

# Q3 2026 OneSpan Earnings Conference Call Transcript

October 29, 2026

## Participants

OneSpan Inc.

- Joe Maxa, Vice President - Investor Relations
- Victor Limongelli, President, Chief Executive Officer
- Jorge Martell, Chief Financial Officer, Chief Accounting Officer, Treasurer

Analysts

- Erik Suppiger, B. Riley Securities, Inc
- Gray Powell, BTIG LLC
- Rudy Kessinger, D.A. Davidson & Co.
- Anja Soderstrom, Sidoti & Company LLC
- Catharine Trebnick, Rosenblatt Securities Inc

## Prepared Remarks

### Operator

Good day, everyone. Welcome to the OneSpan quarter 3 2026 earnings call. (Operator Instructions)

This call is being recorded. If you have any objections, please disconnect at this time. I would now like to turn the call over to Joe Maxa, Vice President of Investor Relations. Please go ahead.

### Joe Maxa

Thank you, operator. Hello, everyone. Thank you for joining the OneSpan third quarter 2026 earnings conference call. This call is being webcast and can be accessed on the investor relations section of OneSpan's website at [investors.onespan.com](https://investors.onespan.com).

Joining me on the call today is Victor Limongelli, our Chief Executive Officer; and Jorge Martell, our Chief Financial Officer. This afternoon, after market close, OneSpan issued a press release announcing results for our third quarter of 2026. To access a copy of the press release and other investor information, please visit our website.

Following our prepared comments today, we will open the call for questions. Please note that statements made during this conference call that relate to future plans, events, or performance, including the outlook for

full year 2026 and other long-term financial targets, are forward-looking statements. These statements involve risks and uncertainties and are based on current assumptions.

Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements. I direct your attention to today's press release and the company's filings with the US Securities and Exchange Commission for discussion of such risks and uncertainties.

Also note that certain financial measures that may be discussed on this call are expressed on a non-GAAP basis and have been adjusted from a related GAAP financial measure. We have provided an explanation for and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures in the earnings press release and in the investor presentation available on our website.

In addition, please note that all growth rates discussed on this call refer to a year-over-year basis unless otherwise indicated. The date of this conference call is October 29, 2026. Any forward-looking statements and related assumptions are made as of this date, except as required by law, we undertake no obligation to update these statements as a result of new information or future events or for any other reason.

I will now turn the call over to Victor.

## **Victor Limongelli**

Thank you, Joe. Hello, everyone. Thank you for joining us today. Our goal for 2026 was to deliver solid performance while positioning the company for future growth. We are achieving those goals. We had an excellent third quarter with 12% revenue growth, including 16% subscription revenue growth, and a 12% increase in operating income.

Before diving into the details, I want to take a moment to thank the entire OneSpan team for all of their efforts in delivering these results and also to underscore the progress we have made as a business, achieving a rule of 42 performance level in Q3, whereas just a few years ago in 2023, OneSpan performed at a rule of 12 level.

Looking at Q3 specifically, I'm happy to report that both business units grew at a double-digit rate, with Digital Agreements up 14% and Cybersecurity up 11%. Our overall gross margin also improved, rising to 76.3% compared to 73.6% in the year-ago period. And we achieved a company-wide GRR of 91% in Q3, evidence of our stronger customer engagement and our delivery of better customer experiences across both our Cybersecurity and Digital Agreements business units.

With respect to the other part of our goals, that is positioning the company for future growth, we made great progress in that area in Q3 as well. In July, we launched the DigipassONE platform in our Cybersecurity business.

DigipassONE brings together our suite of security solutions, including DigipassONE Authenticate, the industry's broadest customer authentication capabilities, spanning hardware, software, on-prem, in the cloud, OTP, and pass keys. DigipassONE Protect, our mobile application protection portfolio, providing continuous in-app protection, active defense and real-time threat visibility.

