

# Investor Presentation – Q4 & FY 2025

February 26, 2026



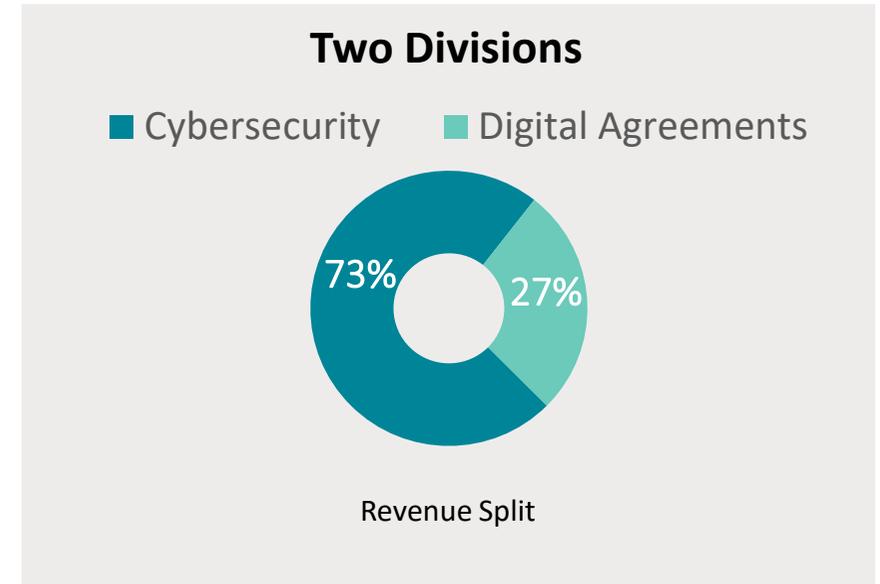
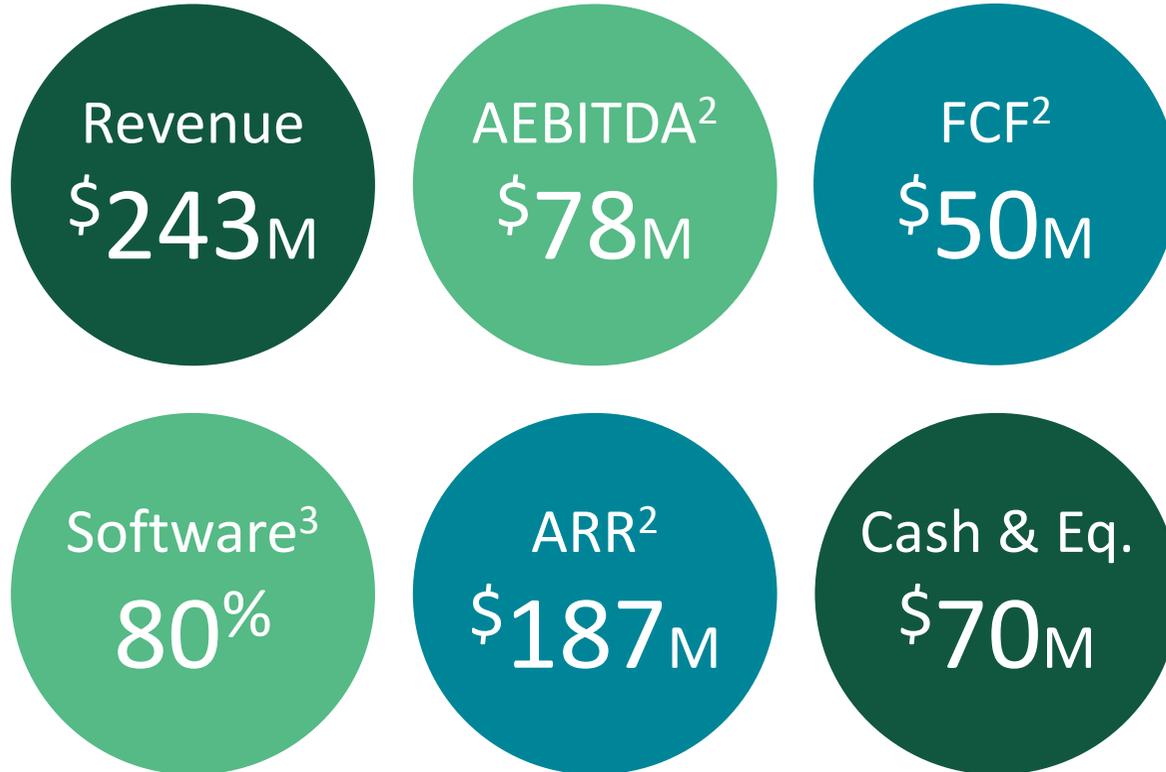
# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of applicable U.S. securities laws, including statements regarding our 2026 financial guidance and our general goals and expectations regarding our operational or financial performance in the future. Forward-looking statements may be identified by words such as "seek", "believe", "plan", "estimate", "anticipate", "expect", "intend", "continue", "outlook", "may", "will", "should", "could", or "might", and other similar expressions. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could materially affect our business and financial results include, but are not limited to: difficulties increasing or maintaining our rate of revenue growth; our ability to attract new customers and retain and expand sales to existing customers; our ability to successfully develop and market new product offerings and product enhancements; changes in customer requirements; the potential effects of technological changes, including the impact of advances in artificial intelligence; the loss of one or more large customers; difficulties enhancing and maintaining our brand recognition; competition; lengthy sales cycles; challenges retaining key employees and successfully hiring and training qualified new employees; security breaches or cyber-attacks; real or perceived malfunctions or errors in our products; interruptions or delays in the performance of our products and solutions; reliance on third parties for certain products and data center services; our ability to effectively manage third party partnerships, acquisitions, divestitures, alliances, or joint ventures; economic recession, inflation, tariffs or trade disputes, and political instability; claims that we have infringed the intellectual property rights of others; changing laws, government regulations or policies; pressures on price levels; component shortages; delays and disruption in global transportation and supply chains; impairment of goodwill or amortizable intangible assets causing a significant charge to earnings; actions of activist stockholders; and exposure to increased economic and operational uncertainties from operating a global business, as well as other factors described in the "Risk Factors" section of our most recent Annual Report on Form 10-K, as updated by the "Risk Factors" section of our subsequent Quarterly Reports on Form 10-Q (if any). Our filings with the Securities and Exchange Commission and other important information can be found in the Investor Relations section of our website at [investors.onespan.com](https://investors.onespan.com). Statements in this presentation are made as of February 26, 2026, and the continued availability of this presentation after that date shall under no circumstances create an implication that the information contained herein is correct as of any date after February 26, 2026. 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



# OneSpan At a Glance<sup>1</sup>



### Returned \$32M to Shareholders in 2025

- \$18.5M in dividends paid (\$0.12 per share quarterly dividend)<sup>4</sup>
- \$13.1M used to repurchase 1M Shares of common stock in 2H

<sup>1</sup> Revenue, AEBITDA, FCF (free cash flow) and software (% of revenue) are for the full-year 2025. ARR and cash & equivalents are as of December 31, 2025. Includes the acquisition of Nok Nok Labs, which closed in Q2 2025.

