



# Investor Presentation Q4 2020

February 23, 2021

# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of applicable U.S. securities laws, including statements regarding the potential benefits, performance and functionality of our products and solutions, strategies relating to our business and the future of our business and our expectations regarding our financial performance in the future. Forward-looking statements may be identified by words such as "seek", "believe", "plan", "estimate", "anticipate", "expect", "intend", "continue", "outlook", "confident", "may", "will", "should", "could", or "might", and other similar expressions. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could materially affect our business and financial results include, but are not limited to: market acceptance of our products and solutions and competitors' offerings; the potential effects of technological changes; the impact of the COVID-19 pandemic and actions taken to contain it; our ability to effectively manage acquisitions, divestitures, alliances, joint ventures and other portfolio actions; the execution of our transformative strategy on a global scale; the increasing frequency and sophistication of hacking attacks; claims that we have infringed the intellectual property rights of others; changes in customer requirements; price competitive bidding; changing laws, government regulations or policies; pressures on price levels; investments in new products or businesses that may not achieve expected returns; 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 those factors set forth in our Form 10-K (and other forms) filed with the Securities and Exchange Commission (the "SEC"). In particular, we direct you to the risk factors contained under the caption "Risk Factors" in our most recently filed Form 10-Q and Form 10-K. Our filings with the SEC and other important information can be found in the Investor Relations section of our website at [investors.onespan.com](https://investors.onespan.com). We do not have any intent, and disclaim any obligation, to update the forward-looking information to reflect events that occur, circumstances that exist or changes in our expectations after the date of this presentation, except as required by law.

# Company Overview

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# OneSpan Protects The World From Digital Fraud



**+60%**  
Of Largest 100 Global Banks<sup>1</sup>

**\$15B+**  
Reduced Fraud Losses<sup>2</sup>

# Industry Leader in Securing Digital Banking



**Simple Secure  
Login**



**Digital Transaction  
Security**

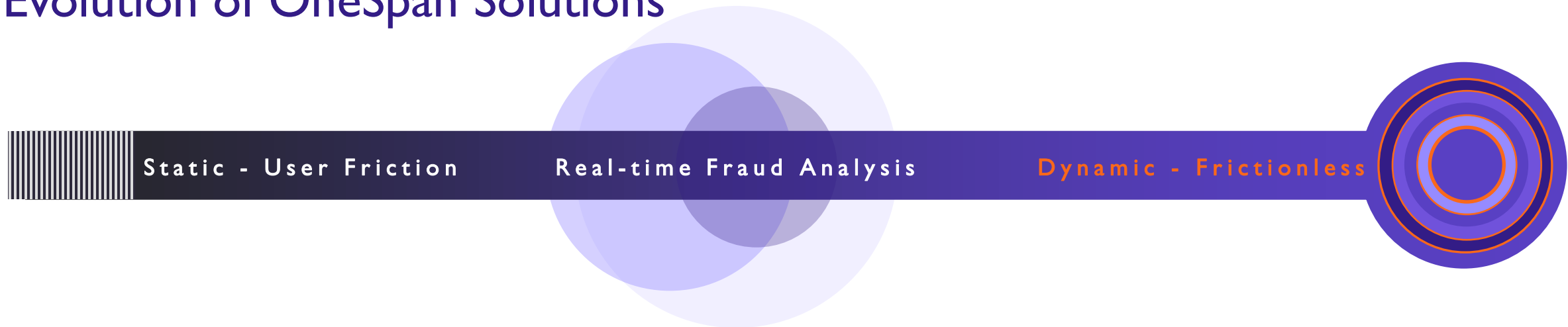


**Mobile Application  
Protection**



**Digital Channel  
Account Opening**

## Evolution of OneSpan Solutions



# Global Blue Chip Customer Base

## FINANCIAL SERVICES



## GOVERNMENT



## HEALTHCARE



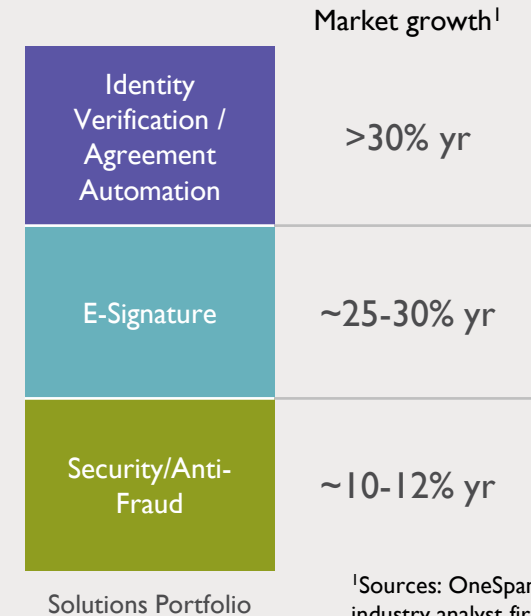
## ENTERPRISE



# Long-Term Growth Drivers

- Dynamic threat environment demands more sophisticated security tech
- Competition in finserv requires more secure, more transparent, more engaging mobile user experience
- Digital identity and regulatory complexity
- Desire for operational cost reduction
- Pandemic Effects
  - Accelerates banking transition to cloud
  - Elevates importance of mobile channel
  - Drives digitization of adjacent verticals

