

# Investor Presentation Q2 2022

August 2, 2022



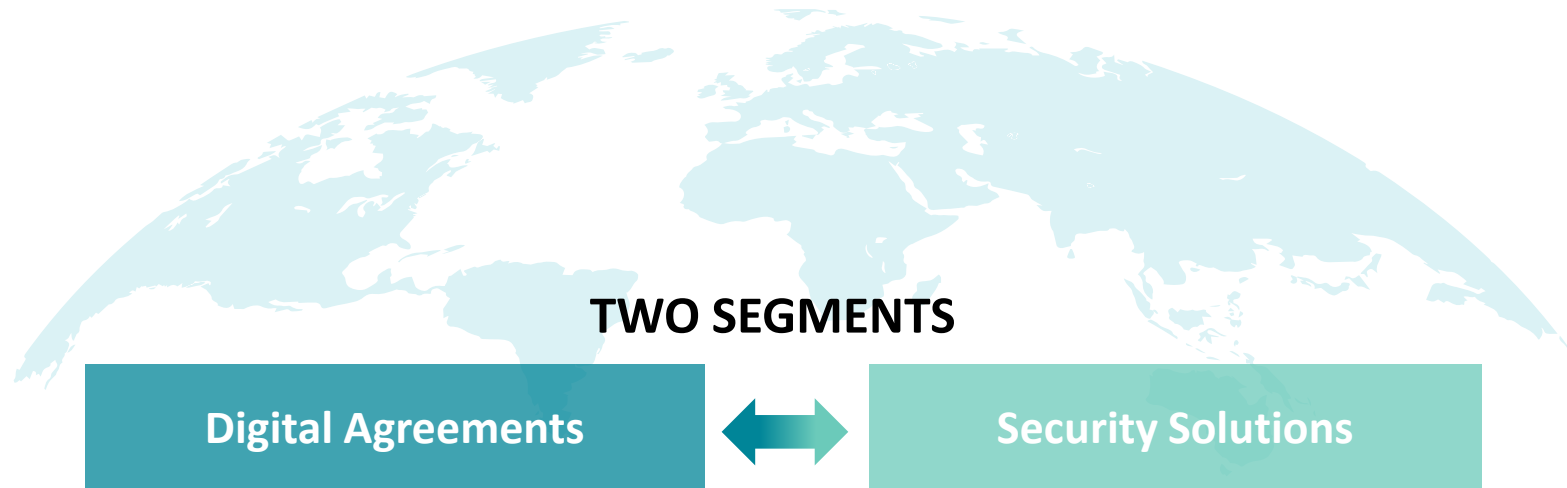
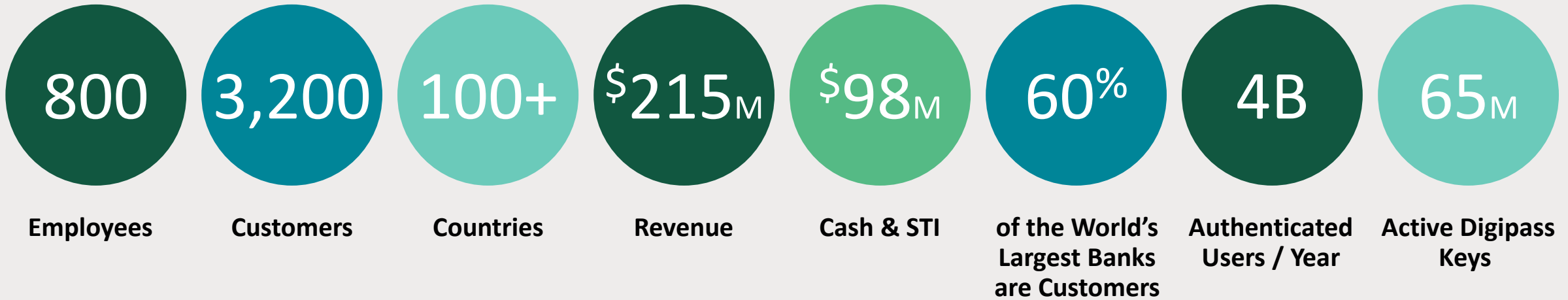
# Forward Looking Statements