<sup>2</sup> See Appendix for definitions and information regarding non-GAAP financial measures.

<sup>3</sup> Software includes subscription, maintenance and support, and professional services and other revenue.

<sup>4</sup> OneSpan's Board approved an increase in the company's quarterly cash dividend from \$0.12 to \$0.13 per share for 2026, reflecting an annualized increase of 8% to \$0.52 per share.

# Cybersecurity Division

- Trusted by the who's who of global banks to protect identities, safeguard mobile apps, and secure high value digital transactions from sophisticated attacks
- Improved margin profile – secular shift to software from hardware
- Investing for growth (organic and targeted M&A)
- Revenue: \$178 million
- 13% Subscription revenue growth<sup>1,2</sup>
- (2%) Total revenue growth<sup>1,2,3</sup>
- 45% Operating margin<sup>1</sup>

<sup>1</sup>Revenue growth and operating margin are for the full year 2025 and include the acquisition of Nok Nok Labs, which closed in Q2 2025.

<sup>2</sup>The acquisition of Nok Nok and the impact of sunsetted products resulted in a net increase of two percentage points to subscription revenue and total revenue growth.

<sup>3</sup>The decline in total revenue growth is primarily attributed to a decline in hardware driven by certain banks in EMEA and Asia Pacific adopting mobile-first policies with respect to consumer banking.

## Industry Leader in Securing Digital Banking Transactions



**Authentication  
(MFA / Passkeys)**



**Digital Transaction  
Security**



**Mobile Application  
Protection**



**Fraud  
Prevention**



**Threat  
Intelligence**

- FIDO and OTP Authentication Protocols
- Cloud and On-prem Deployment Models
- Software, Hardware & Hybrid Solutions

# Digital Agreements Division

- Robust security, white-labelling and pricing model differentiate OneSpan Sign from peers
- Land and expand SaaS model
- Focus on new logos, customer expansion and profitable growth
- Revenue: \$65.5 million
- 11% Subscription revenue growth<sup>1</sup>
- 7% Total revenue growth<sup>1,2</sup>
- 24% Operating margin<sup>1</sup>

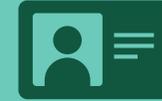
<sup>1</sup>Revenue growth and operating margin are for the full year 2025.

<sup>2</sup>Sunsetted products impacted total revenue growth by three percentage points.

## Enterprise-Class Solutions with Strong Presence in BFSI Industries



**E-Signatures**



**Identity Verification**

## Add-on Offerings Provide Additional Value



**Smart Forms**



**Remote Notary & Virtual Room**



**Secure Storage**

# Trusted Technology Partner to Global Blue-Chip Enterprises

– Including more than 60% of the World’s 100 Largest Banks

Banking	Other Financial Services	Insurance	Government	Healthcare, Telecom & Other
BANK OF AMERICA BNP PARIBAS BMO usbank HSBC CREDIT SUISSE FIFTH THIRD BANK BBVA NAVY FEDERAL CREDIT UNION MUFG ING PNC RBC Royal Bank Deutsche Bank Standard Chartered TRUIST SOCIETE GENERALE bdc MIZUHO bankID	<p><i>Action Financial Services, LLC</i></p> blend CDKGlobal. INTUIT BUY WAY easyfinancial AL LENDESK SEI SavvyFi	AMERICAN NATIONAL Aflac. Erie Insurance® GAINSCO <i>Auto Insurance®</i> GUIDEWIRE P&V GENERALI co-operators DONEGAL <i>INSURANCE GROUP</i>	USDA NASA JPL U.S. Department of Transportation U.S. DEPARTMENT OF JUSTICE U.S. DEPARTMENT OF EDUCATION UNITED STATES POSTAL SERVICE	PointClickCare® Netsmart MCKESSON Canada cdmv Cerner GRAND HÔPITAL de CHARLEROI T-Mobile verizon NTT docomo IBM COX AUTOMOTIVE THE ADECCO GROUP ncino. TATA Pacific Gas and Electric Company

# GTM Focused on Enterprise Sales and Growing Partner Network

CUSTOMER SEGMENTATION BASED ON EMPLOYEE COUNT	OSPN SALES FOCUS <sup>1</sup>	PARTNER COVERAGE		
Tiers <i>(Employee Count)</i>	Efficient Resource Allocation with Sellers	Global System Integrators	Resellers & Distributors	Platform Partners
<b>Large Enterprise</b> 100,000+	SAM	✓		✓
<b>Enterprise</b> 10,000 – 100,000	NAM	✓		✓
<b>Medium Business</b> 5,000 – 10,000	NAM	✓		✓
<b>Mid-Market</b> 2,000 – 5,000	TAM		✓	✓
<b>Small Business</b> < 2,000	ISR		✓	✓

# Transforming to Drive Profitable, Long-Term Growth

**2026+:** Committed to driving efficient revenue growth while maintaining strong profitability and cash generation, and returning capital to shareholders

- Expand existing and drive new customer relationships
- Continue to innovate and expand product portfolio
- Leverage and expand partner network

**2024-2025:** Initial pieces put in place to drive long-term revenue growth

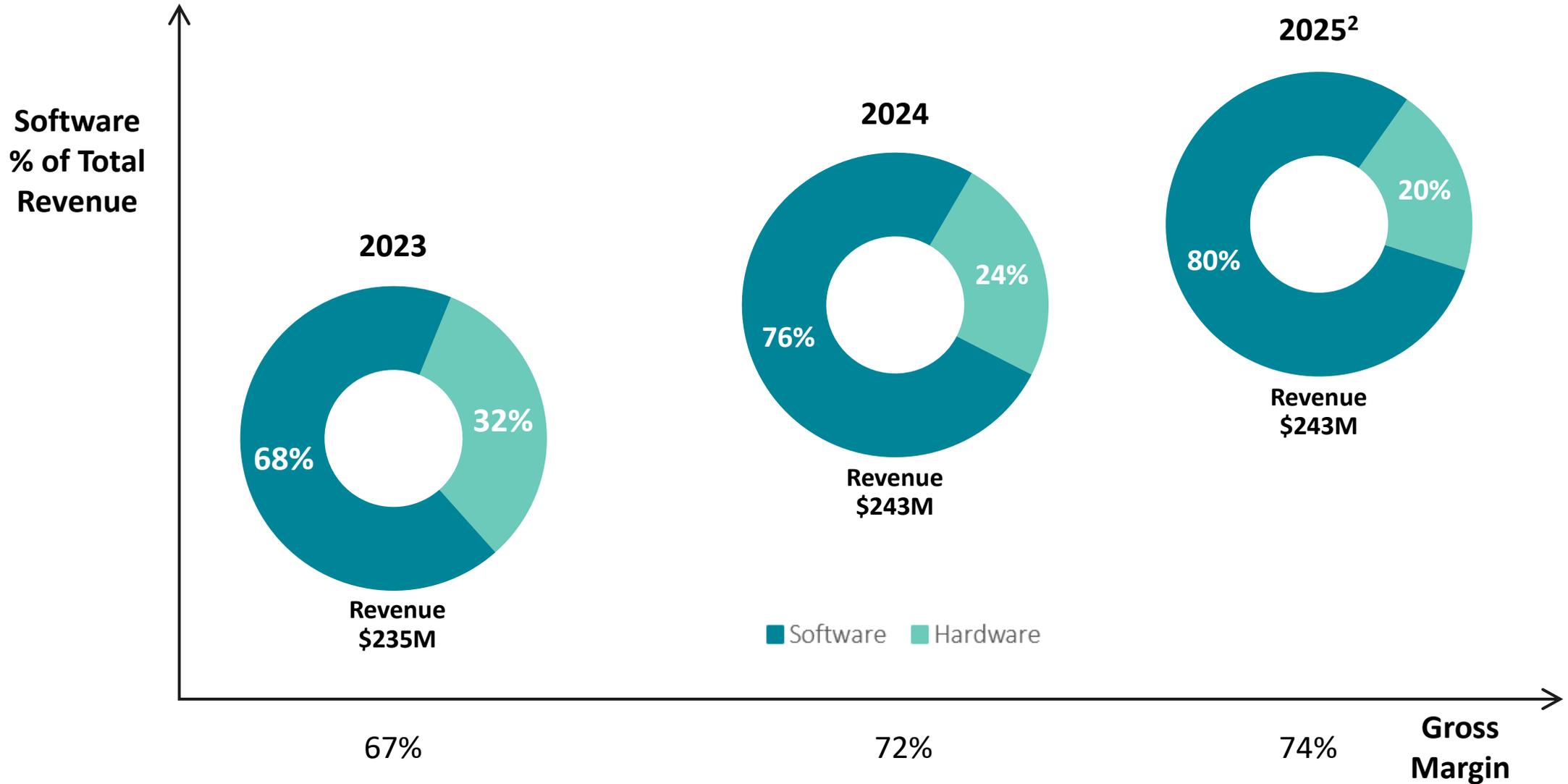
- Two Divisions – separate R&D and S&M teams
- New CTO and CRO
- Targeted M&A and Strategic Investments
- \$100M Credit facility (unused)