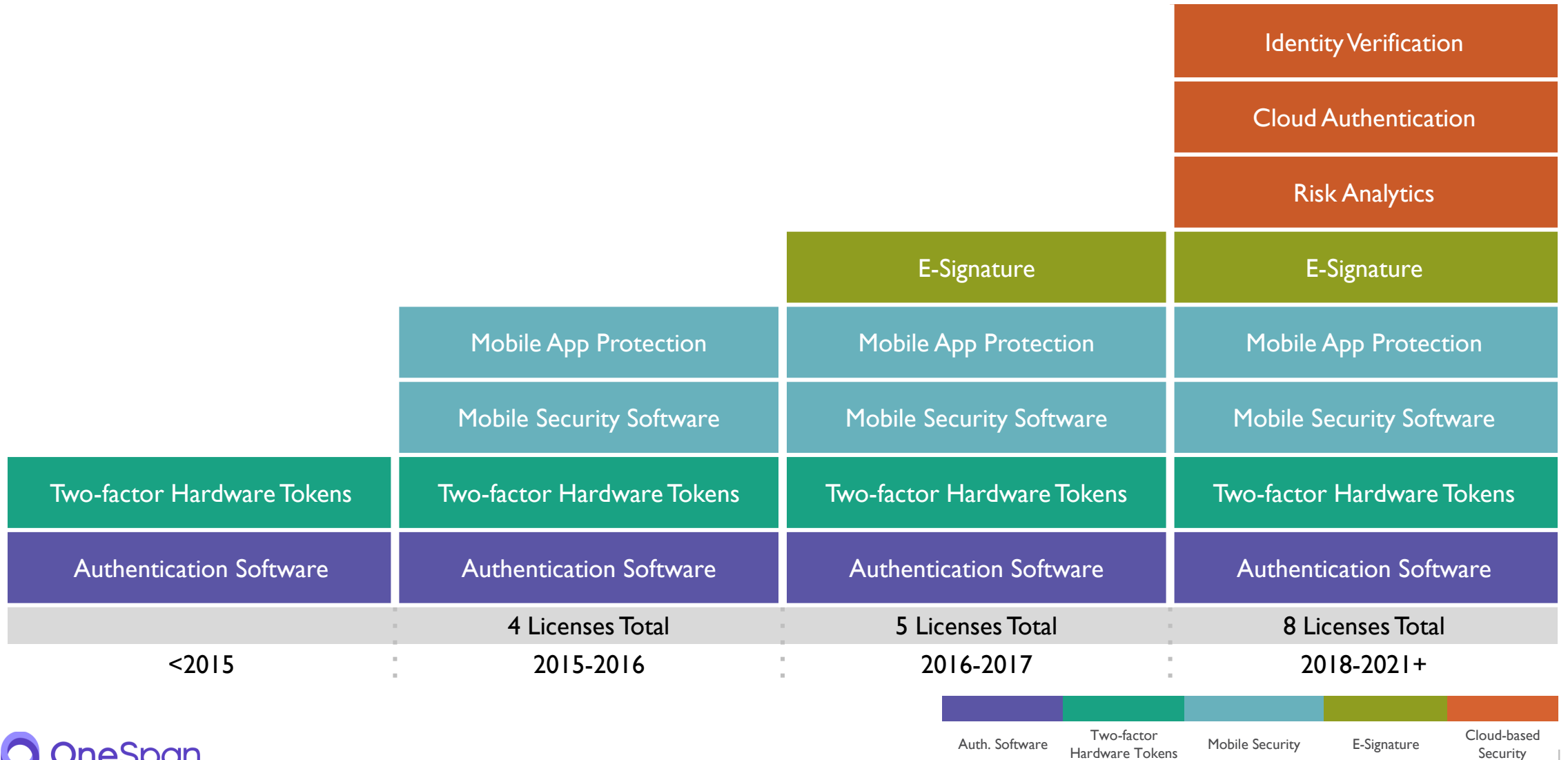
## FINANCIAL SERVICES MARKET Multibillion-dollar TAM<sup>1</sup>



### GROWTH PROFILE

Present	Emerging	Future
Increased Customer Penetration	New logo direct sales	Technology innovation
Consumer Churn	Digital banks	M&A
New Services	Fintech/core banking system providers	Growth adjacencies