DigipassONE Verify, a new offering that provides support for digital credentials and verification capabilities across multiple wallet ecosystems, which will be a key requirement for banks in Europe. And DigipassONE

Insights, another new offering that will deliver cross-platform analytics and visibility that will provide enriched insights and actionable intelligence from telemetry spanning the entire platform, providing value not only to our customers' authentication teams but to their broader security teams as well.

You are all familiar with OneSpan as an authentication provider, but I want to take a moment to talk about DigipassONE Verify, which we plan to release early next year. As an important reminder, the European Digital Identity Regulation will require banks to support digital identity wallets for customer onboarding and authentication by December 2027.

We remain actively engaged with the ecosystem as verifiable credentials and digital wallets develop and we plan to support the first country-specific wallets slated to be released early next year. We are encouraged by the discussions that we have seen around DigipassONE Verify and expect this to be an important offering as these wallets become more broadly available. As you know, we have a broad customer base of European banks and we expect this offering to be of particular interest in that market.

We also continue to see encouraging interest in DigipassONE Protect and our expanded capabilities introduced with our acquisition of Build38. As more consumer banking actions move to mobile applications, there is increased recognition of the importance in protecting these applications and the users from attacks and fraudulent behavior. Our expanded portfolio now offers both a post compilation or wrapping approach and an SDK approach to provide next-gen in-app protection capabilities.

Turning to Digital Agreements, we also made meaningful progress during the quarter. Earlier this month, we announced exciting advancements and innovations that we are adding to OneSpan Sign, expanding the value it brings to e-signatures and the workflows involved with high-value agreements. We continue to focus on purpose-built features and functions that serve the broader financial services vertical, where security, compliance, and assurance are core requirements.

Our recent e-signature innovations are focused on three key areas. Making agreements easier and faster to complete, strengthening identity and document assurance without adding unnecessary friction, and better connecting completed agreements into the systems and processes that drive the next business action in our customers' workflows. This includes investments in a redesigned user experience, AI assisted capabilities such as automatic document validation, as well as advanced identity verification and expanded integration capabilities.

We are encouraged by continued healthy gross retention metrics and customer activity we are seeing, including expansion and longer-term contract commitments from large customers. During the third quarter, a major banking customer of our Digital Agreements business meaningfully expanded its contract in both term and in size, moving from overages under the previous contract into a multiyear contract that will support their continued growth and utilization of OneSpan Sign.

Stepping back, we are encouraged by the progress we are making as a company overall both in Q3 and more broadly over the past few years. We believe we are investing in the right strategic areas and putting the pieces in place to enable growth over the longer-term. And we're proud that we are able to do so while also improving in the day-to-day execution of the business.

Please note that the Board has approved a quarterly dividend of \$0.13 per share to be paid in the current quarter and will continue to evaluate additional share repurchase opportunities. Since the beginning of last year, we have returned \$55 million or just under \$1.50 per share to our shareholders through dividends and share repurchases.

In summary, we had an excellent quarter and continue to strengthen the business and position OneSpan for durable long-term growth. With that, I'll turn the call over to Jorge.

## **Jorge Martell**

Thanks, Victor, and good afternoon, everybody. I'm pleased to report another strong quarter and continued progress in positioning OneSpan for long-term growth. Q3 revenue was \$63.9 million, an increase of 12% compared to last year's third quarter. Subscription revenue grew 16% to \$51.5 million, and hardware revenue grew 7%. This growth was partially offset by an expected decline in perpetual maintenance revenue as customers moved to term licenses.

For the quarter, subscription revenue increased to 81% of total revenue, up from 78% in the prior year quarter, while hardware and perpetual maintenance revenues accounted for a combined 19% of total revenue as compared to 22% in last year's Q3. Annual recurring revenue, or ARR, also continued to grow. Increasing 8.5% year over year to \$195.5 million. ARR growth was driven by expansion of existing customer contracts and new logos, as well as Build38, which contributed approximately 1.5 percentage points. ARR increased \$5.9 million sequentially, consistent with the expectation we shared last quarter of sequential quarterly growth in the second half of the year.