**2023-2024:** Significant cost reductions and renewed focus on operational excellence



**Targeting Long-Term,  
Sustainable Rule-of-40  
Performance**

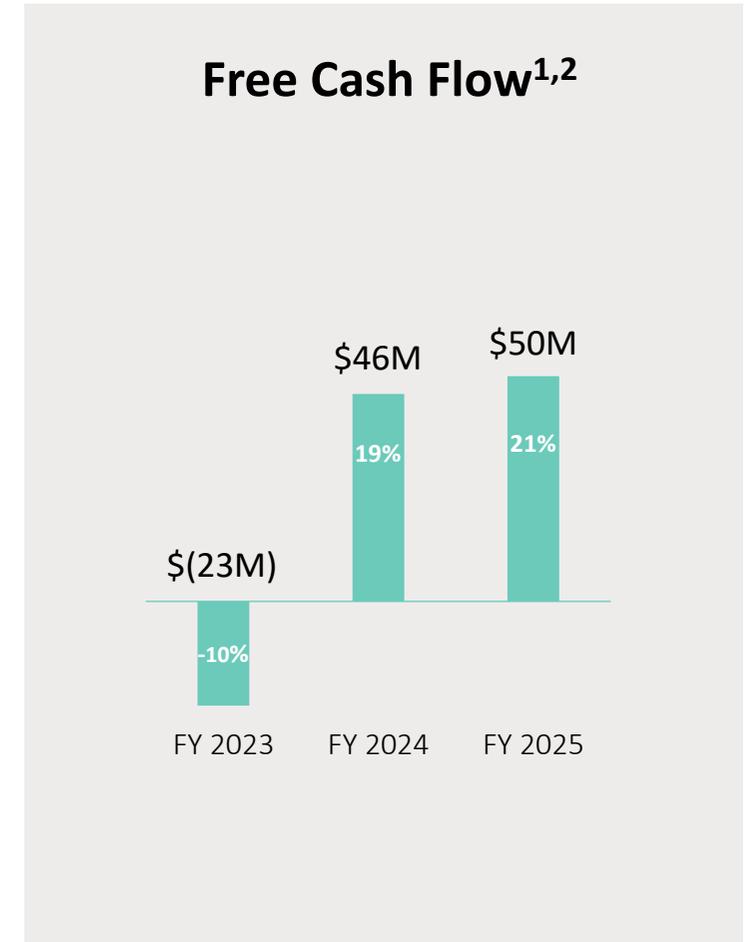
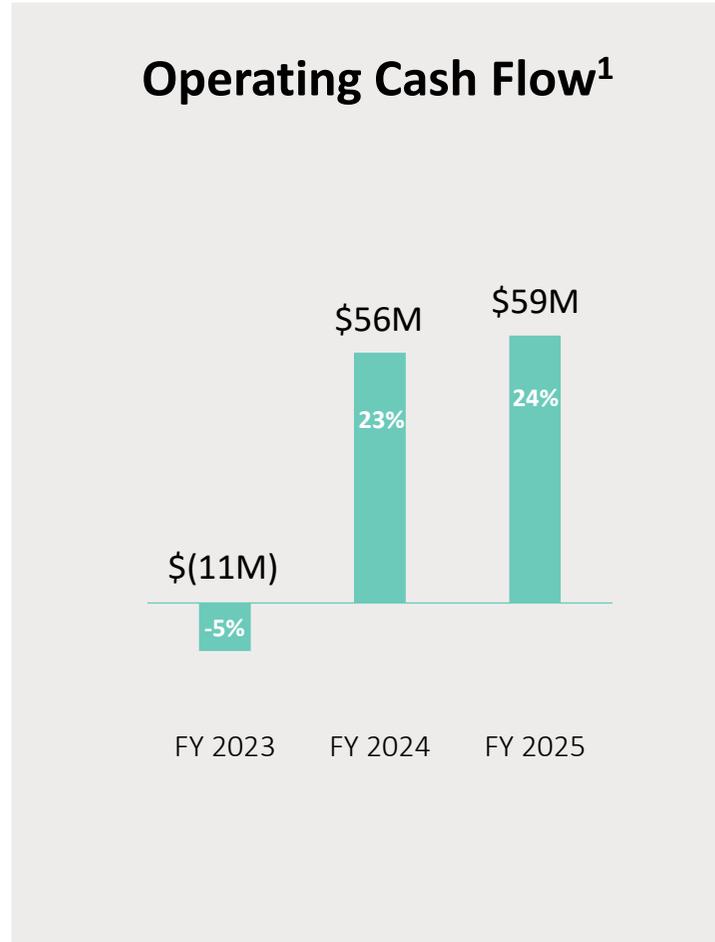
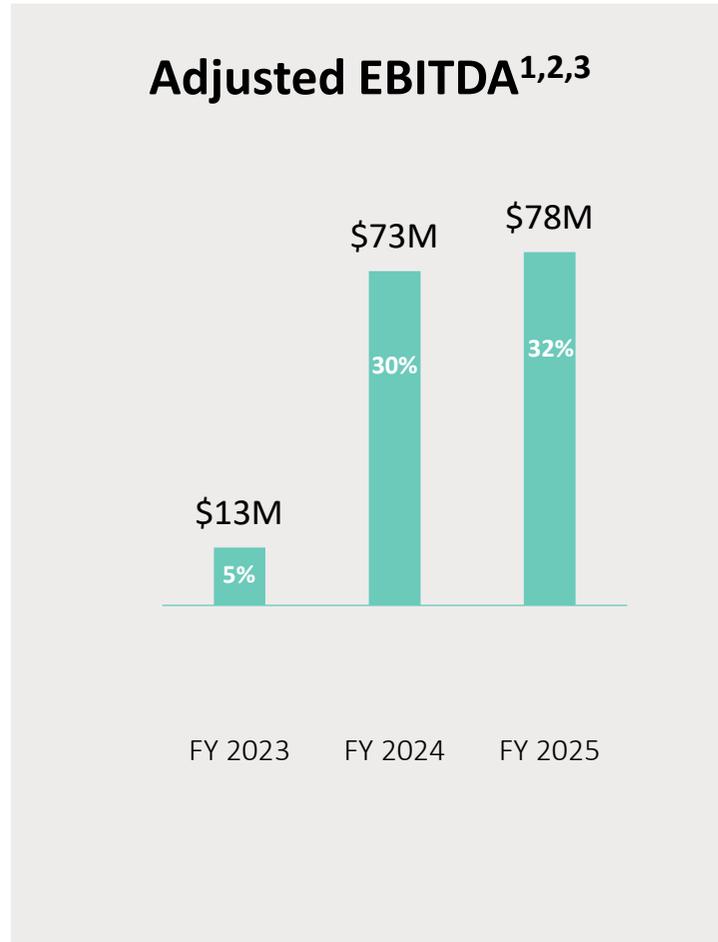
# Software<sup>1</sup>/Hardware Mix & Gross Margin Profile



