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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2023

OR

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

FOR THE TRANSITION PERIOD FROM _______ TO

Commission file number 000-24389

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

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

121 West Wacker Drive, Suite 2050
Chicago, Illinois 60601
(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

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

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

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

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

There were 39,949,527 shares of Common Stock, $0.001 par value per share, outstanding at April 28, 2023.

OneSpan Inc.
Form 10-Q
For the Quarter Ended March 31, 2023
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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)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 106,519	$ 96,167
Restricted cash	1,017	1,208
Short-term investments	—	2,328
Accounts receivable, net of allowances of $1,676 in 2023 and $1,600 in 2022	32,285	65,132
Inventories, net	15,640	12,054
Prepaid expenses	7,938	6,222
Contract assets	4,256	4,520
Other current assets	8,603	10,757
Total current assets	176,259	198,387
Property and equipment, net	15,095	12,681
Operating lease right-of-use assets	7,635	8,022
Goodwill	92,243	90,514
Intangible assets, net of accumulated amortization	13,323	12,482
Deferred income taxes	1,919	1,901
Other assets	10,832	11,095
Total assets	$ 317,306	$ 335,082
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 17,255	$ 17,357
Deferred revenue	54,072	64,637
Accrued wages and payroll taxes	14,163	18,345
Short-term income taxes payable	1,932	2,438
Other accrued expenses	9,309	7,664
Deferred compensation	222	373
Total current liabilities	96,953	110,814
Long-term deferred revenue	5,715	6,269
Long-term lease liabilities	8,093	8,442
Long-term income taxes payable	2,565	2,565
Deferred income taxes	1,210	1,197
Other long-term liabilities	3,439	2,484
Total liabilities	117,975	131,771
Stockholders' equity		
Preferred stock: 500 shares authorized, none issued and outstanding at March 31, 2023 and December 31, 2022	—	—
Common stock: $.001 par value per share, 75,000 shares authorized; 40,987 and 40,764 shares issued; 39,949 and 39,726 shares outstanding at March 31, 2023 and December 31, 2022, respectively	40	40
Additional paid-in capital	110,019	107,305
Treasury stock, at cost, 1,038 shares outstanding at March 31, 2023 and December 31, 2022	(18,222)	(18,222)
Retained earnings	120,382	128,738
Accumulated other comprehensive loss	(12,888)	(14,550)
Total stockholders' equity	199,331	203,311
Total liabilities and stockholders' equity	$ 317,306	$ 335,082

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	**2022**
Revenue		
Product and license	$ 33,146	$ 29,485
Services and other	24,461	22,962
Total revenue	57,607	52,447
Cost of goods sold		
Product and license	11,288	9,079
Services and other	7,033	6,690
Total cost of goods sold	18,321	15,769
Gross profit	39,286	36,678
Operating costs		
Sales and marketing	20,011	15,000
Research and development	9,463	12,096
General and administrative	16,653	14,784
Restructuring and other related charges	706	2,659
Amortization of intangible assets	583	1,382
Total operating costs	47,416	45,921
Operating loss	(8,130)	(9,243)
Interest income (expense), net	503	(17)
Other (expense) income, net	(40)	15,647
Income (loss) before income taxes	(7,667)	6,387
Provision for income taxes	689	1,173
Net income (loss)	$ (8,356)	$ 5,214
Net loss per share		
Basic	$ (0.21)	$ 0.13
Diluted	$ (0.21)	$ 0.13
Weighted average common shares outstanding		
Basic	40,057	39,577
Diluted	40,057	39,687

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	**2022**
Net loss	$ (8,356)	$ 5,214
Other comprehensive loss		
Cumulative translation adjustment, net of tax	1,715	(2,020)
Pension adjustment, net of tax	(60)	(25)
Unrealized gains (loss) on available-for-sale securities	7	(79)
Comprehensive loss	$ (6,694)	$ 3,090

See accompanying notes to unaudited condensed consolidated financial statements.

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

For the Three Months Ended March 31, 2023:

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

For the Three Months Ended March 31, 2022:

Description	Common Stock		Treasury - Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	40,001	$ 40	592	(12,501)	$ 100,250	$ 143,173	$ (11,182)	$ 219,780
Net income (loss)	—	—	—	—	—	5,214	—	5,214
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(2,020)	(2,020)
Share-based compensation	—	—	—	—	1,360	—	—	1,360
Vesting of restricted stock awards	34	—	—	—	—	—	—	—
Tax payments for stock issuances	(14)	—	—	—	(635)	—	—	(635)
Unrealized gain (loss) on available-for-sale-securities	—	—	—	—	—	—	(79)	(79)
Pension adjustment, net of tax	—	—	—	—	—	—	(25)	(25)
Balance at March 31, 2022	40,021	$ 40	592	$ (12,501)	$ 100,975	$ 148,387	$ (13,306)	$ 223,595

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities:		
Net loss	$ (8,356)	$ 5,214
Adjustments to reconcile net loss from operations to net cash used in operations:		
Depreciation and amortization of intangible assets	1,319	2,097
Gain on sale of equity-method investment	—	(14,810)
Deferred tax benefit	8	794
Stock-based compensation	3,812	1,360
Changes in operating assets and liabilities:		
Accounts receivable	33,134	20,559
Inventories, net	(3,361)	(260)
Contract assets	278	(904)
Accounts payable	(273)	(941)
Income taxes payable	(512)	(332)
Accrued expenses	(1,963)	(2,723)
Deferred compensation	(151)	(797)
Deferred revenue	(11,390)	(5,156)
Other assets and liabilities	692	(441)
Net cash provided by (used in) operating activities	13,237	3,660
Cash flows from investing activities:		
Purchase of short-term investments	—	(15,812)
Maturities of short-term investments	2,330	14,500
Additions to property and equipment	(3,069)	(272)
Additions to intangible assets	(7)	(7)
Cash paid for acquisition of business	(1,800)	—
Sale of equity-method investment	—	18,874
Net cash (used in) provided by investing activities	(2,546)	17,283
Cash flows from financing activities:		
Tax payments for restricted stock issuances	(1,098)	(635)
Net cash used in financing activities	(1,098)	(635)
Effect of exchange rate changes on cash	569	(45)
Net increase in cash	10,162	20,263
Cash, cash equivalents, and restricted cash, beginning of period	97,374	64,228
Cash, cash equivalents, and restricted cash, end of period	$ 107,536	$ 84,491

See accompanying notes to unaudited 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 helps organizations accelerate digital transformations by enabling secure, compliant, and easy customer agreements and transaction experiences. The Company is a global leader in providing high-assurance identity and authentication security as well as enterprise-grade electronic signature (e-signature) solutions for use cases ranging from simple transactions to workflows that are complex or require higher levels of security. The Company's solutions help its clients 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. The Company offers a portfolio of products and services across identity verification, authentication, virtual interactions and transactions, and secure digital storage. 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.).

Basis of Presentation

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, 2022.

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 months ended March 31, 2023 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

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

Business Transformation

In May 2022, the Company announced a three-year strategic transformation plan that began on January 1, 2023. The Company expects this transformation plan will enable it to build on its strong solution portfolio and market position, enhance its enterprise go-to-market strategy, accelerate revenue growth, and drive efficiencies to support margin expansion and increased profitability. In conjunction with the strategic transformation 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. The Company plans to manage Digital Agreements for accelerated growth and market share gains and Security Solutions for cash flow given its more modest growth profile. For further information regarding the Company's reportable segments, see Note 3, *Segment Information*.

While the Company's consolidated results will not be impacted, the Company has recast its segment information for the three months ended March 31, 2022 for comparable presentation.

Estimates and Assumptions

The preparation of 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 the 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). Losses resulting from foreign currency transactions were $0.2 million and $0.4 million for the three months ended March 31, 2023 and 2022, respectively, and are included in "Other income (expense), net" in the condensed consolidated statements of operations.

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, 2022, filed with the SEC on February 28, 2023 that have had a material impact on the Company’s condensed consolidated financial statements and related notes.

Restricted Cash

We are party to lease agreements that require letters of credit to secure the obligations which totaled $0.9 million and $1.1 million at March 31, 2023 and December 31, 2022, respectively. Additionally, we maintained a cash guarantee with a payroll vendor in the amount of $0.1 million at both March 31, 2023 and December 31, 2022. 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 us as of the specified effective date. Unless otherwise discussed, the Company believes that the issued standards that are not yet effective will not have a material impact on its consolidated financial statements and disclosures upon adoption.

