight months of a 15% eligible target bonus amount and four months of a 20% eligible target bonus amount, whereas if the increase happens on September 20, your FY 2024 Bonus amount would be calculated based on nine months of a 15% eligible target bonus amount and three months of a 20% eligible target bonus amount.

If you take a leave of absence during 2024 that is longer than 45 days in either 2024 MIP Period (which days need not be consecutive), any Bonus you earn under for the affected 2024 MIP Period will be prorated based on the number of total days in excess of 45 days in your leave of absence during that MIP Period.

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If you switch from a Sales Commission Plan to the 2024 MIP, or vice versa, any Bonus you earn for the applicable 2024 MIP Period will be prorated based on the timing of the change. Changes of this type will generally be effective on the first day of a specified month.

Unless otherwise prohibited by applicable law, any Bonus amount is not earned until it is determined based on the Company's financial performance for the applicable 2024 MIP Period as approved by the Board or Compensation Committee. To receive any Bonus for a 2024 MIP Period, and unless prohibited by applicable law, you must be actively working for the Company at the time payment is made. The 2024 MIP is valid for 2024 only and will not continue to apply for future years.

Participants do not have any contractual or otherwise acquired right to MIP participation in any future years. Your participation in the 2024 MIP does not in any way imply, suggest or require that you will participate in any MIP or similar program for future years. There are no promises or guarantees of payments under the 2024 MIP, and the Company reserves the right to unilaterally alter or discontinue the program at its complete discretion, unless specifically prohibited under applicable law.



October 22, 2024

Dear Vic,

This letter is to confirm our agreement that your bonus opportunity under the 2024 Management Incentive Plan of OneSpan Inc. (the "Company") for the second half of 2024 will be based on the Company's achievement of the following metrics, each with a weighting of 1/3<sup>rd</sup>:

- 2024 Revenue
- 2024 Adjusted EBITDA
- 2024 Rule of 40 Attainment

2024 Revenue refers to the Company's publicly reported revenue. 2024 Adjusted EBITDA and 2024 Rule of 40 Attainment have the meanings used for purposes of the Company's 2024 LTIP PSU grants. Targets for the above metrics have been communicated to you separately.

This letter agreement supersedes anything to the contrary in Section 2.2 of your Employment Agreement with the company dated July 31, 2024 (the "Employment Agreement"). The Employment Agreement otherwise remains in full force and effect as originally executed.

Sincerely,

/s/ Michael McConnell

Michael McConnell  
*Chairman, Compensation Committee*

I acknowledge and agree to the terms of this letter:

/s/ Victor Limongelli

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Victor Limongelli

**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: October 30, 2024

/s/ Victor Limongelli

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

**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: October 30, 2024

/s/ Jorge Martell

Jorge Martell

Chief Financial Officer

(Principal Financial and Accounting Officer)

**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 third quarter ended September 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

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Victor Limongelli  
President and Chief Executive Officer

October 30, 2024

**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 third quarter ended on September 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

October 30, 2024