<sup>1</sup> Software includes subscription, maintenance and support, and professional services and other revenue.

<sup>2</sup> Data include the acquisition of Nok Nok Labs, which closed in Q2 2025.

# Adjusted EBITDA & Cash Flow



<sup>1</sup> The increase in FY 2024 adjusted EBITDA, operating cash flow, and free cash flow was largely driven by cost reductions. FY 2025 results include the acquisition of Nok Nok Labs, which closed in Q2 2025. Percentages on the bar charts denote percent of revenue in each corresponding period.

<sup>2</sup> See Appendix for definitions and information regarding non-GAAP financial measures.

<sup>3</sup> Starting January 1, 2025, payroll taxes related to employee stock-based award transactions are included in the Adjusted EBITDA add-back. Prior period amounts have been adjusted to reflect these changes.

# Financial Highlights & Outlook



# Full Year 2025 Financial Highlights<sup>1</sup>

**\$243M**

Revenue

**\$78M**

Adjusted EBITDA<sup>2</sup>  
(32% margin)

**\$1.49**

Non-GAAP EPS<sup>2</sup>

**\$70M**

Cash and Equiv.  
No long-term debt

**\$156M**

Subscription Revenue  
(12% growth)

**\$187M**

ARR<sup>2</sup>  
(11% growth)

**104%**

NRR<sup>2</sup>

**\$0.48**

Dividend<sup>3</sup>

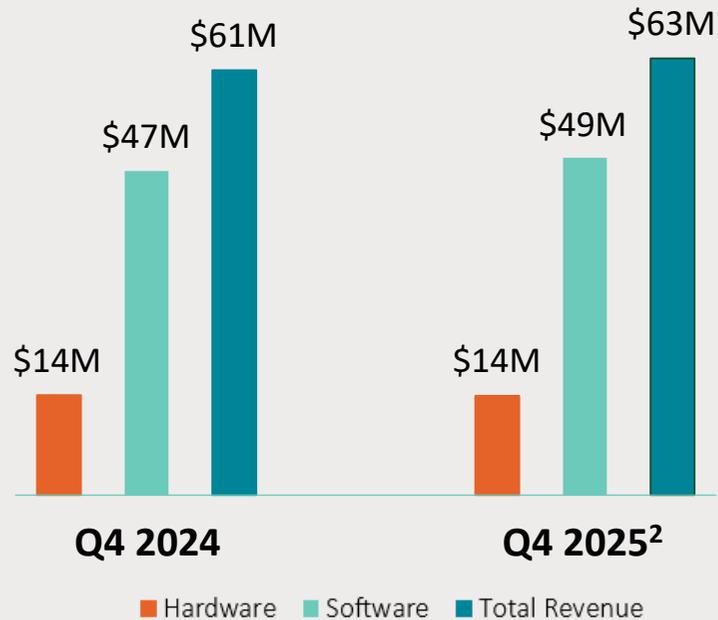
<sup>1</sup> Includes the acquisition of Nok Nok Labs, which closed in Q2 2025.

<sup>2</sup> See Appendix for definitions and information regarding non-GAAP financial measures.

<sup>3</sup> OneSpan's Board approved an increase in the company's quarterly cash dividend from \$0.12 to \$0.13 per share for 2026, reflecting an annualized increase of 8% to \$0.52 per share.

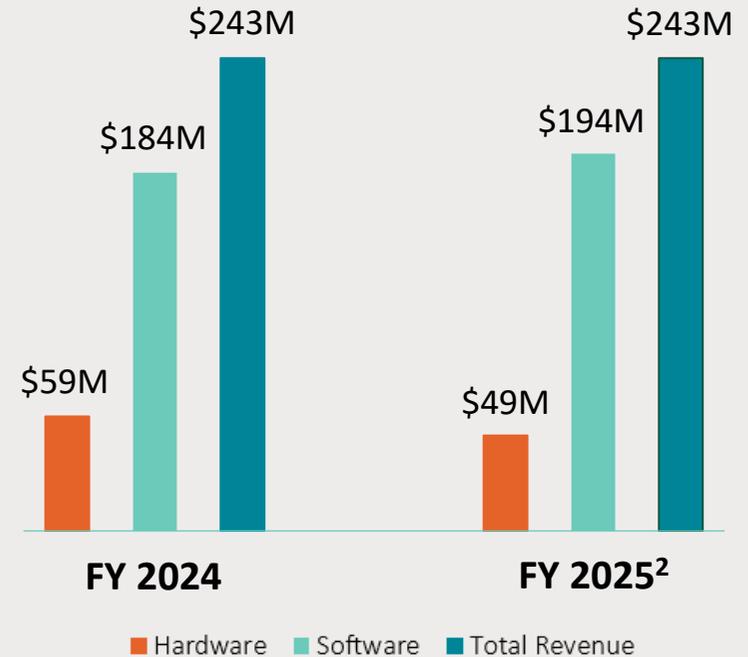
# Total Company Revenue

## Q4 2025 YoY Comparison<sup>1</sup>



Q4 2025 revenue increased 3% y-o-y driven primarily by 11% growth in Digital Agreement. See slides 15-16 for commentary on revenue growth by division.