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 our OneSpan Sign e-signature solution and our OneSpan Notary and Virtual Room solutions. As our transformation plan progresses, we expect to include other cloud-based security modules associated with the secure transaction lifecycle of identity verification, authentication, virtual interactions and transactions, and secure digital storage in the Digital Agreements segment. This segment also includes costs attributable to our transaction cloud platform.

- **Security Solutions**. Security Solutions consists of our broad portfolio of software products and/or software development kits (SDKs) that are used to build applications designed to defend against attacks on digital transactions across online environments, devices and applications. These solutions, which are largely on-premises software products, include identity verification, multi-factor authentication and transaction signing, such as mobile application security, mobile software tokens, and Digipass authenticators that are not cloud-connected devices.

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. The Company recorded $0.6 million of amortization expense in Digital Agreements operating income during the three months ended March 31, 2023 and 2022. The Company recorded $0 and $0.8 million of amortization expense in Security Solutions operating income during the three months ended March 31, 2023 and 2022, respectively. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment.

Prior to 2023, the company allocated certain cost of goods sold and operating expenses to its two reportable segments using a direct cost allocation and an allocation based on revenue split between the segments. Beginning in the first quarter of 2023, and as a result of the ongoing strategic transformation, the Company refined its allocation methodology to better align internal and external costs more directly to where the employee efforts are being spent on each segment moving forward. As a result of this change, there was an increase in cost of goods sold and operating expenses being allocated to the Digital Agreements segment, which better aligns with the investments the Company is making to grow that segment as compared to its Security Solutions segment.

The tables below set forth information about the Company's reportable operating segments for the three months ended March 31, 2023 and 2022, along with the items necessary to reconcile the segment information to the totals reported in the accompanying condensed consolidated financial statements.

	Three Months Ended March 31,	
(In thousands, except percentages)	2023	2022
Digital Agreements		
Revenue	$ 11,552	$ 13,301
Gross profit	$ 8,448	$ 10,286
Gross margin	73 %	77 %
Operating income (loss)	$ (6,033)	$ 1,125
Security Solutions		
Revenue	$ 46,055	$ 39,146
Gross profit	$ 30,838	$ 26,392
Gross margin	67 %	67 %
Operating income	$ 15,631	$ 7,689
Total Company:		
Revenue	$ 57,607	$ 52,447
Gross profit	$ 39,286	$ 36,678
Gross margin	68 %	70 %
Statements of Operations reconciliation:		
Segment operating income	$ 9,598	$ 8,814
Corporate operating expenses not allocated at the segment level	(17,728)	(18,057)
Operating loss	$ (8,130)	$ (9,243)
Interest income (expense), net	503	(17)
Other (expense) income, net	(40)	15,647
Income (loss) before income taxes	$ (7,667)	$ 6,387

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 months ended March 31, 2023 and 2022:

	Three Months Ended March 31,			
	2023		2022	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
(In thousands)				
Subscription	$ 10,348	$ 19,608	$ 11,671	$ 11,598
Maintenance and support	996	10,165	1,352	10,594
Professional services and other (1)	208	1,416	278	1,603
Hardware products	—	14,866	—	15,351
Total Revenue	$ 11,552	$ 46,055	$ 13,301	$ 39,146

(1) Professional services and other includes perpetual software licenses revenue, which was less than 2% of total revenue for the three months ended March 31, 2023 and 2022.

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

Disaggregation of Revenues

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

Revenue by major products and services

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Subscription	$ 29,956	$ 23,269
Maintenance and support	11,161	11,946
Professional services and other (1)	1,624	1,881
Hardware products	14,866	15,351
Total Revenue	$ 57,607	$ 52,447

(1) Professional services & other includes perpetual software licenses revenue, which was less than 2% of total revenue for the three months ended March 31, 2023 and 2022.

Revenue by location of customer for the Three Months Ended March 31, 2023 and 2022

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 March 31, 2023	Three Months Ended March 31, 2022
Revenue		
EMEA	$ 27,820	$ 24,876
Americas	20,498	17,249
APAC	9,289	10,322
Total revenue	$ 57,607	$ 52,447
% of Total Revenue		
EMEA	48 %	47 %
Americas	36 %	33 %
APAC	16 %	20 %

Timing of revenue recognition

(In thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Products and Licenses transferred at a point in time	$ 33,146	$ 29,485
Services transferred over time	24,461	22,962
Total Revenue	$ 57,607	$ 52,447

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of March 31, 2023 and December 31, 2022:

(In thousands)	March 31, 2023	December 31, 2022
Receivables, inclusive of trade and unbilled	$ 32,285	$ 65,132
Contract Assets (current and non-current)	$ 4,410	$ 4,642
Contract Liabilities (Deferred Revenue current and non-current)	$ 59,787	$ 70,906

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 three months ended March 31, 2023 included $28.3 million that was included on the December 31, 2022 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 March 31, 2023:

(In thousands)	2023	2024	2025	Beyond 2025	Total
Future revenue related to current unsatisfied performance obligations	$ 28,964	$ 21,958	$ 9,470	$ 5,764	$ 66,156

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 seven 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.

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

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

(In thousands)	March 31, 2023	December 31, 2022
Capitalized costs to obtain contracts, current	$ 3,011	$ 2,929
Capitalized costs to obtain contracts, non-current	$ 10,295	$ 10,571

	Three Months Ended March 31,	
(In thousands)	2023	2022
Amortization of capitalized costs to obtain contracts	$ 731	$ 541
Impairments of capitalized costs to obtain contracts	$ —	$ —

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:

	March 31, 2023	December 31, 2022
(In thousands)		
Component parts	$ 8,760	$ 6,762
Work-in-process and finished goods	6,880	5,292
Total	$ 15,640	$ 12,054

Note 6 – Goodwill

The following table presents the changes in goodwill during the three months ended March 31, 2023:

(In thousands)	Digital Agreements	Security Solutions	Total
Net balance at December 31, 2022	$ 19,732	$ 70,782	$ 90,514
Foreign currency exchange rate effect	247	882	1,129
Acquisition during the period (1)	$ 600	$ —	$ 600
Net balance at March 31, 2023	$ 20,579	$ 71,664	$ 92,243

(1) Represents goodwill recorded in conjunction with the acquisition of substantially all the assets of Southbank Software Pty Ltd. during the three months ended March 31, 2023. See Note 17, *Business Acquisitions*, for additional information.

No impairment of goodwill was recorded during the three months ended March 31, 2023 and 2022.

Note 7 – Intangible Assets

Intangible assets as of March 31, 2023 and December 31, 2022 consist of the following:

		As of March 31, 2023		As of December 31, 2022	
(In thousands)	Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired technology	3 to 7	$ 43,590	$ 42,057	$ 42,022	$ 41,894
Customer relationships	5 to 12	34,551	24,051	34,386	23,323
Patents, trademarks, and other	10 to 20	13,538	12,248	13,518	12,227
Total		$ 91,679	$ 78,356	$ 89,926	$ 77,444

Amortization expense was $0.6 million and $1.4 million for the three months ended March 31, 2023 and 2022, respectively.

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

There was no impairment of intangible assets recorded during the three months ended March 31, 2023 and 2022.

Note 8 – Property and Equipment, net

The following table presents the major classes of property and equipment, net, as of March 31, 2023 and December 31, 2022:

(In thousands)	March 31, 2023	December 31, 2022
Office equipment and software	$ 14,765	$ 14,451
Leasehold improvements	9,970	9,927
Furniture and fixtures	4,285	4,260
Capitalized software	6,783	4,007
Total	35,803	32,645
Accumulated depreciation	(20,708)	(19,964)
Property and equipment, net	$ 15,095	$ 12,681

Depreciation expense was $0.7 million for both the three months ended March 31, 2023 and 2022.

Note 9 – Fair Value Measurements

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 March 31, 2023 and December 31, 2022:

		Fair Value Measurement at Reporting Date Using		
(In thousands)	March 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Treasury Bills	$ 17,577	—	$ 17,577	—
Commercial Paper	$ 14,479	—	$ 14,479	—
U.S. Treasury Notes	$ 3,991	—	$ 3,991	—
Money Market Funds	$ 1,855	—	$ 1,855	—

		Fair Value Measurement at Reporting Date Using		
(In thousands)	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money Market Funds	$ 28,388	—	$ 28,388	—
Commercial Paper	$ 6,743	—	$ 6,743	—
Corporate Notes / Bonds	$ 2,328	—	$ 2,328	—

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 March 31, 2023 and December 31, 2022.

The Company did not have any transfers of assets between Level 1 and Level 2 or Level 3 of the fair value hierarchy during three months ended March 31, 2023. Also, the Company did not have any financial liabilities that are measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022.