This presentation 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; our growth initiatives and market expectations; the potential benefits, performance and functionality of our products and solutions, including future offerings; our expectations, beliefs, plans, operations and strategies relating to our business and the future of our business; product enhancements and introductions; future sales and marketing expenditures; plans to expand our salesforce; foreign currency exchange rate impacts; and our expectations regarding our financial and operational performance for 2022 and thereafter. 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”, ‘forecast’, ‘targeted’ and other similar expressions. These forward-looking statements involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could materially affect our business and financial results include, but are not limited to: our ability to execute our strategic transformation plan; our ability to hire and train sales and other employees necessary to implement our strategic transformation plan; market acceptance of our products and solutions; investments in new products or businesses that may not achieve expected returns; competition; changes in customer requirements; the potential effects of technological changes; economic recession, inflation, and political instability; 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 increasing frequency and sophistication of 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 those factors set forth in our the “Risk Factors” section of our most recently filed Annual Report on Form 10-K. Our filings with the Securities and Exchange Commission (the “SEC”) and other important information can be found in the Investor Relations section of our website at [investors.onespan.com](https://investors.onespan.com). We do not have any intent, and disclaim any obligation, to update the forward-looking information to reflect events that occur, circumstances that exist or changes in our expectations after the date of this presentation, except as required by law.