# New Solutions Expand Revenue Per Customer Opportunity



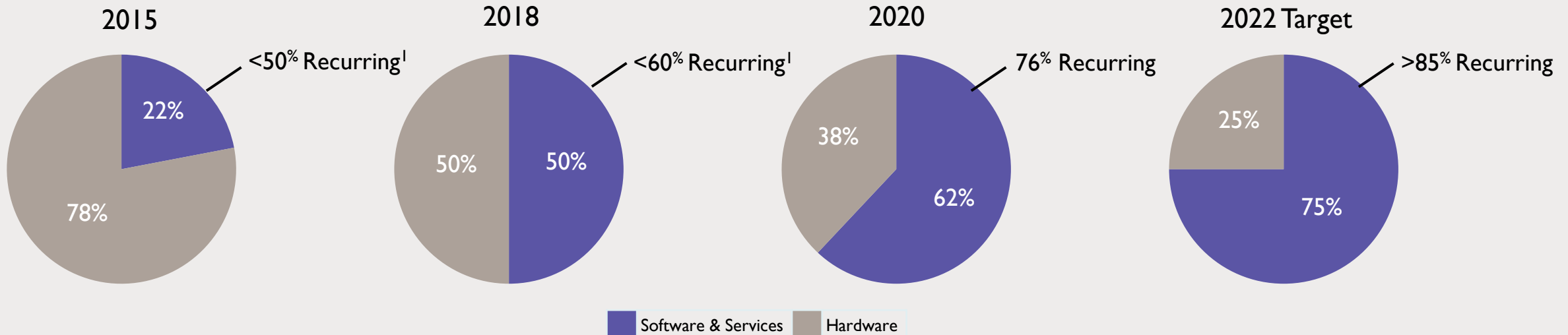


# Rapid Transition to Software & Services Led Growth

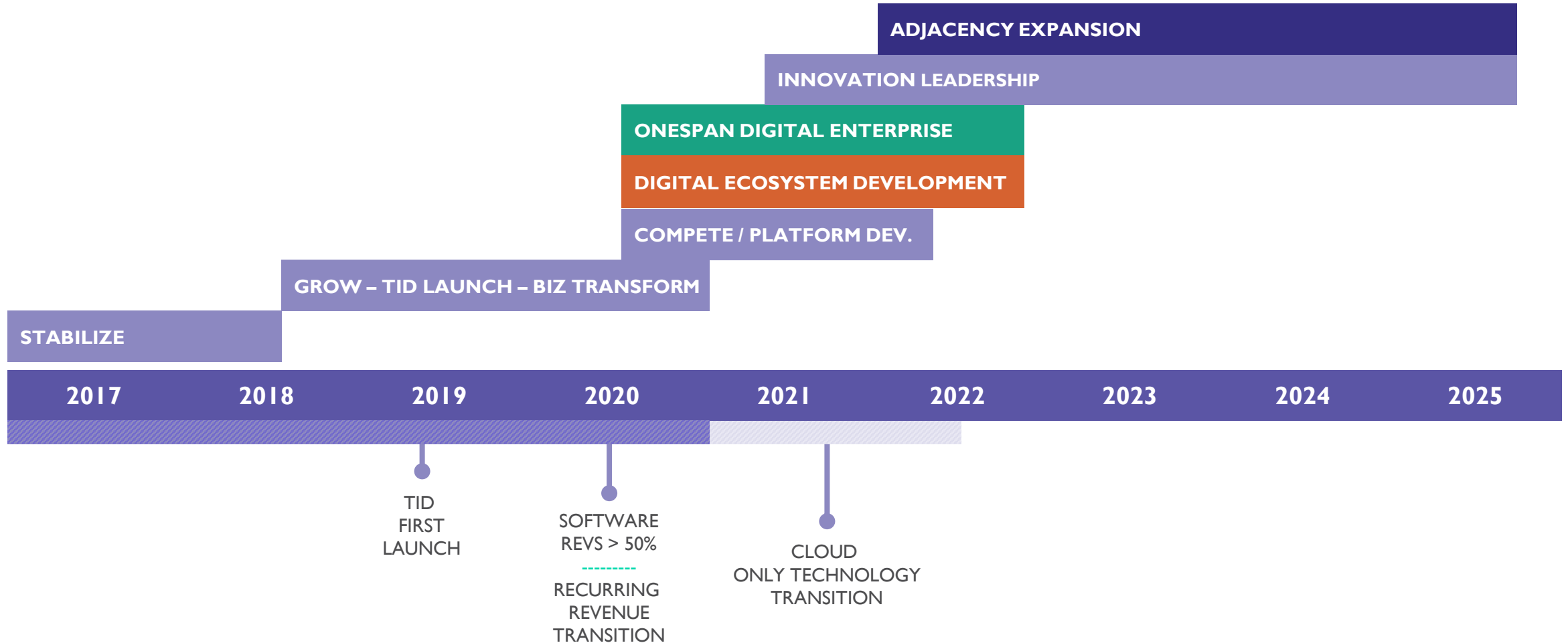
Strong Double-Digit ARR Growth

~120% Dollar-Based Net Expansion Rate

Target >85% of S&S Revenue Recurring by 2022



# OneSpan's Strategic Evolution



# Foundations for Sustained Long-Term Growth

## LEADERSHIP IN SECURING DIGITAL IDENTITIES

High-Value Global  
Customer Base



Unique Value  
Propositions

Trusted Identity  
Cloud-Based Platform



Mobile Security  
Leadership

Strong Competitive Position – Unique Solution Portfolio

## BUSINESS MODEL TRANSFORMATION

Strong Balance Sheet

Recurring  
Revenue  
Transition



Operational  
Transformation

Strong Dollar-Based  
Net Expansion Rate

25% - 30% ARR Growth<sup>1</sup>

# Q4 and Full Year 2020 Highlights

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# FY 2020 Financial Highlights