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. No impairment was recorded during the three months ended March 31, 2023 and 2022.

Note 10 – Allowance for Credit Losses

The changes in the allowance for credit losses during the three months ended March 31, 2023 were as follows:

(In thousands)	
Balance at December 31, 2022	$ 1,600
Provision	212
Write-offs	(136)
Balance at March 31, 2023	$ 1,676

Note 11 – Leases

Operating lease cost details for the three months ended March 31, 2023 and 2022 are as follows:

	Three Months Ended March 31,	
(In thousands)	2023	2022
Building rent	$ 523	$ 575
Automobile rentals	250	220
Total net operating lease costs	$ 773	$ 795

At March 31, 2023, the Company's weighted average remaining lease term for its operating leases is 5.6 years, and the weighted average discount rate for its operating leases is 5%.

During the three months ended March 31, 2023, there were $0.7 million of operating cash payments for lease liabilities, and $0.1 million of right-of use assets obtained in exchange for new lease liabilities.

Maturities of the Company's operating leases as of March 31, 2023 are as follows:

(In thousands)	As of March 31, 2023
2023	$ 2,040
2024	2,111
2025	1,805
2026	1,724
2027	1,552
Later years	2,717
Less imputed interest	(1,730)
Total lease liabilities	$ 10,219

Note 12 – Income Taxes

The Company's estimated annual effective tax rate for 2023 before discrete items and excluding entities with a valuation allowance is expected to be approximately 26%. The Company's global effective tax rate is higher than the U.S. statutory tax rate of 21% primarily due to nondeductible expenses. The ultimate tax expense will depend on the mix of earnings in various jurisdictions. Income tax refunds, net of taxes paid, of $0.3 million were received during the three months ended March 31, 2022. Income taxes, net of refunds, of $1.1 million were paid during the three months ended March 31, 2023.

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.

At December 31, 2022, the Company had deferred tax assets of $46.8 million resulting from U.S., foreign and state NOL carryforwards of $125.7 million and other foreign deductible carryforwards of $124.2 million. At December 31, 2022, the Company had a valuation allowance of $37.7 million against deferred tax assets related to certain carryforwards.

Note 13 – Long-Term Compensation Plan and Stock Based Compensation (share counts in thousands)

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. Other long-term incentive plan compensation expense includes cash incentives.

The Company awarded 1.0 million restricted stock units during the three months ended March 31, 2023, subject to time-based vesting. The fair value of the unissued time-based restricted stock unit grants was $12.9 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 three months ended March 31, 2023, which allow for up to 0.9 million shares to be earned if the performance criteria are achieved at the target level. The fair value of these awards was $12.8 million at the dates of grant and the awards are being amortized over the vesting period of one to three years. The Company currently believes that all of these shares are expected to be earned.

During the three months ended March 31, 2022, stock-based compensation and other long-term incentive plan compensation accruals were reversed for employees who were terminated. The reversal of the accrued long-term incentive plan compensation for the terminated employees largely offset the expense for the period.

The following table presents stock-based compensation expense and other long-term incentive plan compensation expense for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Stock-based compensation	$ 3,812	$ 1,360
Other long-term incentive plan compensation	111	(136)
Total compensation	$ 3,923	$ 1,224

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 months ended March 31, 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 months ended March 31, 2023 and 2022 are as follows:

(In thousands, except per share data)	Three Months Ended March 31, 2023	2022
Net loss	$ (8,356)	$ 5,214
Weighted average common shares outstanding:		
Basic	40,057	39,577
Incremental shares with dilutive effect:		
Restricted stock awards	—	110
Diluted	40,057	39,687
Net loss per share:		
Basic	$ (0.21)	$ 0.13
Diluted	$ (0.21)	$ 0.13

Note 15 – Legal Proceedings and Contingencies

The Company is subject to certain legal proceedings and claims incidental to the operations of its business. The Company is also subject to certain other legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully adjudicated. 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. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. As of March 31, 2023, the Company has recorded an accrual of $1.6 million for loss contingencies, which represents the better estimate within the probable range of $1.6 million and $2.0 million, related to all probable losses where a reasonable estimate could be made.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible, but not probable. As of March 31, 2023, the Company does not have any reasonably possible losses for which an estimate can be made. Although the Company intends to defend its legal matters vigorously, the ultimate outcome of these matters is uncertain. However, the Company does not expect the potential losses, if any, to have a material adverse impact on its operating results, cash flows, or financial condition.

Note 16 – Restructuring and Other Related Charges

In December 2021, the Company's Board of Directors (the "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 consists primarily of headcount-related actions and is designed to continue to advance the same objectives as the first phase of the Plan.

In connection with the Plan, the Company incurred severance, retention pay, and related benefit costs. The Company recorded $0.7 million and $2.7 million in “Restructuring and other related charges” in the condensed consolidated statements of operations for the three months ended March 31, 2023 and 2022, respectively. During the three months ended March 31, 2023, expense of $0.3 million and $0.3 million was recognized in Digital Agreements operating income and Security Solutions operating income, respectively. Expense of $0.2 million and $1.0 million was recognized in Digital Agreements operating income and Security Solutions operating income, respectively during the three months ended March 31, 2022.

In total, there were approximately 100 employees, across multiple functions, whose positions were made redundant.

The table below sets forth the changes in the carrying amount of the restructuring charge liability for the three months ended March 31, 2023.

	Restructuring Charge Liability	
(In thousands)		
Balance as of December 31, 2022	$	3,596
Additions		706
Payments		(477)
Balance as of March 31, 2023	$	3,825

The $2.8 million current portion of the restructuring charge liability at March 31, 2023 is included in “Accrued wages and payroll taxes” in the condensed consolidated balance sheet and is expected to be paid within the next 12 months. The $1.0 non-current portion is included in "Other long-term liabilities" in the condensed consolidated balance sheet and is expected to be paid within the next 24 months.

Note 17 – Business Acquisitions

On February 22, 2023, the Company acquired substantially all of the assets of the ProvenDB business of Southbank Software Pty Ltd. ("ProvenDB") under the terms of an asset purchase agreement. Pursuant to the terms of the asset purchase agreement, the total consideration for the acquisition was $2.0 million, of which $1.8 million was paid in cash at closing. The remaining $0.2 million was held back as security for any indemnity claims made by the Company, and to the extent not used to satisfy such claims, will be paid to the seller 12 months after the acquisition date.

ProvenDB is a developer of secure storage that leverages blockchain technology in order to prevent data tampering or alteration of documents. The technology acquired in the acquisition is expected to provide a foundational architecture for future blockhain-based digital solutions, including secure storage.

As of March 31, 2023, the Company is still determining the purchase price allocation. A preliminary purchase price allocation of the fair value of the assets acquired and liabilities assumed is included in the table below. These estimates are subject to change and may result in an increase in goodwill with regard to our estimates of the acquired assets and assumed liabilities during the measurement period, which may extend up to one year from the acquisition date.

ProvenDB is allocated entirely to our Digital Agreements reportable operating segment.

(In thousands)	As of Date of Opening Balance Sheet	
Net assets acquired:		
Acquired technology	$	1,447
Accrued wages and payroll taxes		(47)
Goodwill		600
Total net assets acquired	$	2,000
Consideration	$	2,000

The financial impact of this acquisition was not material to our condensed consolidated financial statements, and therefore, we have not presented pro forma results of operations for the acquisition.