# Company Overview



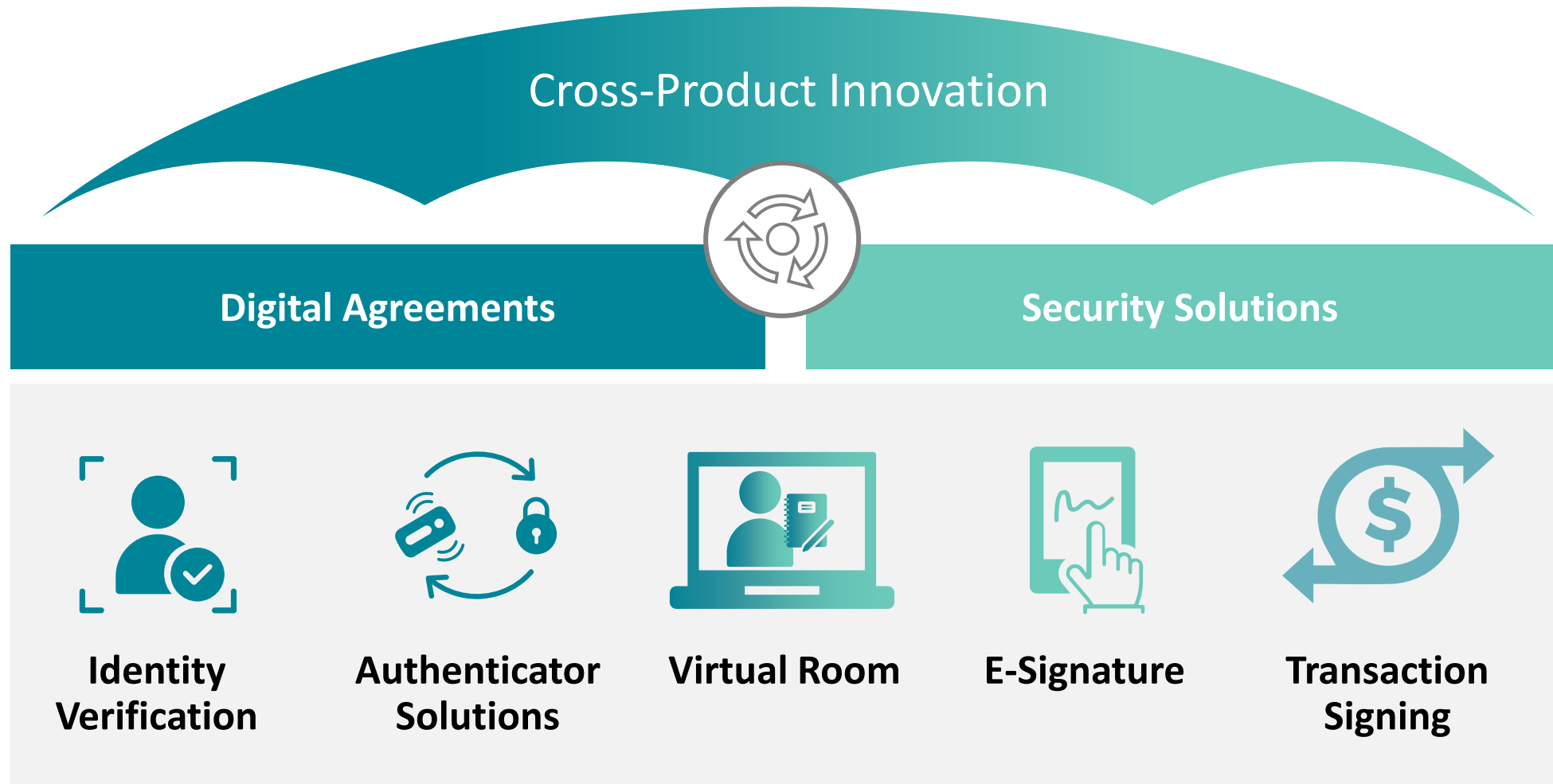
# OneSpan At A Glance



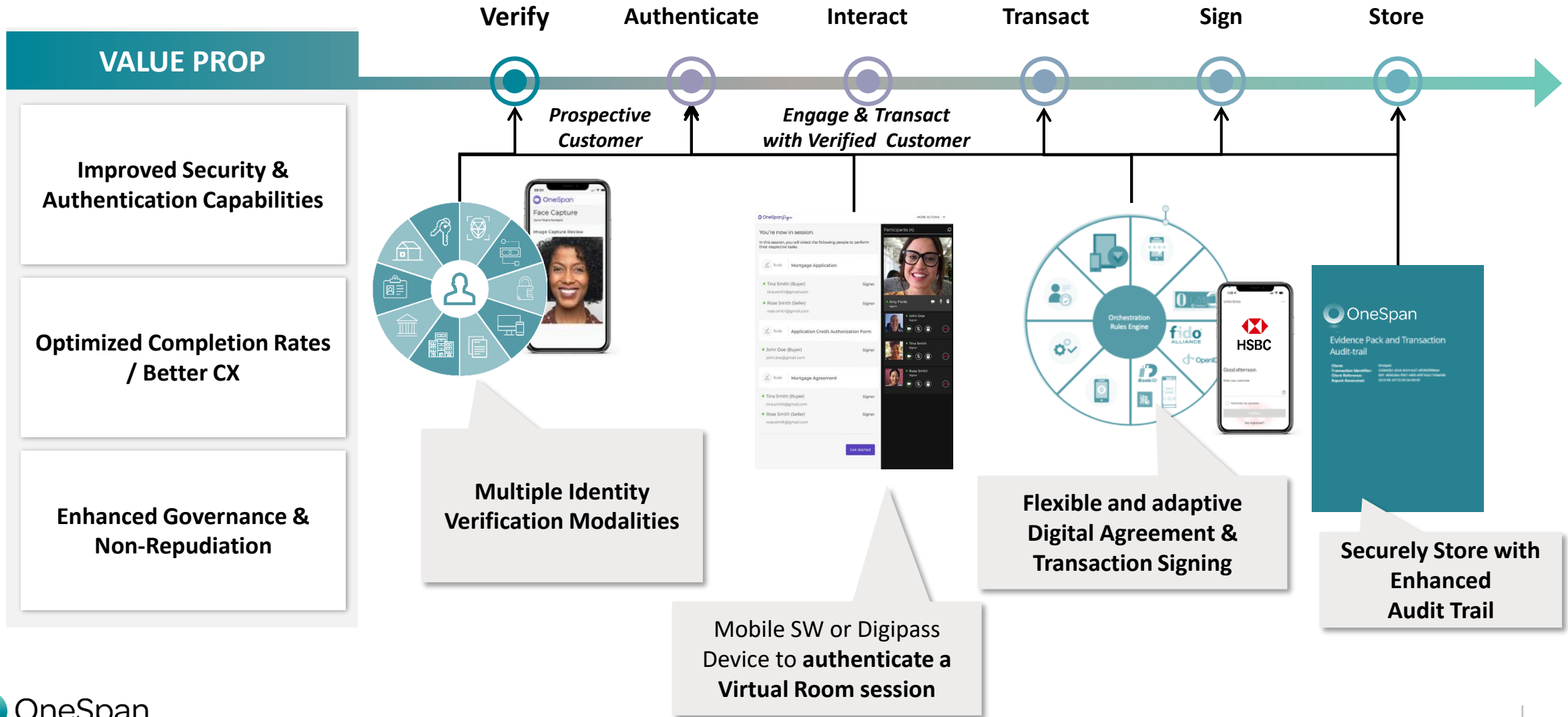
# Trusted Security Partner to Global Blue-Chip Enterprises