**\$104M**

Annual Recurring  
Revenue (ARR)<sup>1</sup>

**29%**

ARR Growth

**>50%**

Subscription and  
Term ARR growth

**120%**

Dollar-Based Net  
Expansion (DBNE)<sup>2</sup>

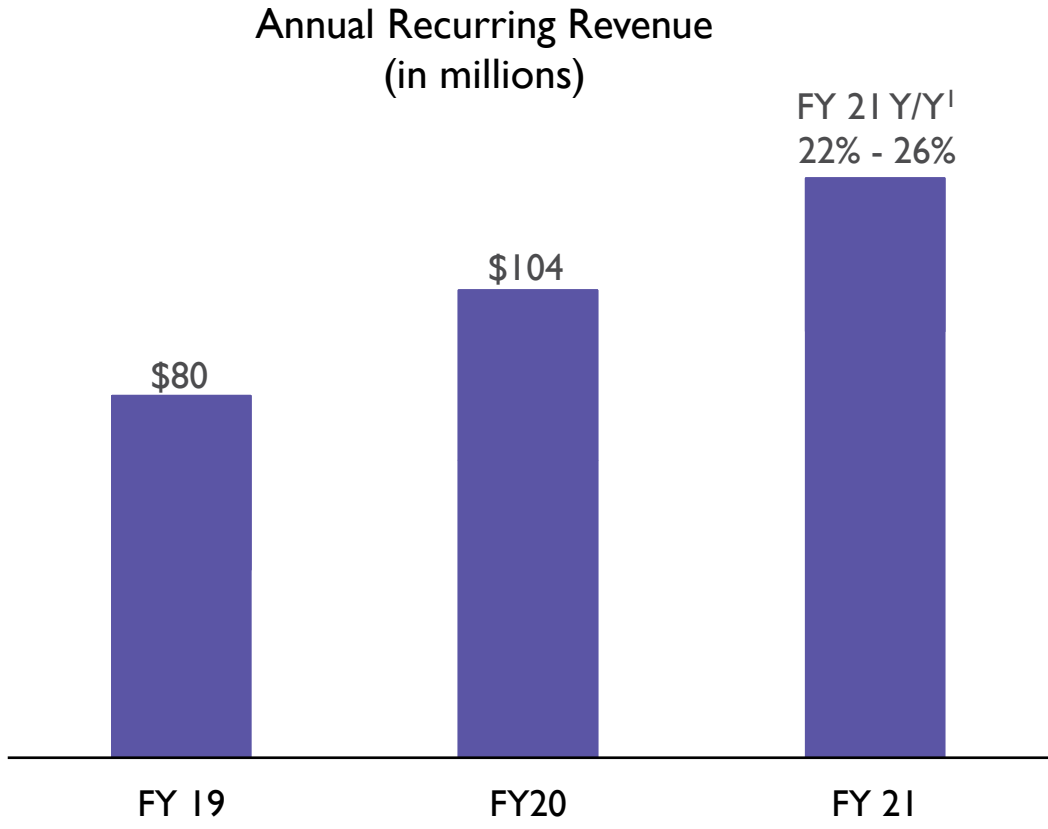
**>40%**

growth in bookings  
of recurring  
revenue contracts

**66%**

of software revenues  
are recurring

# Annual Recurring Revenue

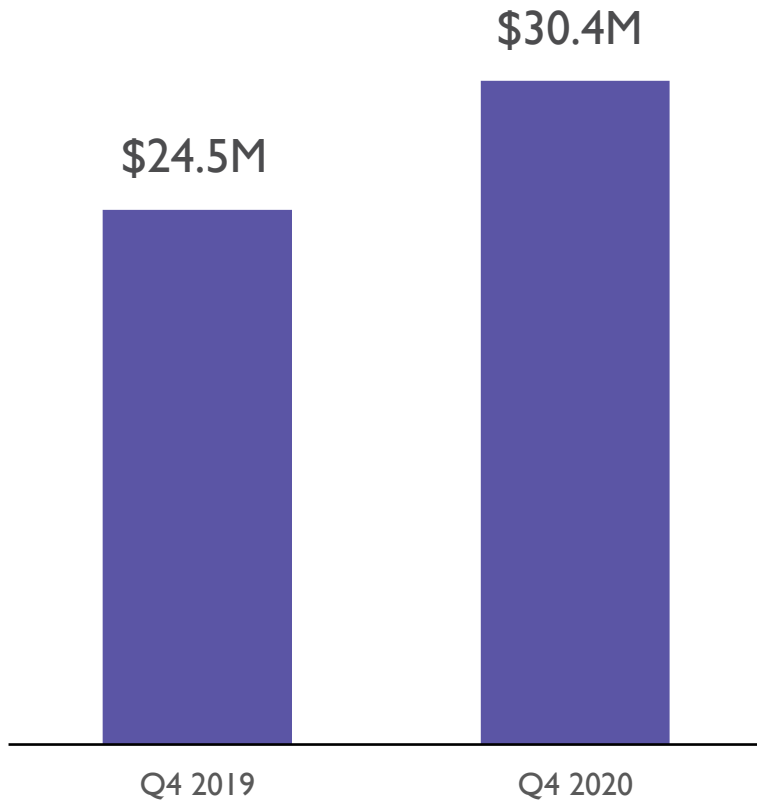


ARR Category	FY20 Y/Y Growth
Total ARR	29%