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 months ended March 31, 2023 and 2022 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, 2022 (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 strategic transformation plan; expected results of the investments we are making in sales, marketing, and product development; our plans for managing our Digital Agreements and Security Solutions segments; expectations regarding our ability to attract new customers and retain existing customers; efficiency, functionality and other expectations for our next-generation transaction-cloud platform; the timing for general availability of new or enhanced products; our expectations regarding our use of technology acquired in our ProvenDB acquisition or other acquisitions we may complete in the future; the expectation that software as a service, or SaaS, will constitute an increasingly important part of our business in the future; the potential benefits, performance and functionality of our products and solutions, including future offerings; future plans or trends in sales and marketing, research and development, and general and administrative expenditures; expectations regarding sources and uses of cash; plans to expand our salesforce and distribution channels; the impact of foreign currency exchange rate fluctuations; the impact of inflation; trends in microprocessor or other costs affecting our Digipass business; the effects of supply chain disruptions; plans or expectations for inventory management in our Digipass business; impacts of macroeconomic conditions or geopolitical conflict; trends in hiring or compensation costs affecting us; 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. Important factors that could materially affect our business and financial results include, but are not limited to: our ability to execute our strategic transformation plan; our ability to attract new customers and retain and expand sales to existing customers; our ability to effectively develop and expand our sales and marketing capabilities; our ability to hire, train, and retain sales and other employees necessary to implement our strategic transformation plan; our ability to successfully develop and market new product offerings and product enhancements; the loss of one or more large customers; difficulties enhancing and maintaining our brand recognition; competition; lengthy sales cycles; departures of senior management or other key employees; changes in customer requirements; interruptions or delays in the performance of our products and solutions; real or perceived malfunctions or errors in our products; the potential effects of technological changes; economic recession, inflation, and political instability; our ability to effectively manage third party partnerships, acquisitions, divestitures, alliances, or joint ventures; security breaches or cyber-attacks; claims that we have infringed the intellectual property rights of others; price competitive bidding; changing laws, government regulations or policies; pressures on price levels; component shortages; delays and disruption in global transportation and supply chains; reliance on third parties for certain products and data center services; 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 Part I, Item IA, "Risk Factors" in the Form 10-K. Our filings with the Securities and Exchange Commission (the "SEC") and other important information can be found in the Investor Relations section of our website at investors.onespan.com. We do not have any intent, and disclaim any obligation, to update the forward-looking information to reflect events that occur, circumstances that exist or changes in our expectations after the date of this Form 10-Q, except as required by law.

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

Overview

OneSpan helps organizations accelerate digital transformations by enabling secure, compliant, and refreshingly easy digital customer agreements and transaction experiences. We deliver digital agreement products and services that automate and secure customer-facing and revenue-generating business processes. Our solutions help organizations streamline and secure user experiences, which in turn allows them to drive growth, reduce risk, and unlock their business potential.

We are a global leader in providing high-assurance identity and authentication security as well as enterprise-grade electronic signature (e-signature) solutions, for use cases ranging from simple transactions to workflows that are complex or require higher levels of security. Our solutions help our clients 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 largest 100 banks, and process millions of digital agreements and billions of transactions in more than 100 countries annually.

Our solutions are powered by a portfolio of products and services across identity verification, authentication, virtual interactions and transactions, and secure digital storage. These products and services can be acquired and embedded individually within enterprise business workflows or assembled into tailored solutions for simple yet secure business-to-business, business-to-employee, and business-to-customer experiences.

We offer our solutions through cloud-based and, in select cases, on-premises solutions using both open standards and proprietary technologies. We offer our products primarily through a subscription licensing model. 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 May 2022, we announced a three-year strategic transformation plan that began on January 1, 2023. We believe this transformation plan will enable us to build on our strong solution portfolio and market position, enhance our enterprise go-to-market strategy, accelerate revenue growth, and drive efficiencies to support margin expansion and increased profitability. In conjunction with the strategic transformation 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 our OneSpan Sign e-signature solution and our OneSpan Notary and Virtual Room solutions. As our transformation plan progresses, we expect to include other cloud-based security modules associated with the secure transaction lifecycle of identity verification, authentication, virtual interactions and transactions, and secure digital storage in the Digital Agreements segment. This segment also includes costs attributable to our transaction cloud platform.

- **Security Solutions**. Security Solutions consists of our broad portfolio of software products and/or software development kits (SDKs) that are used to build applications designed to defend against attacks on digital transactions across online environments, devices and applications. These solutions, which are largely on-premises software products, include identity verification, multi-factor authentication and transaction signing, such as mobile application security, mobile software tokens, and Digipass authenticators that are not cloud-connected devices.

We expect to manage Digital Agreements for accelerated growth and market share gains and Security Solutions for cash flows given its more modest growth profile. Across both segments, we plan to build on our strong foundation in both e-signature and cybersecurity by enhancing product features, developing new solutions, and building out our next-generation transaction cloud platform, which we expect will allow us to efficiently deliver security and e-signature solutions to our customers across their entire digital agreement lifecycle. We also plan to enhance our go-to-market strategy by prioritizing growth at large enterprise accounts, expanding our direct sales force, and accessing new routes to market through alliances and partnerships.

In connection with this business transformation, during the three months ended March 31, 2023 we changed our methodology for allocating expenses between the segments to better reflect the shift in employee time, effort, and costs toward supporting the growth of our Digital Agreements segment instead of our Security Solutions segment.

Our transformation plan involves numerous risks and uncertainties. For additional details please see Part 1, Item 1A, *Risk Factors* in our Form 10-K.

Restructuring Plan

In December 2021, our Board of Directors (the "Board") approved a restructuring plan designed to advance our operating model, streamline our business, improve efficiency, and enhance our capital resources. The first phase of this restructuring plan began and was substantially completed during the three months ended March 31, 2022.

In May 2022, our Board approved additional actions related to the restructuring plan through the year ending December 31, 2025. The additional actions consist primarily of headcount-related reductions and is designed to continue to advance the same objectives as the first phase of the plan.

As part of the restructuring plan, we reduced headcount by eliminating approximately 100 positions. We incurred severance and related benefits costs, recorded in “Restructuring and other related charges” in the consolidated statement of operations for the year ended December 31, 2022.

Business Acquisitions

On February 22, 2023, we acquired substantially all of the assets of the ProvenDB business of Southbank Software Pty Ltd. ("ProvenDB") under the terms of an asset purchase agreement. ProvenDB is a developer of secure storage that leverages blockchain technology in order to prevent data tampering or alteration of documents. The technology acquired in the acquisition is expected to provide a foundational architecture for future blockchain-based digital solutions, including secure storage. The results of operations since the acquisition date are included in our Digital Agreements reportable operating segment.

Macroeconomic Conditions

During the first quarter of 2023, we continued to operate under uncertain market conditions, influenced by events such as the Russia-Ukraine conflict, instability in certain parts of the banking sector, supply chain constraints, the inflationary cost environment, and general concerns about economic conditions. Our customers have increased scrutiny on spending decisions, which has resulted in longer sales cycles for both existing customer and new customer opportunities. For a complete discussion of the risks we encounter in our business, please refer to Part 1, Item 1A, *Risk Factors*, in our Form 10-K.

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, and freight.
- *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 first three months of 2023 compared to the first three months of 2022 resulted in a decrease in operating expenses of approximately $0.6 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 cash and stock-based incentives. During the three months ended March 31, 2023 and 2022, operating expenses included $3.9 million and $1.2 million, respectively, of expenses related to stock-based and long-term incentive plans.

Stock-based compensation expense for the three months ended March 31, 2023 reflected our 2023 annual equity grant to executives and other employees who were hired in the second and third quarters of 2022, including the impact of an overall expansion of the equity incentive program that we put in place during 2022 for the long-term retention of our employees. The reversal in the three months ended March 31, 2022 of certain long-term incentive plan compensation accruals and unvested stock-based incentives for employees who were severed from the Company during that period was also a factor in the year-over-year increase in stock-based compensation expense.

Our operating expenses consist of:

- *Sales and marketing*. Sales and marketing expenses consist primarily of personnel costs, commissions and bonuses, trade shows, marketing programs and other marketing activities, travel, outside consulting costs, and long-term incentive compensation. We expect sales and marketing expenses to increase in absolute dollars as we expand our salesforce and marketing activities to support our strategic transformation plan, although our sales and marketing expenses may fluctuate as a percentage of total revenue.
- *Research and development*. Research and development expenses consist primarily of personnel costs and long-term incentive compensation. We expect research and development costs to increase in absolute dollars as we continue to enhance and expand our product offerings and cloud platform. However, our research and development expenses may fluctuate as a percentage of total revenue due to expected growth of our team and continued capitalization of certain costs related to the expansion of our cloud product portfolio.
- *General and administrative*. General and administrative expenses consist primarily of personnel costs, legal, consulting and other professional fees, and long-term incentive compensation. We expect general and administrative expenses to increase in absolute dollars to support the anticipated growth of our business, although our general and administrative expenses may fluctuate as a percentage of total revenue.
- *Amortization of intangible assets*. Acquired intangible assets are amortized over their respective amortization periods and are periodically evaluated for impairment.
- *Restructuring and related charges.* Restructuring and other related charges consists of severance and related benefits incurred from headcount reductions as part of our restructuring plan. We plan to incrementally incur additional restructuring costs through December 31, 2025, when the plan terminates.

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, and general and administrative expenses, amortization and impairment charges that are incurred directly by a segment. Unallocated corporate costs include companywide costs that are not attributable to a particular segment. Financial results by reportable operating segment are included below under Results of Operations.