## Full Year 2025 YoY Comparison<sup>1</sup>



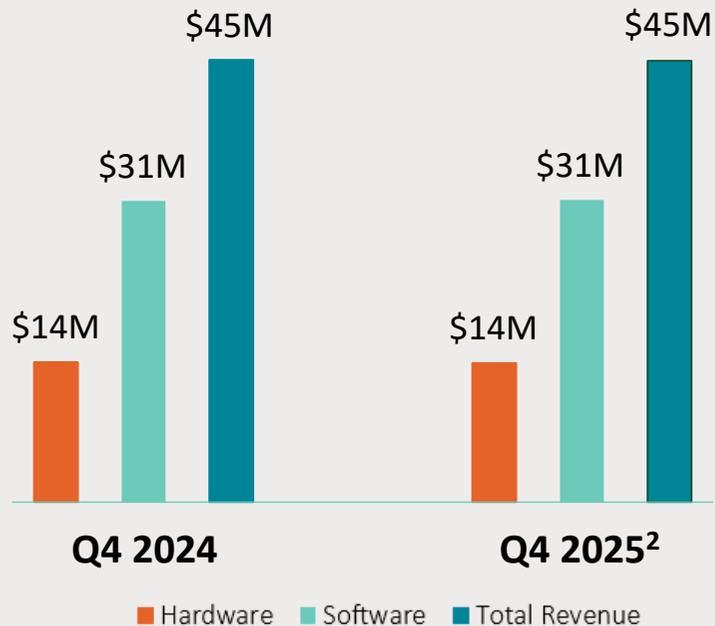
FY 2025 revenue was flat with the prior year. 7% growth in Digital Agreements was offset by a 2% decline in Cybersecurity. See slides 15-16 for commentary on revenue growth by division.

<sup>1</sup> Software revenue includes subscription, maintenance and support, and professional services and other revenue.

<sup>2</sup> Includes the acquisition of Nok Nok Labs, which closed in Q2 2025.

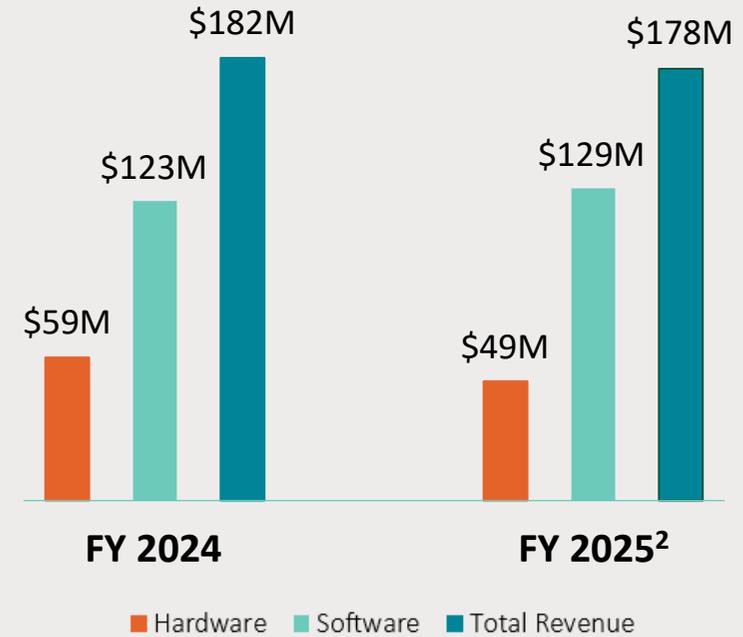
# Cybersecurity Revenue

## Q4 2025 YoY Comparison<sup>1</sup>



Q4 2025 Cybersecurity revenue was flat with the prior year quarter. Subscription revenue grew 1% following 49% growth in Q4 2024, which was primarily driven by expansion of customer software licenses, including robust growth from multi-year contracts.

## Full Year 2025 YoY Comparison<sup>1</sup>



FY 2025 Cybersecurity revenue declined 2% y-o-y primarily due to lower hardware revenue, driven by certain customers in EMEA and APAC adopting mobile first policies, partially offset by 13% growth in subscription revenue.

<sup>1</sup> Software revenue includes subscription, maintenance and support, and professional services and other revenue.

<sup>2</sup> Includes the acquisition of Nok Nok Labs, which closed in Q2 2025.