Our net retention rate, or NRR, was 105%, up from 103% last quarter. Third quarter gross margin was 76.3% compared to 73.6% in Q3 of last year. GAAP operating income was \$9.2 million compared to \$8.2 million in Q3 2025. The year-over-year improvement reflects higher revenue and gross profit, partially offset by increased operating costs related to Build38, organic investments including certain costs related to go-to-market leadership and higher share-based compensation expense and bonus accruals.

GAAP net income per share was \$0.20 compared to \$0.17 in the third quarter of last year. Non-GAAP net income per share was \$0.35 compared to \$0.33 in last year's Q3. Adjusted EBITDA and adjusted EBITDA margin were \$19.3 million and 30.1% respectively. This is compared to \$17.5 million and 30.7% in the same period last year.

Next, I will discuss the third quarter financial results for two business divisions, starting with Cybersecurity. Cybersecurity's revenue increased 11.3% to \$44.9 million. Subscription revenue increased 17.4% to \$32.5 million, primarily driven by customer expansion contracts, including an increase in multi-year term license revenue, new logos, M&A, new products, and an increase in past due renewal catch-up revenue as compared to last year's third quarter. As a reminder, multi-year term license and catch-up revenue can vary from quarter to quarter.

Hardware revenue grew 7% to \$10.5 million, largely due to certain customers requesting earlier than anticipated deliveries of DigiPass tokens, which we had expected to ship in Q4. As discussed last quarter, Q3 is typically our seasonally low hardware quarter, but deliveries were higher than we expected this year due to

the timing of these shipments. Our full year 2026 hardware outlook has not changed, which means we now expect a correspondingly lower hardware contribution in Q4 than previously forecast.

Perpetual maintenance revenue in Cybersecurity declined as expected. ARR for the Cybersecurity division increased 10.1% year-over-year to \$127.2 million. Gross margin was 77% compared to 74% in the prior year quarter. The increase in gross margin primarily reflects increased subscription revenue and a more favorable mix of hardware devices shipped, partially offset by incremental amortization of acquired software related to Build38.

Operating income was \$18.5 million or 41% of revenue compared to \$16.7 million or 41% of revenue in last year's Q3. The year-over-year increase in revenue and gross margin was partially offset by higher operating expenses related to Build38 and higher organic investments to help drive future growth.

Now turning to Digital Agreements, revenue grew 13.5% to \$19 million, driven by overages, expansion of renewal contracts, and new customer additions. As we discussed previously, overage revenue can be a positive indicator of transaction volume growth that can lead to expansion with existing customers.

As Victor mentioned earlier, a large customer generating overages renewed during the third quarter with a materially larger annual commitment. As a result, overage revenue from that customer has ended and revenue from them is now ratable. This also led to a sequential decline in overage revenue in Q3, and we expect a further sequential decline in overage revenue in Q4 towards more typical levels. ARR grew 5.7% year-over-year to \$68.4 million. As a reminder, overages are not included in ARR or NRR.

Gross margin improved to 74%, up from 72% in the prior year period, primarily reflecting higher revenue, including overage revenue, and greater efficiency in our cloud infrastructure costs. Operating income was \$6.9 million or 37% of revenue. Compared to \$4.2 million or 25% of revenue in the same period last year. The strong improvement in operating income was primarily driven by revenue growth and higher gross margin.

Turning to our balance sheet, we ended the third quarter with \$51.4 million in cash and cash equivalents and \$5 million outstanding under a credit facility, which was repaid subsequent to quarter end. This compares to \$43.3 million in cash and cash equivalents and \$5 million of outstanding debt at the end of the second quarter of 2026.

During the quarter, we generated \$16.5 million in operating cash flows. Primary uses of cash includes \$4.8 million for our quarterly dividend and \$2.9 million for capitalized software development costs. By geographic region, revenue in the third quarter of 2026 was 43% from the Americas, 37% from EMEA, and 20% from Asia-Pacific, compared to 46%, 38%, and 16% respectively in the third quarter of 2025. Revenue increased year-over-year across all three regions led by APAC, followed by EMEA and the Americas.