Subscription and Term ARR	> 50%

<sup>1</sup>OneSpan targets

# Q4 2020 – Record Recurring Revenue

Y/Y Recurring Revenue  
Comparison



## Q4 2020 Highlights

**\$30M**

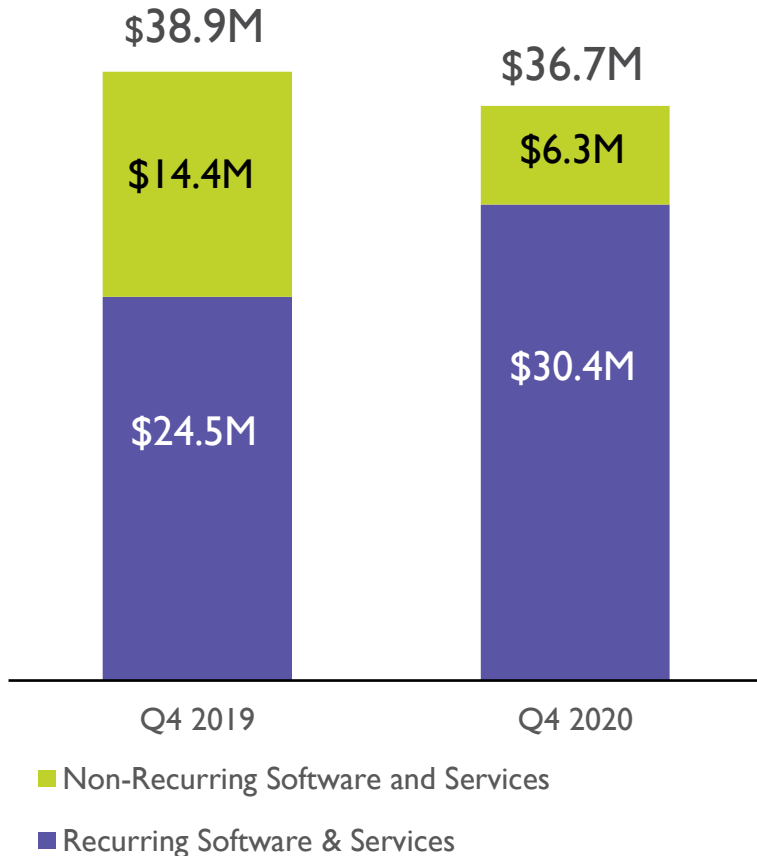
record recurring  
revenue

**24%**

growth in recurring  
revenue

# Q4 2020 – Accelerated Transition to Recurring Revenue

Y/Y S&S Revenue Comparison



## Q4 2020 Highlights

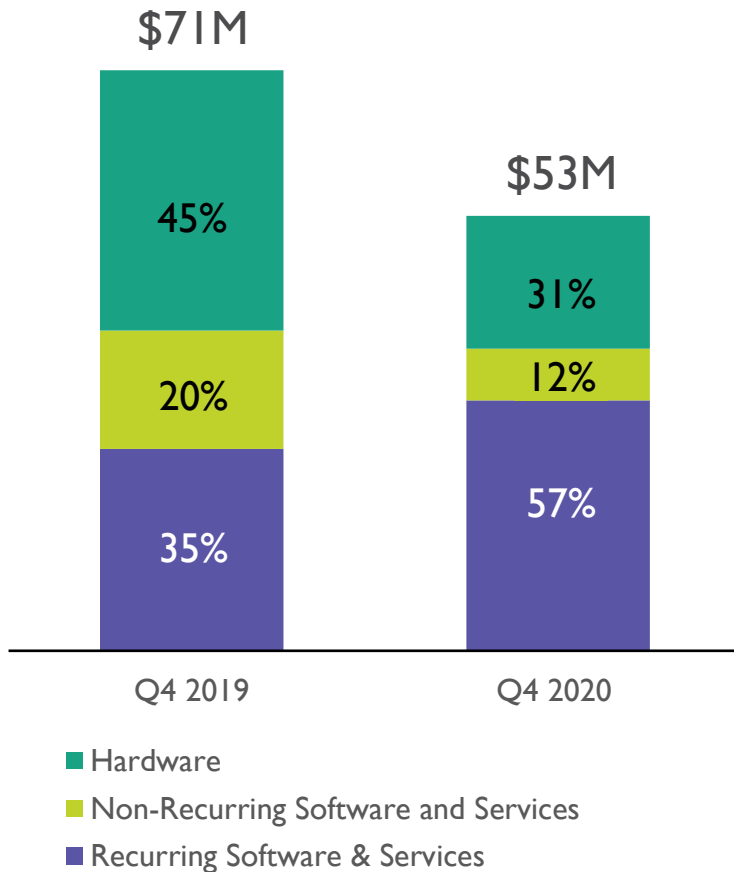
**\$37M**  
Software & Services  
revenue