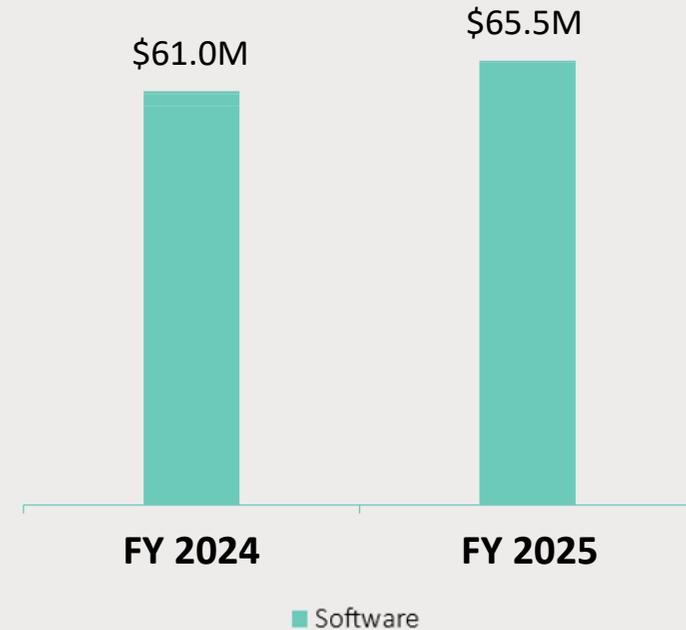
# Digital Agreements Revenue

## Q4 2025 YoY Comparison<sup>1</sup>



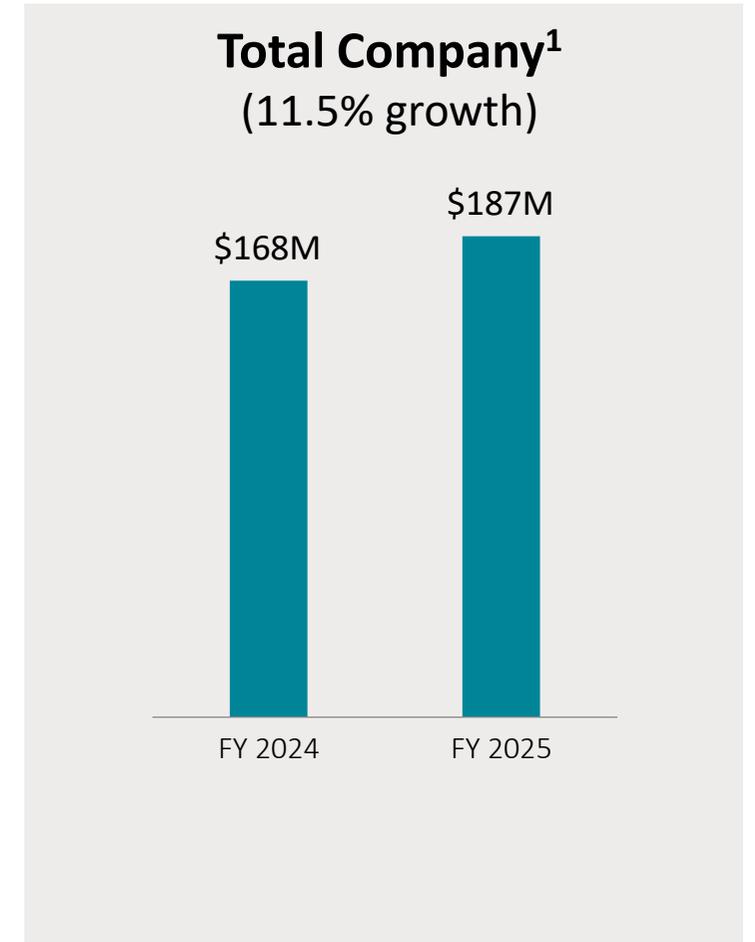
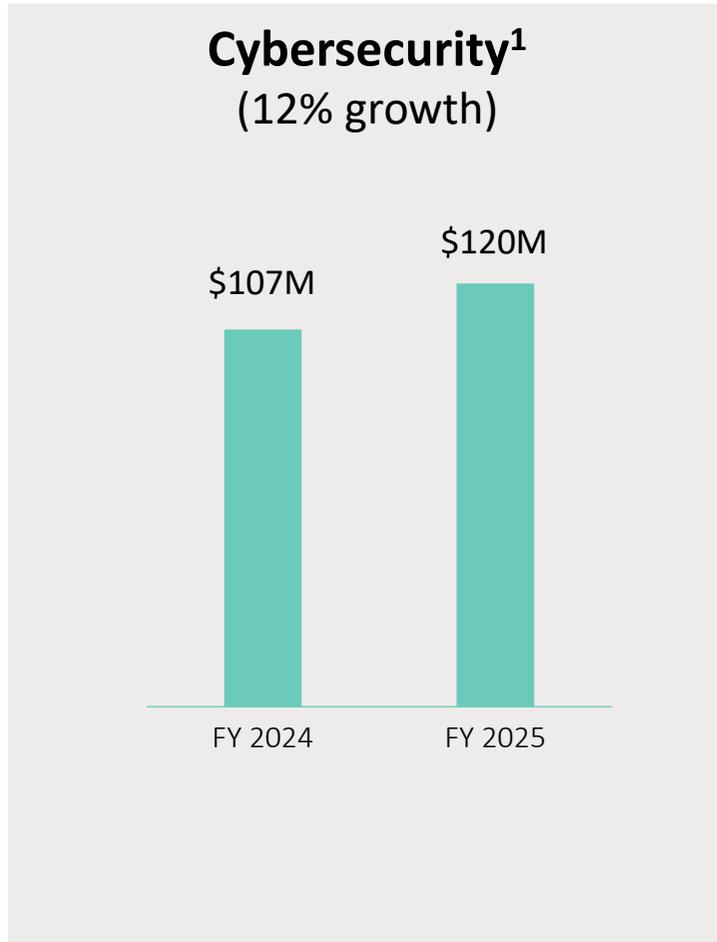
Q4 2025 Digital Agreements revenue increased 11% y-o-y driven by 14% subscription revenue growth, partially offset by sunsetting products and our transition to a SaaS delivery model, which is complete.

## Full Year 2025 YoY Comparison<sup>1</sup>



FY 2025 Digital Agreements revenue increased 7% y-o-y driven by 11% subscription revenue growth, partially offset by sunsetting products and our transition to a SaaS delivery model.

# FY 2025 ARR Growth



# 2026 Guidance Metrics<sup>1</sup>

Metric	FY 2025	FY 2026 Guidance
Software & Services Revenue*	\$194M	\$201M - \$204M
Hardware Revenue	\$49M	\$43M - \$45M
Total Revenue	\$243M	\$244M – \$249M
Adjusted EBITDA <sup>2</sup>	\$78M	\$64M – \$68M
ARR <sup>3</sup>	\$187M	\$192M – \$196M

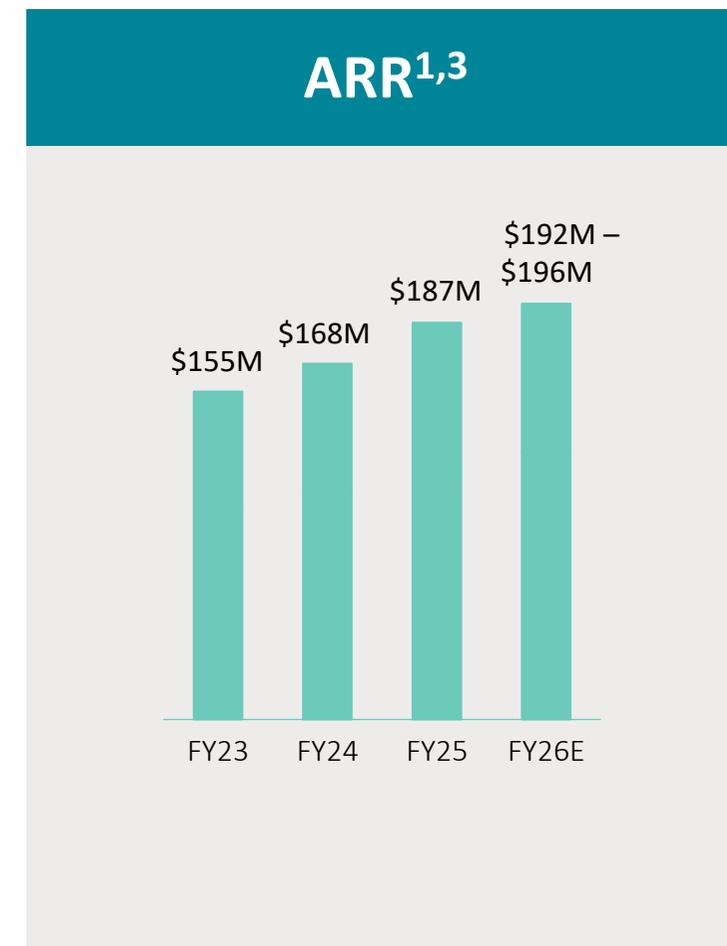
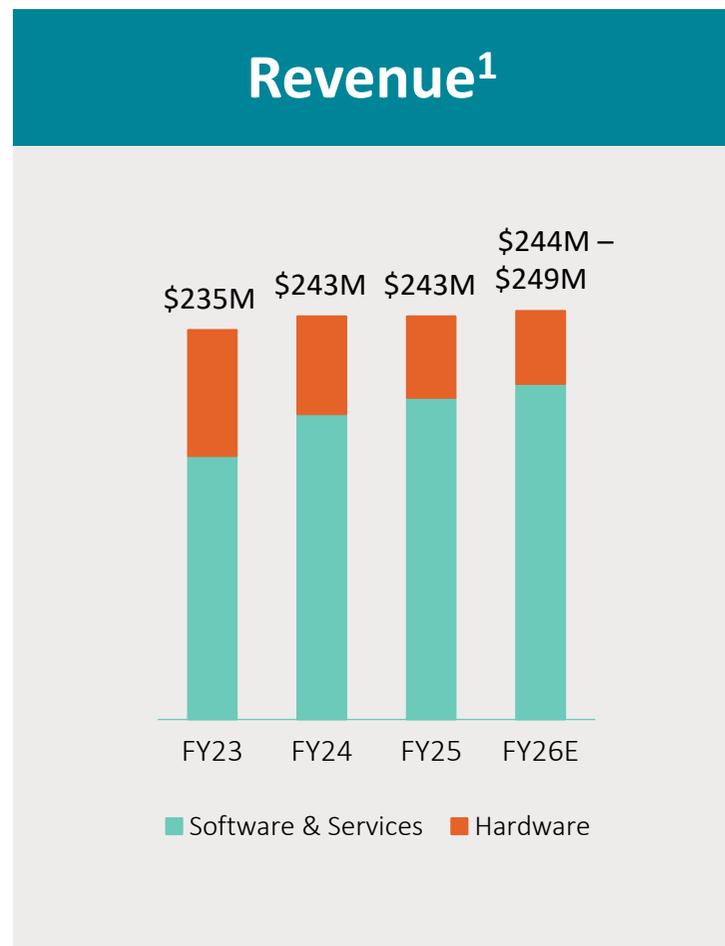
\* Software & Services Revenue includes subscription, maintenance and support, and professional services and other revenue.