Now turning to some modeling notes and our outlook. For the full year 2026, we are increasing our guidance to reflect our strong third quarter results and updated expectations for the remaining of the year. In Q4, we now expect software and services revenue to be higher than previously forecast, partially offset by lower hardware revenue due to the timing of shipments discussed earlier.

As a result of this shift in revenue mix, we now expect a higher Q4 gross margin with a full year gross margin slightly above 74%. More specifically for the full year 2026, we expect total revenue to be in the range of \$254

million to \$258 million as compared to our previous guidance range of \$248 million to \$252 million. We expect software and services revenue to be in the range of \$208 million to \$210 million as compared to our previous guidance range of \$202 million to \$204 million.

We expect hardware revenue to be in the range of \$46 million to \$48 million unchanged from our previous guidance. We expect ARR to be in the range of \$197 million to \$201 million as compared to our previous guidance range of \$194 million to \$198 million. And we expect adjusted EBITDA to be in the range of \$72 million to \$76 million as compared to our previous guidance range of \$67 million to \$71 million.

That concludes my remarks. I will now turn the call back to Victor.

## **Victor Limongelli**

Thanks, Jorge. To recap, we are pleased with our third quarter results and the progress we continue to make across the business. We are executing well while continuing to invest in the opportunities we believe can drive stronger growth over time.

At the same time, we continue to deliver solid profitability and return capital to shareholders. We remain focused on executing our strategy and creating long-term value. Jorge and I will now be happy to take your questions.

## **Question and Answer Session**

### **Operator**

(Operator Instructions) Erik Suppiger, B. Riley Securities.

### **Erik Suppiger**

Congrats and good to see the upgraded system here. On the hardware, can you comment how you're thinking about hardware going forward? I know you're not guiding for fiscal '27, but are you thinking at this point that hardware is at a sustainable level? Are the FIDO2 tokens enabling you to offset any of the legacy declines?

### **Victor Limongelli**

Yeah, thank you very much for the question. So we used to talk about hardware saying if we could just offset the decline and be flattish, it would really improve our business. And we're starting to see that. I think if you look at our guidance for the year, it implies being down just a couple, just a few percent from last year.

And of course, we're not giving 2027 guidance yet. But we do think that we have a much more sustainable hardware business at the level we're currently at. And some of that will come from the FIDO2 security keys increasingly in '27 and subsequent years.

### **Erik Suppiger**

Can you give any updates specific to the FIDO2 tokens? How's that business performing?

### **Victor Limongelli**

Erik, it is definitely picking up speed. And I expect that when we get to next quarter, we'll be able to give you a lot more details on that. To date, the business through the first three quarters, it is still overwhelmingly related to our older banking tokens.

**Erik Suppiger**

Good. Congratulations.

**Victor Limongelli**

Thank you.

**Operator**

Gray Powell, BTIG.

**Gray Powell**

Okay, great. Thanks for taking the question. And yeah, congratulations on the good set of numbers. It was really nice to see, particularly after some of the results we saw yesterday.

**Victor Limongelli**

Thank you, Gray. Thanks.

**Gray Powell**

Yeah, absolutely. Okay, so it was really good to see the improvement in net new ARR in the Cybersecurity division. And look, I know that like over the last 12 months, there have been some quasi-one-time issues there. Just where are we now? Do you think that the business is in a good spot? And should the success you saw in Q3 be more indicative of your performance going forward?

**Victor Limongelli**

Great. Yeah. So again, we're not going to give 2027 guidance, but we do feel better about the business than we did, 6 months ago, 12 months ago. The launch of DigipassONE -- I want to touch upon this a little bit. It certainly helps in our conversations with customers. You see things like our GRR going up as we are investing in solutions for them. And they feel more comfortable with the direction we're headed in.

But bear in mind that two of the four components of DigipassONE are not out yet. We're expecting to release Verify in Q1 and then subsequently after that we'll release Insights. So we think there is an opportunity, as we said in the prepared remarks, to drive faster growth for the business overall. So the framework and the preparatory work, we feel like we've done a lot of that. And we're looking forward to continuing to improve the business.