**83%**  
of Software & Services  
revenue is recurring



# Q4 2020 – S&S Record % of Total Revenue

Y/Y Revenue Comparison



## Q4 2020 Highlights

**\$53M**

Total revenue

**69%**

of total revenue is  
Software & Services

**57%**

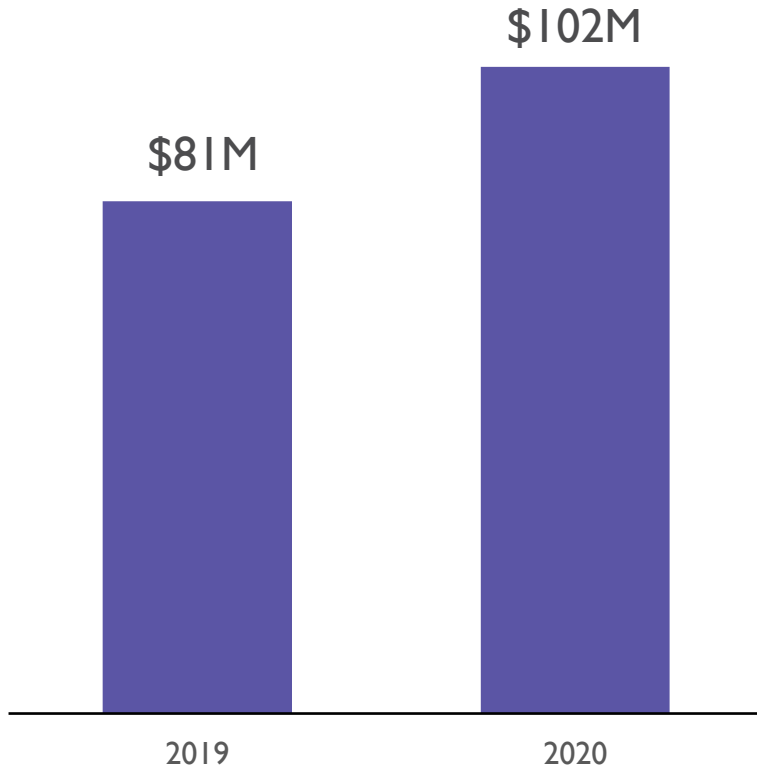
of total revenue is  
recurring

**49%**

decline in  
hardware revenue

# FY 2020 – Record Recurring Revenue

Y/Y Recurring Revenue  
Comparison



## FY 2020 Highlights

**\$102M**

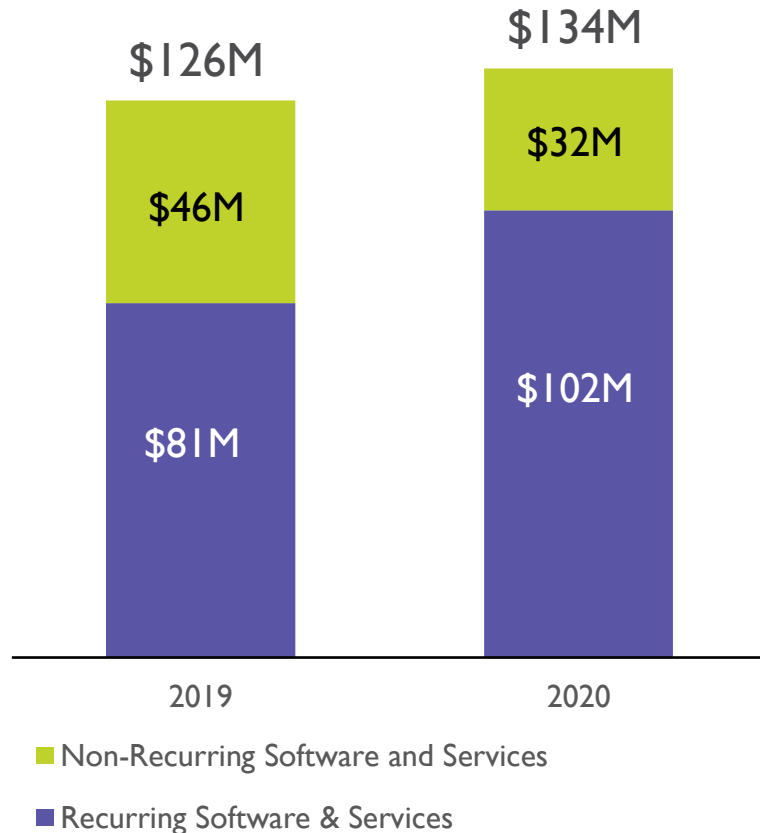
record recurring  
revenue

**26%**

growth in recurring  
revenue

# FY 2020 – Transition to Recurring Contracts Accelerated

Y/Y S&S Revenue Comparison



## FY 2020 Highlights

**\$134M**

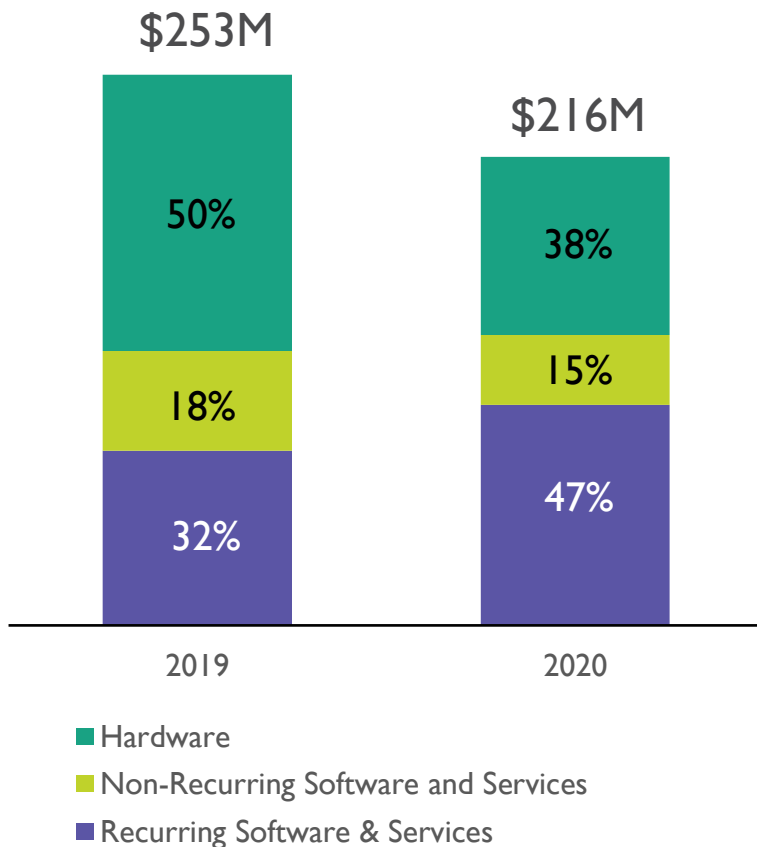
Software & Services  
revenue

**76%**

of Software & Services  
revenue recurring

# FY 2020 – S&S Record % of Total Revenue

Y/Y Revenue Comparison



## FY 2020 Highlights

**\$216M**

total revenue

**62%**

of total revenue is  
Software & Services

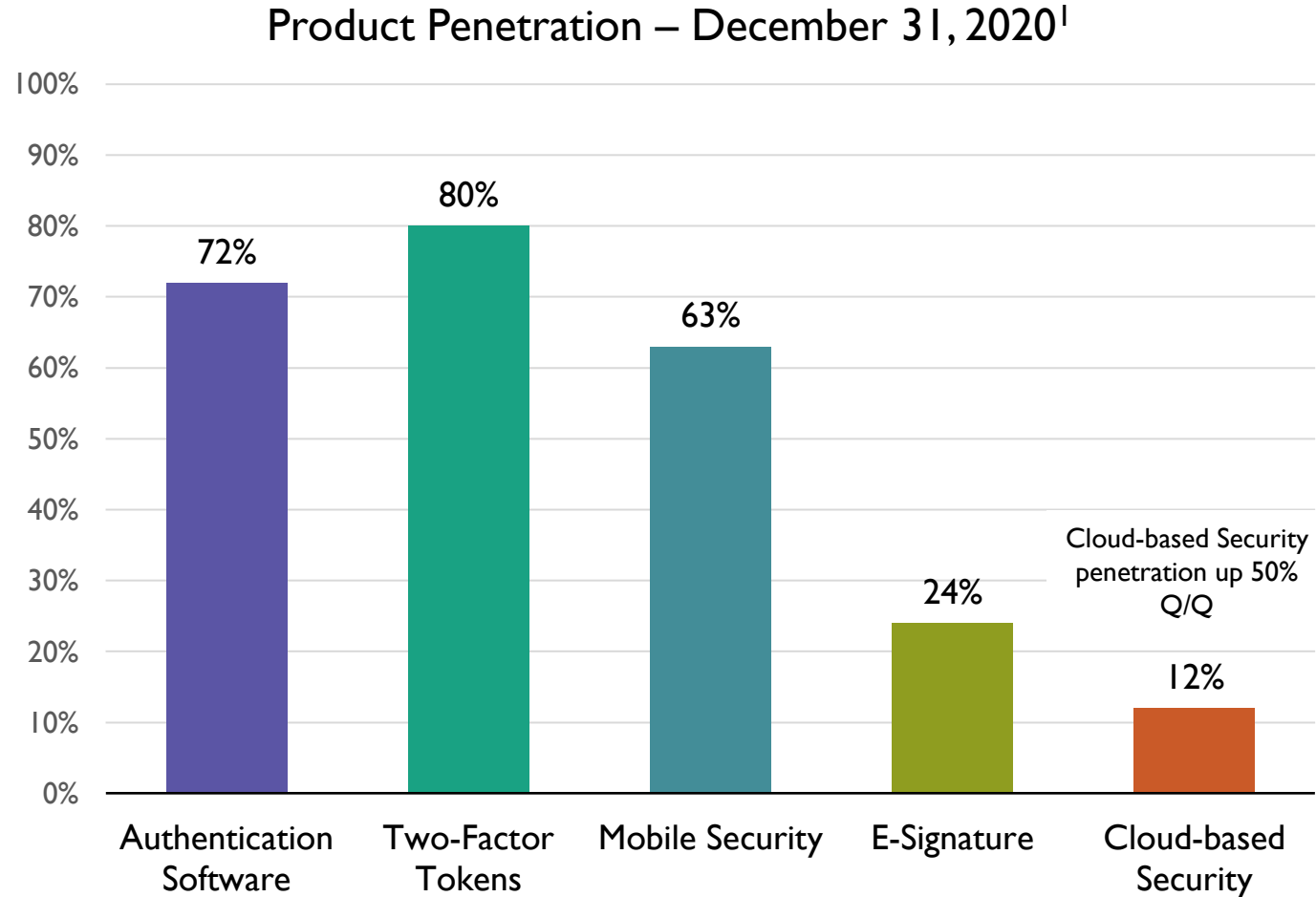
**47%**

of total revenue is  
recurring

**35%**

decline in  
hardware revenue

# Increasing Penetration of Cloud Solutions



# FY 2021 Outlook

GUIDANCE METRICS	FY21 GUIDANCE	COMMENTS
ARR Growth	22% - 26%	Strong growth in Subscription and Term
Recurring Revenue	\$120M – \$125M	18% – 23% growth
Total Revenue	\$215M – \$225M	2H 2021 > 1H 2021
Adjusted EBITDA	Approximately break-even	GM impacted by transition to recurring; investing for growth



# Appendix

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# Revenue

## Revenue by major products and services

(in millions, unaudited)

	Three months ended,							
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
	2019	2019	2019	2019	2020	2020	2020	2020
Subscription	\$5.3	\$5.3	\$5.6	\$6.1	\$5.7	\$6.1	\$7.4	\$8.5
Term-based software licenses	0.6	2.0	7.1	6.4	9.2	5.0	2.3	8.1
Maintenance, support and other	9.7	9.9	10.6	12.0	11.0	12.1	12.4	13.7
Total recurring revenue	<u>\$15.5</u>	<u>\$17.2</u>	<u>\$23.2</u>	<u>\$24.5</u>	<u>\$25.9</u>	<u>\$23.2</u>	<u>\$22.1</u>	<u>\$30.4</u>