<sup>1</sup> Includes the acquisition of Nok Nok Labs, which closed in Q2 2025. Includes an estimated \$3 million to \$4 million of Adjusted EBITDA dilution associated with the pending acquisition of Build38.

<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure. The Company is not providing a reconciliation of Adjusted EBITDA guidance to GAAP net income, the most directly comparable GAAP measure, because we are unable to predict certain items included in GAAP net income without unreasonable efforts. Please refer to the Appendix for more information regarding non-GAAP financial measures.

<sup>3</sup> See Appendix for the definition of ARR.

# FY 2026 Guidance Metrics and Prior Year Results



<sup>1</sup> Includes the acquisition of Nok Nok Labs, which closed in Q2 2025. Includes an estimated \$3 million to \$4 million of Adjusted EBITDA dilution in 2026, associated with the pending acquisition of Build38. FY 2025 revenue and ARR headwinds from sunsetted products were in the low to mid single-digit million range and are expected to be less than \$1 million each in FY 2026, therefore, they will not be disclosed going forward.

<sup>2</sup> Starting January 1, 2025, payroll taxes related to employee stock-based award transactions are included in the Adjusted EBITDA add-back. Prior period amounts have been adjusted to reflect these changes.

<sup>3</sup> See appendix for definitions and information regarding non-GAAP financial measures.

# Appendix



# Reconciliation of Net Income to Adjusted EBITDA<sup>5</sup>

## (in thousands, unaudited)

	Three months ended		Years Ended	
	December 31,		December 31,	
	2024	2025	2024	2025
Net income (loss)	\$ 28,788	\$ 43,543	\$ 57,082	\$ 72,904
Interest income, net	(561)	(173)	(1,807)	(1,985)
Benefit from income taxes	(15,253)	(31,022)	(10,595)	(23,542)
Depreciation and amortization of intangible assets <sup>1</sup>	2,278	2,919	8,364	10,070
Long-term incentive compensation <sup>2</sup>	2,962	1,679	10,043	12,231
Restructuring and other related charges <sup>3</sup>	609	522	6,063	1,348
Other non-recurring items <sup>4</sup>	1,163	1,974	4,223	6,623
<b>Adjusted EBITDA</b>	<b>\$ 19,986</b>	<b>\$ 19,442</b>	<b>\$ 73,373</b>	<b>\$ 77,649</b>

<sup>1</sup> Includes cost of sales depreciation and amortization expense directly related to delivering cloud subscription revenue of \$1.9 million and \$1.0 million for the three months ended December 31, 2025 and 2024, respectively. Includes cost of sales depreciation and amortization expense directly related to delivering cloud subscription revenue of \$5.6 million and \$3.4 million for the years ended December 31, 2025 and 2024, respectively. Costs are recorded in "Services and other cost of goods sold" on the consolidated statements of operations.

<sup>2</sup> Long-term incentive compensation and related payroll tax expense includes share-based compensation and related payroll tax expense, and cash incentive grants awarded to employees located in jurisdictions where we do not issue share-based compensation due to tax, regulatory or similar reasons. The expense associated with these cash incentive grants is immaterial for the three months and the year ended December 31, 2025 and 2024. Starting January 1, 2025, employer payroll taxes related to employee stock-based award transactions are included in long-term incentive compensation and related payroll tax expense. Prior period amounts have been adjusted to reflect these changes. We are excluding these payroll taxes from Adjusted EBITDA results since they are tied to the timing and size of the vesting of the underlying stock-based awards and the price of our common stock at the time of vesting, which may vary from period to period independent of our operating performance. Employer payroll taxes related to employee stock-based award transactions amounted to \$0.1 million and \$0.1 million for the three months ended December 31, 2025 and 2024, respectively. Employer payroll taxes related to employee stock-based award transactions amounted to 1.0 million and \$0.9 million for the years ended December 31, 2025 and 2024, respectively.

<sup>3</sup> There were no write-offs of intangible assets and property and equipment, net for the three months ended December 31, 2025 and 2024, respectively. Includes write-offs of property and equipment, net of \$0.7 million for the year ended December 31, 2025. Includes write-offs of intangible assets and property and equipment, net of \$0.8 million and \$1.0 million, respectively, for the for the year ended December 31, 2024. Costs are recorded in "Services and other costs of good sold" and "Restructuring and other related charges," respectively, on the consolidated statements of operations.

<sup>4</sup> For the three months ended and the year ended December 31, 2025, other non-recurring items consist of \$2.0 million and \$5.9 million, respectively, of fees related to non-recurring projects, including transactions costs related to acquisition projects. For the three months ended and the year ended December 31, 2024, other non-recurring items consist of \$1.2 million and \$4.2 million, respectively, of fees related to non-recurring projects.

<sup>5</sup> Adjusted EBITDA is a non-GAAP financial measure. The Company is not providing a reconciliation of Adjusted EBITDA guidance to GAAP net income, the most directly comparable GAAP measure, because we are unable to predict certain items included in GAAP net income without unreasonable efforts. Please refer to slide 23 for definitions and additional information about Adjusted EBITDA.

# Reconciliation of Net Income to Non-GAAP Net Income

## (in thousands, except per share data; unaudited)

	Three months ended		Years Ended	
	December 31,		December 31,	
	2024	2025	2024	2025
Net income	\$ 28,788	\$ 43,544	\$ 57,082	\$ 72,904
Benefit from income taxes	(15,253)	(31,022)	(10,595)	(23,542)
Income loss before income taxes	13,535	12,522	46,487	49,362
Long-term incentive compensation and related payroll tax expense <sup>1</sup>	2,962	1,679	10,043	12,231
Amortization of intangible assets <sup>2</sup>	625	839	2,592	2,821
Restructuring and other related charges <sup>3</sup>	609	522	6,063	2,057
Other non-recurring items <sup>4</sup>	1,163	1,974	4,223	5,914
Non-GAAP net income before income taxes	18,894	17,536	69,408	72,385
Non-GAAP provision for income taxes <sup>5</sup>	(3,779)	(3,507)	(13,882)	(14,477)
Non-GAAP Net income	\$ 15,115	\$ 14,029	\$ 55,526	\$ 57,908
Non-GAAP net income per share, diluted	\$ 0.38	\$ 0.36	\$ 1.42	\$ 1.49
Weighted-average shares used to compute non-GAAP net income per share, diluted	39,887	38,468	39,085	38,878

<sup>1</sup> Long-term incentive compensation and related payroll tax expense includes stock-based compensation and related payroll tax expense, and cash incentive grants awarded to employees located in jurisdictions where we do not issue stock-based compensation due to tax, regulatory or similar reasons. The expense associated with these cash incentive grants is immaterial for the three months and the year ended December 31, 2025 and 2024. Starting January 1, 2025, employer payroll taxes related to employee stock-based award transactions are included in long-term incentive compensation and related payroll tax expense. Prior period amounts have been adjusted to reflect these changes. We are excluding these payroll taxes from Adjusted EBITDA results since they are tied to the timing and size of the vesting of the underlying stock-based awards and the price of our common stock at the time of vesting, which may vary from period to period independent of our operating performance. Employer payroll taxes related to employee stock-based award transactions amounted to \$0.1 million and \$0.1 million for the three months ended December 31, 2025 and 2024, respectively, and \$1.0 million and \$0.9 million for the years ended December 31, 2025 and 2024, respectively.