And by the way, I mentioned at the beginning, I'm really proud of the team. We've improved OneSpan both on the Digital Agreements and Cybersecurity business a lot over the last few years. So very proud of that.

## **Gray Powell**

Excellent. Thank you very much. That's all I have.

## **Victor Limongelli**

Thank you.

## **Operator**

Rudy Kessinger, DA Davidson.

## **Rudy Kessinger**

Great. Thanks for taking my questions. I'll add my congrats. The quarter certainly looks like a strong quarter here. A few questions for me. Firstly, just on the strong net new ARR in the quarter, any colors you can share in just how broad base that was or concentrated that was? What products really drove that and just a mix between new logos and expansion activity that drove the net new ARR?

## **Jorge Martell**

Yeah, thanks for the question. Yeah, I can give you a little color. So no, look, I think we're very proud of the metric going back to 8.5% of ARR and net new ARR to your point, 5.8 million for this quarter. So largely the product set is the existing products kind of the legacy products that we normally sell licenses, on-prem, OCA, et cetera. We did have a little bit of a contribution from the new products from Build38 and ThreatFabric as well through the partnership, but that was not overwhelmingly what drove the number up.

So I think it's -- we see progress there, which is what I would characterize as progress in the new products. Hopefully, we can continue to accelerate those, but largely is the existing products. And primarily, as you know, our net new ARR or ARR growth primarily comes from expansion of existing business on both Digital Agreements on transaction volumes, and Victor alluded to the large expansion that we closed this quarter and we signaled in terms of the overages from last quarter, and we say normally that is a leading indicator for expansion. So that was the case for that large customer, which we're pleased with.

And then on the security side, again, the expansion also came from existing customer base. And it's good to see -- when customers are renewing, they renew with this expansion, not only in certain regions, is sporadic across all the regions that we normally see. So we're pretty pleased with that.

## **Victor Limongelli**

Yeah, Rudy, I was going to just ask what Jorge said, that said, this is not a revenue number, but on a bookings basis, we did very well across many geographies. It wasn't just one geography or one area. So it was great to see.

## **Rudy Kessinger**

Got it. Okay, super helpful. Yeah, I guess for me, similar maybe question to Gray. I believe who asked it. I think the question on a lot of investors' minds is when can 5 million plus of net ARR quarter become the average or just the base, if you will? It's certainly been lumpy over the last few years.

You have some new products that you've launched. It's still some on the way. I guess I hear your comments that you sound better than 6-, 12 months ago. I guess, I don't know, does 2027 feel like the year where really we can kind of escape of the growth ranges that we've been in and see some real acceleration? Or just how should we think about that at this stage?

### **Victor Limongelli**

Yeah, no, I understand the question, of course. And, we haven't, as a business completed, finalized our 2027 planning, so it would be completely premature for us to be giving specific guidance for '27. However, we are introducing new products, right? And you can see the strategy on the Cybersecurity side, you can see the strategy of DigipassONE, where we want to provide more value to our customers and earn more revenue from them by providing more capabilities. And so we'll be doing that.

Now, keep in mind this -- I'm sure dealing with many of the companies you cover, you introduce a new product in Q1. The sales cycles at large banks are not 60 days. They tend to be longer than that. So it'll take a little while for that to have a revenue impact. But we do think it's going to help the business overall.

It does, as I mentioned, it does help the renewal rates and the GRR. And obviously, once you start lending those deals, it helps NRR as well. So we feel like we're going in the right direction. And also, the Digital Agreements business has been introducing new products as well, new capabilities, I should say, on the platform. And we think that's going to help that business as well. So we feel good about the trajectory, I would say, without getting into the specifics of 2027 growth rates.

### **Operator**

Anja Soderstrom, Sidoti.