Interest Income (Expense), Net

Interest income (expense), net, consists of income earned on our cash equivalents and short-term investments. Our cash equivalents and short-term investments 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 revenues 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 March 31, 2023 and 2022, respectively, we generated approximately 80% and 88% of our revenues and incurred approximately 56% and 68% of our operating expenses 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 three months ended March 31, 2023 was denominated in U.S. Dollars. For the three months ended March 31, 2023, approximately 53% of our revenue was denominated in U.S. Dollars, 42% was denominated in Euros and 5% was denominated in other currencies. For the three months ended March 31, 2022, approximately 57% of our revenue was denominated in U.S. Dollars, 38% 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 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. Accordingly, assets and liabilities 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 comprehensive gain of $1.7 million during the three months ended March 31, 2023 and comprehensive loss of $2.0 million during the three months ended March 31, 2022. These amounts are included as a separate component of stockholders' equity. The functional currency for our subsidiaries in Switzerland, Singapore and Canada is the U.S. Dollar.

Gains and losses resulting from foreign currency transactions are included in the condensed consolidated statements of operations in other income (expense). Losses resulting from foreign currency transactions were $0.2 million and $0.4 million for the three months ended March 31, 2023 and 2022, respectively.

Results of Operations

In conjunction with our strategic transformation plan, 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.

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

	Three Months Ended March 31,	
(In thousands, except percentages)	2023	2022
Digital Agreements		
Revenue	$ 11,552	$ 13,301
Gross profit	$ 8,448	$ 10,286
Gross margin	73 %	77 %
Operating income (loss)	$ (6,033)	$ 1,125
Security Solutions		
Revenue	$ 46,055	$ 39,146
Gross profit	$ 30,838	$ 26,392
Gross margin	67 %	67 %
Operating income	$ 15,631	$ 7,689
Total Company:		
Revenue	$ 57,607	$ 52,447
Gross profit	$ 39,286	$ 36,678
Gross margin	68 %	70 %
Statements of Operations reconciliation:		
Segment operating income	$ 9,598	$ 8,814
Corporate operating expenses not allocated at the segment level	(17,728)	(18,057)
Total Company operating loss	$ (8,130)	$ (9,243)

Revenue

Revenue by products and services allocated to the segments for the three months ended March 31, 2023 and 2022 is as follows:

	Three Months Ended March 31,			
	2023		2022	
	Digital Agreements	Security Solutions	Digital Agreements	Security Solutions
(In thousands)				
Subscription	$ 10,348	$ 19,608	$ 11,671	$ 11,598
Maintenance and support	996	10,165	1,352	10,594
Professional services and other (1)	208	1,416	278	1,603
Hardware products	—	14,866	—	15,351
Total Revenue	$ 11,552	$ 46,055	$ 13,301	$ 39,146

(1) Professional services and other includes perpetual software licenses revenue which was less than 2% of total revenue for the three months ended March 31, 2023 and 2022.

Total revenue increased by $5.2 million, or 10%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Changes in foreign exchange rates as compared to the same period in 2022 negatively impacted revenue by approximately $1.3 million.

Additional information on our revenue by segment follows.

- **Digital Agreements** revenue decreased $1.7 million, or 13%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in Digital Agreements revenue was primarily attributable to lower on-premises subscription revenue, which was driven by the non-renewal of several contracts and contraction due to our strategy of sunsetting our on-premises e-signature product. The decrease was partially offset by an increase in cloud subscription revenue, primarily driven by existing customer expansion. Changes in foreign currency rates compared to the same period in 2022 negatively impacted Digital Agreements revenue by less than $0.1 million.

- **Security Solutions** revenue increased $6.9 million, or approximately 18%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase in Security Solutions revenue was attributable to higher on-premises term subscription revenue, which was driven by existing customer expansion and, to a lesser extent, new customer revenue. Lower customer purchase volumes of hardware products due to production delays and lower maintenance and support revenue partially offset the increase in term subscription revenue. Changes in foreign exchange rates compared to the same period in 2022 negatively impacted Security Solutions revenue by $1.3 million.

Our revenue is heavily influenced by the timing of orders and shipments. 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. In particular, our Security Solutions revenue for the quarter ended March 31, 2023 benefited from the timing of certain contract renewals. We expect Security Solutions revenue growth to be comparatively more modest for the remainder of 2023.

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 includes Australia, New Zealand, and India. The breakdown of revenue in each of our major geographic areas was as follows:

	Three Months Ended March 31,	
	2023	**2022**
(In thousands, except percentages)		
Revenue		
EMEA	$ 27,820	$ 24,876
Americas	20,498	17,249
APAC	9,289	10,322
Total revenue	$ 57,607	$ 52,447
% of Total Revenue		
EMEA	48 %	47 %
Americas	36 %	33 %
APAC	16 %	20 %

For the three months ended March 31, 2023, revenue generated in EMEA was $2.9 million, or 12%. higher than the same period in 2022, driven primarily by higher on-premises term subscription revenue from existing customer expansion and new customers.

For the three months ended March 31, 2023, revenue generated in the Americas was $3.2 million, or 19%, higher than the three months ended March 31, 2022. This increase was primarily driven by both higher customer purchase volumes of hardware and a higher average selling price due to customer mix.

For the three months ended March 31, 2023, revenue generated in APAC was $1.0 million, or 10%, lower than the three months ended March 31, 2022, driven by lower customer purchase volumes of hardware products.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold for our products and services for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
(In thousands, except percentages)		
Cost of goods sold		
Product and license	$ 11,288	$ 9,079
Services and other	7,033	6,690
Total cost of goods sold	$ 18,321	$ 15,769
Gross profit	$ 39,286	$ 36,678
Gross margin		
Product and license	66 %	69 %
Services and other	71 %	71 %
Total gross margin	68 %	70 %

The cost of product and license revenue increased by $2.2 million, or 24%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Cost of goods sold for the three months ended March 31, 2023 was impacted by price increases for our hardware components and higher freight costs than the prior year.

The cost of services and other revenue increased by $0.3 million, or 5%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to higher cloud platform costs.

Gross profit increased $2.6 million, or 7%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Gross profit margin was 68% for the three months ended March 31, 2023, compared to 70% for the three months ended March 31, 2022. The decrease in profit margin for the three months ended March 31, 2023 was primarily driven by customer and product mix and higher freight costs.

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 a favorable impact on overall cost of goods sold of $0.2 million for the three months ended March 31, 2023. Had currency rates during the three months ended March 31, 2023 been equal to rates in the comparable period of 2022, the gross profit margin would have been less than 1 percentage point higher for the three months ended March 31, 2023, driven by the unfavorable currency rate impact to revenue.

Additional information on our gross profit by segment follows.

- **Digital Agreements** gross profit decreased $1.8 million, or 18%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in gross profit was driven by lower overall revenue and higher cloud platform costs. Digital Agreements gross margin for the three months ended March 31, 2023 was 73%, compared to 77% for the three months ended March 31, 2022.

- **Security Solutions** gross profit increased $4.4 million, or approximately 17%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, driven by higher on-premises term subscription revenue. Security Solutions gross margin was 67% for both the three months ended March 31, 2023 and 2022, mainly as a result of hardware costs increasing and proportionally offsetting the revenue increase.

Operating Expenses

Operating expenses increased by $1.5 million, or 3%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Changes in foreign exchange rates favorably impacted operating expenses by approximately $0.6 million as compared to the same period in 2022.

The following table presents the breakout of operating expenses by category as of March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Operating costs		
Sales and marketing	$ 20,011	$ 15,000
Research and development	9,463	12,096
General and administrative	16,653	14,784
Restructuring and other related charges	706	2,659
Amortization of intangible assets	583	1,382
Total operating costs	$ 47,416	$ 45,921

Sales and Marketing Expenses

Sales and marketing expenses for the three months ended March 31, 2023 increased by $5.0 million, or 33%, compared to the three months ended March 31, 2022. The increase was driven by higher expenses for sales-related activities, as well as higher employee compensation costs which included increases in commissions, annual bonus, and long-term incentive plan expenses. Costs incurred to expand our digital marketing initiatives also contributed to the increase.

Average full-time sales, marketing, support, and operating employee headcount for the three months ended March 31, 2023 was 352, compared to 361 for the three months ended March 31, 2022. Average headcount was 2% lower for the three months ended March 31, 2023, compared to the same period in 2022.

In future periods, we generally expect sales and marketing spend to increase as we enhance our enterprise go-to-market strategy, build brand awareness, expand offerings to existing customers, and add new distribution channels. However, our sales and marketing spend levels in any given period may vary depending upon the macroeconomic environment, the expected yield of our sales and marketing activities, and other business factors.