<sup>2</sup> Includes cost of sales amortization expense directly related to delivering cloud subscription revenue of \$0.3 million and \$0.3 million for the three months and year ended December 31, 2025, respectively, and less than \$0.1 million and \$0.2 million for the three months and year ended December 31, 2024, respectively. Costs are recorded in "Services and other cost of goods sold" on the consolidated statements of operations.

<sup>3</sup> There were no write-offs of intangible assets and property and equipment, net for the three months ended December 31, 2025 or 2024. Includes write-offs of property and equipment, net of \$0.7 million for the year ended December 31, 2025. Includes write-offs of intangible assets and property and equipment, net of \$0.8 million and \$1.0 million, respectively, for the for the year ended December 31, 2024. Costs are recorded in "Services and other cost of goods sold" and "Restructuring and other related charges," respectively, on the condensed consolidated statements of operations.

<sup>4</sup> For the three months ended and the year ended December 31, 2025, other non-recurring items consist of \$2.0 million and \$5.9 million, respectively, of fees related to non-recurring projects, including transactions costs related to acquisition projects. For the three months ended and the year ended December 31, 2024, other non-recurring items consist of \$1.2 million and \$4.2 million, respectively, of fees related to non-recurring projects.

<sup>5</sup> Starting January 1, 2025, we began using a long-term projected non-GAAP tax rate of 20% for the purpose of determining our Non-GAAP Net Income and Non-GAAP Net Income Per Diluted Share to provide better consistency across interim reporting periods in fiscal 2025 and beyond. Prior period amounts have been adjusted to reflect this change.

# Free Cash Flow Reconciliation (in thousands, unaudited)

	Three months ended		Years Ended	
	December 31,		December 31,	
	2024	2025	2024	2025
Net cash provide by operating activities	\$ 12,426	\$ 12,569	\$ 55,667	\$ 59,454
Purchases of property and equipment <sup>1</sup>	(1,972)	(2,941)	(9,245)	(8,959)
Free Cash Flow	<u>\$ 10,454</u>	<u>\$ 9,628</u>	<u>\$ 46,422</u>	<u>\$ 50,495</u>

<sup>1</sup> Includes Capitalized Software.

# Definitions

**ARR, or Annual Recurring Revenue**, is calculated as the approximate annualized value of our customer recurring contracts as of the measurement date. These include subscription, term-based license, and maintenance and support contracts and exclude one-time fees. To the extent that we are negotiating a renewal with a customer within 90 days after the expiration of a recurring contract, we continue to include that revenue in ARR if we are actively in discussion with the customer for a new recurring contract or renewal and the customer has not notified us of an intention to not renew. See our Form 10-K for the year ended December 31, 2025 for additional information describing how we define ARR, including how ARR differs from GAAP revenue.

**NRR, or Net Recurring Revenue**, is defined as the approximate 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 financial metrics, namely Adjusted EBITDA, Non-GAAP Net Income, Non-GAAP Net Income Per Diluted Share, and Free Cash Flow. Our management believes that these measures, when taken together with the corresponding GAAP financial metrics, provide useful supplemental information regarding the performance of our business, as further discussed in the descriptions of each of these non-GAAP metrics below.

These non-GAAP financial measures are not measures of performance under GAAP and should not be considered in isolation or as alternatives or substitutes for the most directly comparable financial measures calculated in accordance with GAAP. While we believe that these non-GAAP financial measures are useful for the purposes described below, they have limitations associated with their use, since they exclude items that may have a material impact on our reported results and may be different from similar measures used by other companies. Additional information about the non-GAAP financial measures and reconciliations to their most directly comparable GAAP financial measures appear above.

**Adjusted EBITDA** is defined as net income before interest, taxes, depreciation, amortization, long-term incentive compensation and related payroll tax expense, restructuring and other related charges, and certain non-recurring items, including acquisition related costs, rebranding costs, and non-routine shareholder matters. Adjusted EBITDA is a non-GAAP financial metric. We use Adjusted EBITDA as a simplified measure of performance for use in communicating our performance to investors and analysts and for comparisons to other companies within our industry. As a performance measure, we believe that Adjusted EBITDA presents a view of our operating results that is most closely related to serving our customers. By excluding interest, taxes, depreciation, amortization, long-term incentive compensation and related payroll tax expense, restructuring costs and other related 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 and related payroll tax expense, 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.

# Non-GAAP Financial Measures, Continued

**Non-GAAP Net Income and Non-GAAP Net Income Per Share** are defined as net income or net income per diluted share, as applicable, before the consideration of long-term incentive compensation expenses, the amortization of intangible assets, restructuring costs, and certain other non-recurring items. We use these measures to assess the impact of our performance excluding items that can significantly impact the comparison of our results between periods and the comparison to competitor results.

We exclude long-term incentive compensation and related payroll tax expense because our long-term incentives generally reflect the use of restricted stock unit grants or cash incentive grants, including incentives directly tied to the performance of the business, while other companies may use different forms of incentives that have different cost impacts, which makes comparison difficult. We exclude amortization of intangible assets as we believe the amount of such expense in any given period may not be correlated directly to the performance of the business operations and that such expenses can vary significantly between periods as a result of new acquisitions, the full amortization of previously acquired intangible assets, or the write down of such assets due to an impairment event. However, intangible assets contribute to current and future revenue, and related amortization expense will recur in future periods until expired or written down.

We also exclude certain non-recurring items including one-time strategic action costs and non-recurring shareholder matters, as these items are unrelated to the operations of our core business. By excluding these items, we are better able to compare the operating results of our underlying core business from one reporting period to the next.

We use a long-term projected non-GAAP tax rate of 20% for the purpose of determining our Non-GAAP Net Income and Non-GAAP Net Income Per Diluted Share to provide better consistency across interim reporting periods. We will assess the appropriate non-GAAP tax rate on a regular basis, which could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix, or other changes to our strategy or business operations.

**Free Cash Flow** is defined as net cash provided by operating activities, less additions of property and equipment, including capitalized software.

Reconciliations of Adjusted EBITDA and Non-GAAP Net Income to their most directly comparable GAAP financial measure, net income, appear above. Reconciliation of Free Cash Flow to its most directly comparable GAAP financial measure, cash flow from operations, also appear above.

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