### **Anja Soderstrom**

Thank you for taking my question. Congrats on the nice progress here. I'm just curious if our growth is slowing down a little bit in the fourth quarter. Is there any seasonality there or how should we think about that?

### **Jorge Martell**

Anja, thanks for the question. So when you look at the guide that we put in, so [\$1.99] at the midpoint, so that implies the six and a half year-over-year growth. I think -- we obviously, this is where we feel comfortable with. Hopefully we can exceed it, Anja. But, I think there's a lot of indications as well.

We mentioned last quarter, a couple of the large churns that we had, some of those related to the past before we acquired the business. So those are going to continue to be with us for the next couple of quarters still, Anja, so those are factored in.

And so I would say is, we should expect to see a relatively consistent number where we saw this quarter. Hopefully we can do a little better, but that's the midpoint of what we decided to guide towards.

### **Anja Soderstrom**

Okay, thank you. And then can you just bucket your growth with existing customers versus adding new logos?

### **Jorge Martell**

So largely when we come up -- as I mentioned before, largely the ARR at this point. I think maybe you should unpack it by the two business units. So when it comes to security, it is largely an expansion driver when it comes to ARR. And as I mentioned, a little bit contribution, a little bit of the contribution came from the new products. So our goal is to continue to expand that contribution for new products into the customer base.

Of course, we like to have new logos, but just because of the market share that we have in some regions, new logos tend to be, particularly in security, a lower contribution to the mix. On the digital agreement side, the new logo contribution is slightly higher, maybe it's 20% to 30% when it comes to ARR growth. And we want to continue to get that contribution because it is a land and expand, Anja.

As we mentioned before, DEA is completely land and expand. You got to land it to then expand them. But at this point, it's still largely an expansion from ARR. We are running go to market initiatives to accelerate the new logo contribution and landing. And so that's all I can tell you at this point. I don't know, Vic, if you have any other thoughts?

### **Victor Limongelli**

No, that's accurate. And I alluded to this a few minutes ago, when you're talking about large banks, the sales cycles tend to be kind of lengthy. So new logos will be harder to come by. And when you have -- we have 60 of the 100 biggest banks in the world as customers.

So we're already out the majority of the top 100. Of course, we're trying to get new logos, and we do. We do add new logos, but most of our growth comes from existing customers, which is why our strategy is to add value, add products and have more to sell them because that's the most straightforward way to drive higher growth in the business.

### **Operator**

Catharine Trebnick, Rosenblatt Securities, Inc.

### **Catharine Trebnick**

Hi, good afternoon. A couple of product questions. For clarification, pass keys, does that cannibalize the Digipass hardware or does a hybrid model protect that revenue? And then I got a couple few others, thanks.

### **Victor Limongelli**

Yeah, Catharine, great question. So there is a mix of use cases by our customers. Some people prefer hardware authentication. Pass keys are certainly a modern authentication method that are safe and

convenient. And so there's going to be a mix. It kind of depends on the end market, the geography and also the use case.

Hardware authentication is not inconvenient if you're doing your banking in front of a big screen, multiple monitors, with a desktop or laptop computer, you keep your hardware token in a drawer, pull it out, you authenticate, super safe and not inconvenient. So you see that proportionally more in corporate than you do in retail banking, for example.

And it also varies greatly by geography. Hardware is much more prevalent in Europe and in APAC and much less so in North America, for example.

**Catharine Trebnick**

Okay, and then Digital Agreements just for my knowledge or everybody's, are those AI features priced separately or are they bundled when you sell that? And congratulations on that order. That sounds really good.

**Victor Limongelli**

We have to date bundled the capabilities to create differentiation in the marketplace and TBD on how we handle future enhancements, but that's what we've done to date.

**Catharine Trebnick**

All right. Thank you very much.

**Victor Limongelli**

Thank you.

**Operator**

There are no further questions at this time. I will now turn the call back to Joe Maxa for closing remarks.

**Joe Maxa**

Thank you, everyone. We look forward to updating you again next quarter. Have a great night.

**Operator**

The call has concluded. Thank you for joining. You may now disconnect.