Research and Development Expenses

Research and development expenses for the three months ended March 31, 2023 decreased by $2.6 million, or 22%, compared to the three months ended March 31, 2022. The decrease in expense was driven primarily by the capitalization of expanded research and development costs of $2.8 million to enhance our transaction cloud platform and our Digital Agreements product offerings, and lower employee compensation costs. The overall decrease in expense was partially offset by higher outside services costs and higher travel and entertainment costs.

Average full-time research and development employee headcount for the three months ended March 31, 2023 was 315, compared to 367 for the three months ended March 31, 2022. Average headcount was approximately 14% lower for the three months ended March 31, 2023, when compared to the same period in 2022.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2023 increased by $1.9 million, or 13%, compared to the three months ended March 31, 2022. The increase in expense was driven by higher long-term incentive plan expense and the expansion of our executive team. The increase in expense was partially offset by a decrease in consulting fees related to our strategic transformation plan incurred during the period compared to the three months ended March 31, 2022.

Average full-time general and administrative employee headcount for the three months ended March 31, 2023 was 146, compared to 138 for the three months ended March 31, 2022. Average headcount was approximately 6% higher for the three months ended March 31, 2023 when compared to the same period in 2022.

Amortization of Intangible Assets

Amortization of intangible assets expense for the three months ended March 31, 2023 decreased by $0.8 million, or 58%, compared to the three months ended March 31, 2022. The decrease was driven by certain intangible assets acquired in prior years becoming fully amortized or impaired during 2022.

Restructuring and Other Related Charges

Restructuring and other related charges for the three months ended March 31, 2023 decreased by $2.0 million, or 73%, compared to the three months ended March 31, 2022. The decrease was driven by a significant number of employee related actions taken during the three months ended March 31, 2022. Expense in both periods includes severance, retention pay, and other related benefit costs incurred in conjunction with our restructuring plan.

Segment Operating Income (Loss)

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

- **Digital Agreements** operating loss for the three months ended March 31, 2023 was $6.0 million, compared to operating income of $1.1 million for the three months ended March 31, 2022. Operating loss for the three months ended March 31, 2023 was largely attributable to the change in expense allocations between the segments primarily impacting operating expenses, higher sales and marketing expense which was driven by higher travel and entertainment costs, higher employee compensation costs, and additional headcount on our sales team. Lower profitability also contributed to the segment operating loss. Gross margin for the three months ended March 31, 2023 and 2022 was 73% and 77%, respectively. The 400 basis point decrease in gross margin was driven by lower on-premises subscription revenue and lower maintenance and support revenue.

- **Security Solutions** operating income for the three months ended March 31, 2023 was $15.6 million, which was a year-over-year increase of $7.9 million, or 103%, from the three months ended March 31, 2022. The increase was driven by the change in expense allocations between the segments primarily impacting operating expenses, higher on-premises subscription revenue, lower research and development expense, and lower amortization as a result of the Dealflo intangible asset impairment in 2022. The increase was partially offset by higher personnel and freight costs. Gross margin was 67% for both the three months ended March 31, 2023 and 2022.

Interest income (expense), net

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Interest income (expense), net	$ 503	$ (17)

Interest income (expense), net was $0.5 million for the three months ended March 31, 2023 compared to net expense of less than $0.1 million for the three months ended March 31, 2022. The increase in interest income is related to a higher invested cash balance and higher interest rates.

Other (Expense) Income, net

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Other (expense) income, net	$ (40)	$ 15,647

Other (expense) income, 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 (expense) income, net for the three months ended March 31, 2023 was less than $(0.1) million. Other (expense) income, net for the three months ended March 31, 2022 was $15.6 million, which primarily consisted of the $14.8 million gain on sale of our equity-method investment in Promon AS ("Promon").

Provision for Income Taxes

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Provision for income taxes	$ 689	$ 1,173

We recorded income tax expense of $0.7 million and $1.2 million for the three months ended March 31, 2023 and 2022, respectively. Lower income tax expense for the three months ended March 31, 2023 was primarily attributable to tax on the gain on sale of our investment in Promon recorded during the three months ended March 31, 2022

Liquidity and Capital Resources

At March 31, 2023, we had cash balances (total cash and cash equivalents) of $106.5 million. Our cash and cash equivalents balance includes U.S. treasury notes and bills, money market funds, and high quality commercial paper with maturities at acquisition of less than three months.

At December 31, 2022, we had cash balances of $96.2 million and short-term investments of $2.3 million.

We are party to lease agreements that require letters of credit to secure the obligations which totaled $0.9 million and $1.1 million at March 31, 2023 and December 31, 2022, respectively. Additionally, we maintained a cash guarantee with a payroll vendor in the amount of $0.1 million at both March 31, 2023 and December 31, 2022. 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 March 31, 2023, we held $64.2 million of cash and cash equivalents in subsidiaries outside of the United States. Of that amount, $63.6 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:

	Three Months Ended March 31,	
	2023	2022
(In thousands)		
Cash provided by (used in):		
Operating activities	$ 13,237	$ 3,660
Investing activities	(2,546)	17,283
Financing activities	(1,098)	(635)
Effect of foreign exchange rate changes on cash and cash equivalents	569	(45)

Operating Activities

Cash provided by (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 amortization of intangible assets, 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 and payment of expenditures. Our primary uses of cash from operating activities have been for personnel costs. We expect cash outflows from operating activities to be affected by increases in personnel costs as we grow our business.

For the three months ended March 31, 2023, $13.2 million of cash was provided by operating activities. This was driven by a decrease in our accounts receivable balance during the period, partially offset by a decrease in deferred revenue and an increase in inventories, net. For the three months ended March 31, 2022, $3.7 million of cash was provided by operating activities.

Our working capital at March 31, 2023 was $79.3 million compared to $87.6 million at December 31, 2022. The decrease was due to lower capital needs as we better manage the timing of cash collections and vendor payments.

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, 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 three months ended March 31, 2023, net cash used in in investing activities was $2.5 million, compared to net cash provided by investing activities of $17.3 million for the three months ended March 31, 2022. Cash used in investing activities consisted of additions to property, plant and equipment, net, and the purchase of ProvenDB. Cash usage during the period was partially offset by the maturity of our entire short-term investments balance. For the three months ended March 31, 2022, net cash provided by investing activities consisted of the $18.9 million sale of our investment in Promon.

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 $1.1 million and $0.6 million was used in financing activities during the three months ended March 31, 2023 and 2022, respectively. Cash usage in both periods was attributable to tax payments for stock issuances.

Key Business Metrics and Non-GAAP Financial Measures

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

Annual Recurring Revenue

We use annual recurring revenue, or ARR, as an approximate measure to monitor the revenue growth of our recurring business. ARR represents the annualized value of the active portion of SaaS, term-based license, maintenance and support contracts, and other subscription services 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 contracts and exclude one-time fees. To the extent that we are negotiating a renewal with a customer 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, or until such customer notifies us that it is not renewing its recurring contract.

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. 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 that are not cloud-connected devices, training, professional services or other sources of revenue that are not deemed to be recurring in nature.

At March 31, 2023, we reported ARR of $141.3 million, which was 10% higher than ARR of $128.7 million at March 31, 2022. Changes in foreign exchange rates during the three months ended March 31, 2023 as compared to the prior year negatively impacted ARR by approximately $0.9 million. ARR growth was primarily driven by an increase in subscription contracts, offset by foreign exchange rate impacts and the same factors that affected NRR, as discussed below.

Net Retention Rate

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

We reported NRR of 108% and 115% at March 31, 2023 and 2022, respectively. Year-over-year, NRR was impacted by foreign exchange rate impacts, longer sales cycles, timing related to contract renewals, a small number of lost contracts in 2022, and our decision to discontinue certain product portfolio offerings.

Adjusted EBITDA

We define Adjusted EBITDA as net income before interest, taxes, depreciation, amortization, long-term incentive compensation, and certain non-recurring items, including acquisition related costs, lease exit costs, rebranding costs, and non-routine shareholder matters. Adjusted EBITDA is a non-GAAP financial metric. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation, amortization, long-term incentive compensation, and certain non-recurring items, including acquisition related costs, lease exit costs, rebranding costs, and non-routine shareholder matters. 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, impairment of intangible assets, restructuring costs, and certain other non-recurring items, we are able to evaluate performance without considering decisions that, in most cases, are not directly related to meeting our customers’ requirements and were either made in prior periods (e.g., depreciation, amortization, long-term incentive compensation, non-routine shareholder matters), deal with the structure or financing of the business (e.g., interest, one-time strategic action costs, restructuring costs, impairment charges) or reflect the application of regulations that are outside of the control of our management team (e.g., taxes). In addition, removing the impact of these items helps us compare our core business performance with that of our competitors.