Perpetual software licenses	6.5	9.0	12.1	12.6	9.3	6.2	6.3	4.7
Professional services	0.8	0.8	2.3	1.8	1.4	1.3	1.4	1.6
Total software and service revenue	<u>\$22.8</u>	<u>\$27.1</u>	<u>\$37.7</u>	<u>\$38.9</u>	<u>\$36.6</u>	<u>\$30.8</u>	<u>\$29.8</u>	<u>\$36.7</u>
Hardware products	24.3	29.0	42.0	31.6	19.7	24.2	21.7	16.2
Total revenue <sup>1</sup>	<u>\$47.1</u>	<u>\$56.2</u>	<u>\$79.7</u>	<u>\$70.5</u>	<u>\$56.4</u>	<u>\$55.0</u>	<u>\$51.4</u>	<u>\$52.9</u>

<sup>1</sup>Quarterly revenue from March 31, 2019 through March 31, 2020 has been revised to correct for certain immaterial errors.

# Non-GAAP Reconciliation

## Reconciliation of Net Income to Adjusted EBITDA (in thousands, unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2020	2019	2020
Net income (loss)	\$ 4,585	\$ (1,756)	\$ 7,864	\$ (5,455)
Interest income, net	(315)	(15)	(747)	(404)
Provision for income taxes	2,336	277	6,545	2,035
Depreciation and amortization / impairment of intangible assets	2,966	2,810	11,545	12,003
Long-term incentive compensation	2,008	1,840	5,324	6,001
Non-recurring items	1,250	-	1,250	-
Adjusted EBITDA	<u>\$ 12,830</u>	<u>\$ 3,156</u>	<u>\$ 31,781</u>	<u>\$ 14,180</u>

# Definitions

1 - **ARR** is calculated as the annualized value of our customer recurring contracts with a term of at least one-year, as of the measuring 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 discussion with the customer for a new recurring contract or renewal, or until such customer notifies us that it is not renewing its recurring contract.

2 - **Dollar-based net expansion rate** is defined as the year-over-year growth in ARR from the same set of customers at the end of the prior year period.