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

	Three Months Ended March 31,	
(In thousands)	**2023**	**2022**
Net income (loss)	$ (8,356)	$ 5,214
Interest income (expense), net	(503)	17
Provision for income taxes	689	1,173
Depreciation and amortization of intangible assets (1)	1,319	2,097
Long-term incentive compensation	3,923	1,224
Restructuring and other related charges	706	2,659
Other non-recurring items (2)	585	(12,144)
Adjusted EBITDA	$ (1,637)	$ 240

(1) Includes depreciation and amortization expense directly related to generating cloud subscription revenue of less than $0.1 million and $0 million at March 31, 2023 and 2022, respectively. Costs are recorded in Cost of service and other revenue.
(2) For the three months ended March 31, 2023, non-recurring items include $0.6 million of fees related to non-recurring projects and our acquisition of ProvenDB.

For the three months ended March 31, 2022, non-recurring items include a $(14.8) million non-operating gain on sale of our investment in Promon and $2.7 million of outside services related to our strategic action plan.

Adjusted EBITDA for the three months ended March 31, 2023 was $(1.6) million compared to $0.2 million for the three months ended March 31, 2022. Year-over-year changes in foreign exchange rates negatively impacted Adjusted EBITDA by approximately $1.1 million for the three months ended March 31, 2023. The decrease was also driven by higher operating expenses as we increased investments in our sales and marketing function to drive top line growth, as well as by higher compensation in our executive team due to 2022 executive hires, both in connection with our business transformation.

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, 2022 and Note 2, *Summary of Significant Accounting Policies*, to our interim unaudited condensed consolidated financial statements in this Quarterly Report on Form 10-Q for the period ended March 31, 2023. We believe our most critical accounting policies include revenue recognition, credit losses, and accounting for income taxes.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our market risk during the three months ended March 31, 2023. 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 March 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2023, 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 quarter ended March 31, 2023.

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, *Unaudited Consolidated and Condensed Financial Statements*, of this Quarterly Report on Form 10-Q.

Item 1A – Risk Factors

Careful consideration should be given to the risk factors disclosed in Part I, Item 1A, *Risk Factors*, of our Form 10-K for the year ended December 31, 2022, filed with the SEC on February 28, 2023.

Item 6 - Exhibits

Exhibit 10.1* – Description of 2023 Management Incentive Plan

Exhibit 10.2* – Special PSU Agreement dated March 11, 2023 between the Registrant and Matthew Moynahan

Exhibit 10.3* – Form of 2023 Performance-Based RSU Agreement under the Registrant's 2019 Omnibus Incentive Plan

Exhibit 10.4* – Form of 2023 Time-Based RSU Agreement (General) under the Registrant's 2019 Omnibus Incentive Plan

Exhibit 31.1 – Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 4, 2023.

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 May 4, 2023.

Exhibit 32.1 – Section 1350 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 4, 2023.

Exhibit 32.2 – Section 1350 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 4, 2023.

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

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*Compensatory plan or management contract.

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 May 4, 2023.

OneSpan Inc.

/s/ Matthew P. Moynahan
Matthew P. Moynahan
Chief Executive Officer
(Principal Executive Officer)

/s/ Jorge Martell
Jorge Martell
Chief Financial Officer
(Principal Financial Officer)

/s/ John Bosshart
John Bosshart
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

Description of 2023 Management Incentive Plan

On February 23, 2023, the Compensation Committee of the Board of Directors of OneSpan Inc. (the “Compensation Committee”) adopted the 2023 Management Incentive Plan (the “2023 MIP”), a cash-based incentive compensation plan pursuant to which eligible employees of OneSpan Inc. and its subsidiaries, including named executive officers, are eligible for an annual bonus.

Participants in the 2023 MIP are eligible to receive a cash bonus (“Bonus”) based upon a combination of (1) our achievement against targets for designated performance metrics (“Company Performance Factors”) and (2) their individual performance (the “Individual Performance Factor”). The Company Performance Factors are weighted to account for a total of 90% of the potential Bonus amount and the Individual Performance Factor is weighted to account for 10% of the potential Bonus amount. The weighted Company Performance Factors and Individual Performance Factor are added together to create a Combined Performance Factor, which is used to calculate the amount of the Bonus.

The two Company Performance Factors are Revenue and Adjusted EBITDA. “Revenue” refers to our publicly reported revenue, and Adjusted EBITDA is defined in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations. The Revenue factor is weighted at 70% and the Adjusted EBITDA factor is weighted at 20% (for a total Company Performance Factor weighting of 90%). Different levels of achievement against the Revenue and Adjusted EBITDA targets will correspond to different Bonus payout levels, as follows:

- **Revenue**: The Company must achieve a minimum of 97.9% of the Revenue target in order for the Revenue factor to contribute to the Bonus payout calculation. For the Revenue factor, a 97.9% achievement level would correspond to the minimum payout level of 50%; a 100% achievement level would correspond to the target payout level of 100%; and a 105.3% or greater achievement level would correspond to the maximum payout level of 150%.

- **Adjusted EBITDA**: The Company must achieve a minimum of 66.7% of the Adjusted EBITDA target in order for the Adjusted EBITDA factor to contribute to the Bonus payout calculation. For the Adjusted EBITDA factor, a 66.7% achievement level would correspond to the minimum payout level of 50%; a 100% achievement level would correspond to the target payout level of 100%; and a 133.3% or greater achievement level would correspond to the maximum payout level of 125%.

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

10% of the potential Bonus amount is calculated based on a participant’s performance against individual performance objectives set by their manager. Performance that meets expectations will correspond to a 100% payout level for the Individual Performance Factor, and performance that is below or above expectations will be adjusted accordingly.

In addition to the Company Performance Factors and the Individual Performance Factor, the potential Bonus under the 2023 MIP depends on a participant’s eligible target Bonus amount, which may be expressed either as a fixed dollar amount or as a percentage of the participant's base salary.

Achievement against the Company Performance Factors is based on the Company's 2023 financial performance and is subject to approval by the Board of Directors or the Compensation

Committee. The Board of Directors or the Compensation Committee may make adjustments to the targets for the Company Performance Factors to address the impact of any mergers, acquisitions or other unexpected activities, developments, trends or events. In addition, achievement of the targets for the Company Performance Factors may, in the Board of Directors' or Compensation Committee’s discretion, include or exclude the impact of any of the following events that occur during 2023: any reorganization or restructuring transactions; extraordinary nonrecurring items; and significant acquisitions or divestitures. OneSpan reserves the right to unilaterally alter or discontinue the 2023 MIP at its complete discretion, unless specifically prohibited under local law.

Exhibit 10.2

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

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "**Agreement**") is made as of March 11, 2023 (the "**Effective Date**"), between OneSpan Inc. (the "**Company**") and Matthew Moynahan (the "**Grantee**").

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

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

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

1. Grant of Restricted Stock Units. Pursuant to Article IV of the Plan, the Company hereby grants to the Grantee an award of 300,000 performance-based restricted stock units (the "**Restricted Stock Units**" or "**RSUs**"). Each RSU entitles the Grantee to receive, upon vesting and subject to the terms and conditions set forth in this Agreement and in the Plan, one share of the Company's common stock, par value of $0.001 per share (the "**Common Stock**"). The terms of the Plan are hereby incorporated into this Agreement by this reference, as though fully set forth herein. Capitalized terms used but not defined in this Agreement have the meanings set forth in the Plan.

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

(a) Performance Targets; Performance Periods; Earned RSUs; Vesting. The number of RSUs that are earned (the "**Earned RSUs**") shall be determined by the Compensation Committee of the Company's Board of Directors (the "**Committee**") based upon the Company's achievement relative to the performance targets set forth on Exhibit A (each, a "**Performance Target**") for each of 2023, 2024 and 2025 (each such calendar year, a "**Performance Period**" and 2025, the "**Third Performance Period**").

(b) Vesting Date. Except as set forth in this Agreement, the Grantee shall vest in any and all Earned RSUs on the date on which the Committee determines the Company's achievement relative to the Performance Target for the Third Performance Period (the "**Vesting Date**"), provided that the Grantee has continuously been employed by the Company through the Vesting Date.

(c) Without Cause or Good Reason Termination. Except as set forth on Exhibit A in connection with a qualifying termination of employment occurring on or within 18 months following a Change in Control, if (x) the Grantee's employment is terminated by the Company other than for Cause, death or Disability or (y) the Grantee resigns from employment with the Company for Good Reason, in either case, prior to the Vesting Date and subject to the Grantee executing the Company's standard release of claims which becomes effective in accordance with its terms within 60 days following such termination of employment, then any Earned RSUs for each Performance Period that has been completed prior to the date of the Grantee's last day of employment shall become vested immediately upon such last day of employment.

(d) Termination Due to Death or Disability. Except as set forth on Exhibit A in connection with a qualifying termination of employment occurring on or within 18 months following a Change in Control, if (x) the Grantee's service with the Company ceases by reason of the Grantee's death or termination by the Company due to Disability (either such event, a "**Termination Event**") prior to the Vesting Date, then any Earned RSUs for each Performance Period that has been completed prior to the date of the Termination Event shall become vested upon the occurrence of such Termination Event.
(e) Other Terminations. Except as provided in this Agreement, upon cessation of the Grantee's service with the Company for any reason or for no reason (and whether such cessation is initiated by the Company, the Grantee or otherwise): (i) any Restricted Stock Units that have not, prior to such cessation, become vested shall immediately and automatically, without any action on the part of the Company or the Grantee, be forfeited, and (ii) the Grantee shall have no further rights with respect to those Restricted Stock Units (or the underlying shares of Common Stock).

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

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

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

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

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

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

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

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

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

(ii) Grantee materially breaches Grantee's obligations under the Company's Code of Ethics and Conduct (or any successor thereto) or an established policy of the Company and such breach continues after the Grantee has received written notice by the Company that specifies such breach and a period of 10 days in which to cure such breach (but only to the extent that such breach is capable of being cured);

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

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

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

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

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

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

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

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

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

6. Tax Consequences.

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

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

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

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

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

9. Recoupment of Award. Notwithstanding anything in this Agreement to the contrary, if the Company determines that the Grantee's Wrongful Act was a significant contributing factor to the Company or a Subsidiary having to restate all or a portion of its financial statements, all outstanding Restricted Stock Units will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any shares of Common Stock, cash or other property paid in respect of any Restricted Stock Units during the period beginning on the date the financial statements requiring restatement were originally released to the public or submitted to the Securities and Exchange Commission (whichever is earlier) and ending on the date the restated financial statements are filed with the Securities and Exchange Commission.

10. Protected Rights. Grantee understands that nothing contained in this Agreement limits Grantee's ability to report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("**Government Agencies**"). Grantee further understands that this Agreement does not limit Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

Nothing in this Agreement shall limit Grantee's ability under applicable United States federal law to (i) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

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

12. General Provisions

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

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

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

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

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

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

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

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

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

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

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

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

ONESPAN INC.

By: /s/ Lara Mataac

Name: Lara Mataac

Its: General Counsel

GRANTEE

/s/ Matthew Moynahan
Name: Matthew Moynahan

Exhibit 10.3

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

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "**Agreement**") is made as of , 2023 (the "**Effective Date**"), between OneSpan Inc. (the "**Company**") and the individual identified on the signature page and Exhibit A hereto (the "**Grantee**").

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

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

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

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

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

(a) Performance Period. The number of Restricted Stock Units that are earned (the "**Earned RSUs**") shall be determined by the Compensation Committee of the Company's Board of Directors (the "**Committee**") based upon the Company's achievement relative to Performance Targets established by the Committee for the performance period that commenced on **January 1, 2023** and will end on **December 31, 2023** (the "**Performance Period**"). The Grantee shall vest in one-third of any Earned RSUs on December 31, 2023, one-third of any Earned RSUs on December 31, 2024, and one-third of any Earned RSUs on December 31, 2025 (each such date, a "**Vesting Date**"), subject in each case to the Grantee's continued service to the Company through the applicable Vesting Date. The Performance Targets for the Performance Period are set forth on Exhibit A attached hereto. For the avoidance of doubt, the Restricted Stock Units shall be automatically forfeited in their entirety if the Performance Targets are not achieved at least at the minimum threshold level and if the Grantee does not remain in the service of the Company through a Vesting Date, any Earned RSUs that would have vested on such Vesting Date and any future Vesting Dates will be automatically forfeited in their entirety, except as otherwise provided for herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Tax Consequences.

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

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

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

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

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

9. Recoupment of Award. Notwithstanding anything in this Agreement to the contrary, if the Company determines that the Grantee's Wrongful Act was a significant contributing factor to the Company or a Subsidiary having to restate all or a portion of its financial statements, all outstanding Restricted Stock Units will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any shares of Common Stock, cash or other property paid in respect of any Restricted Stock Units during the period beginning on the date the financial statements requiring restatement were originally released to the public or submitted to the Securities and Exchange Commission (whichever is earlier) and ending on the date the restated financial statements are filed with the Securities and Exchange Commission.

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

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

12. General Provisions

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

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

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

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

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

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

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

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

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

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

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

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

ONESPAN INC.

By: ____

Name: Tom Aurelio

Its: Chief People Officer

GRANTEE

Name:

Signature:

Exhibit A

GRANTEE SPECIFIC INFORMATION:

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

Performance Targets

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

The "**Performance Target**" for the RSUs is comprised of the following metrics and weightings:

Metric	***Weighting***	***Awarded RSUs***
2023 Subscription plus Term License Revenue	75%	
2023 Adjusted EBITDA	25%	

Metrics follow the Company's published financial statements and earnings disclosures. Inclusion of revenue from acquisitions shall be determined by the Company in accordance with U.S. Generally Accepted Accounting Principles and approved by the Committee.

The Performance Target metrics shall be subject to a minimum threshold, a maximum achievement and linear interpolation between various performance levels as follows:

2023 Subscription plus Term License Revenue	**Earned RSUs as a percentage of Awarded RSUs**	**2023 Target**	**Earned RSUs**
Threshold	50%		
Target	100%		
Maximum	150%		

2023 ADJUSTED EBITDA	**Earned RSUs as a percentage of Awarded RSUs**	**2023 Target**	**Earned RSUs**
Threshold	50%		
Target	100%		
Maximum	125%		

Exhibit 10.4

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

THIS AWARD AGREEMENT FOR RESTRICTED STOCK UNITS (this "**Agreement**") is made as of , 2023 (the "**Effective Date**"), between OneSpan Inc. (the "**Company**") and the individual identified on the signature page and Exhibit A hereto (the "**Grantee**").

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

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

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

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

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

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

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

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

(d) Except as provided in this Agreement or in any other agreement between the Grantee and the Company or any of its Subsidiaries that is in effect as of the Effective

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

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

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

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

(i) The Grantee materially breaches the Grantee's obligations under any employment, consulting, or other agreement between the Grantee and the Company (each, a "**Company Agreement**");

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

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

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

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

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

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

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

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

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

6. **<u>Tax Consequences</u>**.

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

(b) As a condition precedent to the delivery of the shares of Common Stock upon the vesting of the Restricted Stock Units, the Grantee acknowledges and agrees that the

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

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

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

9. **Recoupment of Award**. Notwithstanding anything in this Agreement to the contrary, if the Company determines that the Grantee's Wrongful Act was a significant contributing factor to the Company or a Subsidiary having to restate all or a portion of its financial statements, all outstanding Restricted Stock Units will immediately and automatically be forfeited and the Grantee shall promptly repay to the Company any shares of Common Stock, cash or other property paid in respect of any Restricted Stock Units during the period beginning on the date the financial statements requiring restatement were originally released to the public or submitted to the Securities and Exchange Commission (whichever is earlier) and ending on the date the restated financial statements are filed with the Securities and Exchange Commission.

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

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

12. General Provisions.

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

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

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

ONESPAN INC.

By:_______________

Name: Tom Aurelio

Its: Chief People Officer

GRANTEE

Name:

Signature:_____________

<u>Exhibit A</u>

GRANTEE SPECIFIC INFORMATION:

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

EXHIBIT 31.1

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

I, Matthew Moynahan, 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: May 4, 2023

/s/ Matthew P. Moynahan

Matthew P. Moynahan
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Jorge Martell, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: May 4, 2023

/s/ Jorge Martell
Jorge Martell
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

I, Matthew Moynahan, certify, based upon a review of the Quarterly Report on Form 10-Q for OneSpan Inc. for the first quarter ended March 31, 2023, 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/ Matthew P. Moynahan

Matthew P. Moynahan
Chief Executive Officer

May 4, 2023

EXHIBIT 32.2

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

I, Jorge Martell, certify, based upon a review of the Quarterly Report on Form 10-Q for OneSpan Inc. for the first quarter ended on March 31, 2023, 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

May 4, 2023