# Non-GAAP Financial Measures

We report financial results in accordance with GAAP. We also evaluate our performance using certain non-GAAP operating metrics, namely Adjusted EBITDA, non-GAAP Net Income and non-GAAP diluted EPS. Our management believes that these measures provide useful supplemental information regarding the performance of our business and facilitates in comparison to our historical operating results. We believe these non-GAAP operating metrics provide additional tools for investors to use to compare our business with other companies in the industry. These non-GAAP measures are not measures of performance under GAAP and should not be considered in isolation, as alternatives or substitutes for the most directly comparable financial measures calculated in accordance with GAAP. While we believe that these non-GAAP measures are useful within the context described above, they are in fact incomplete and are not a measure that should be used to evaluate our full performance or our prospects. Such an evaluation needs to consider all of the complexities associated with our business including, but not limited to, how past actions are affecting current results and how they may affect future results, how we have chosen to finance the business, and how taxes affect the final amounts that are or will be available to shareholders as a return on their investment. Reconciliations of the non-GAAP measures to the most directly comparable GAAP financial measures are found above.

In this presentation, we have shown Adjusted EBITDA which we define 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 accruals for legal contingencies. 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, and certain 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, lease exit costs, reversal of a prior period legal contingency accrual), or deal with the structure or financing of the business (e.g., interest, acquisition related costs, rebranding costs) or reflect the application of regulations that are outside of the control of our management team (e.g., taxes). Similarly, we find the comparison of our results to those of our competitors is facilitated when we do not consider the impact of these items.

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