Banking	Other Financial Services	Insurance	Government	Healthcare	Other
BANK OF AMERICA BNP PARIBAS BMO usbank CHASE CREDIT SUISSE FIFTH THIRD BANK HSBC 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> OneMain Financial. BUY WAY CDKGlobal. easyfinancial AL OPENDEALER EXCHANGE Good Shepherd Microfinance LENDESK SEI SavvyFi	AMERICAN NATIONAL COUNTRY FINANCIAL DONEGAL INSURANCE GROUP Erie Insurance GAINSCO Auto Insurance GUIDEWIRE Liberty Mutual INSURANCE Munich RE P&V GENERALI the co-operators Wawanesa Insurance	USDA NASA JPL SBA U.S. Small Business Administration U.S. Department of Transportation UNITED STATES POSTAL SERVICE	PointClickCare Netsmart GRAND HÔPITAL de CHARLEROI MCKESSON Canada Cerner cdmv Key Health	THE ADECCO GROUP akyla IBM Direct Energy. TATA ncino Pacific Gas and Electric Company SECURITAS TUI

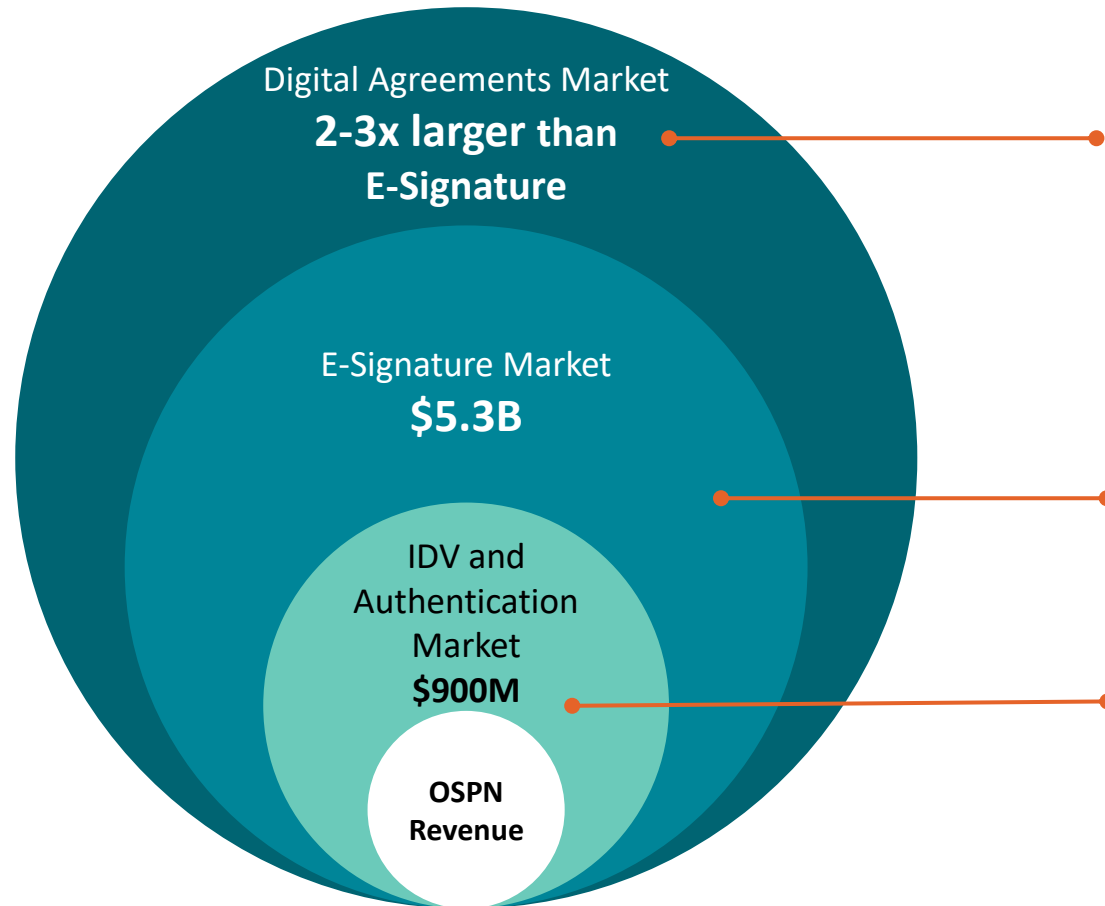
# Creating Value By Integrating Our Core Competencies



# Securing Cloud Transaction Workflows with Superior UX



# Large and Growing Addressable Markets



Digital Agreements market includes:

- E-Signature
- Virtual room
- Remote online notary
- IDV & Authentication
- Transaction signing

\$5.3B e-Signature market growing +30% through 2026<sup>1</sup>

\$900M IDV & Authentication market<sup>1</sup>



# The New OneSpan Vision and Mission

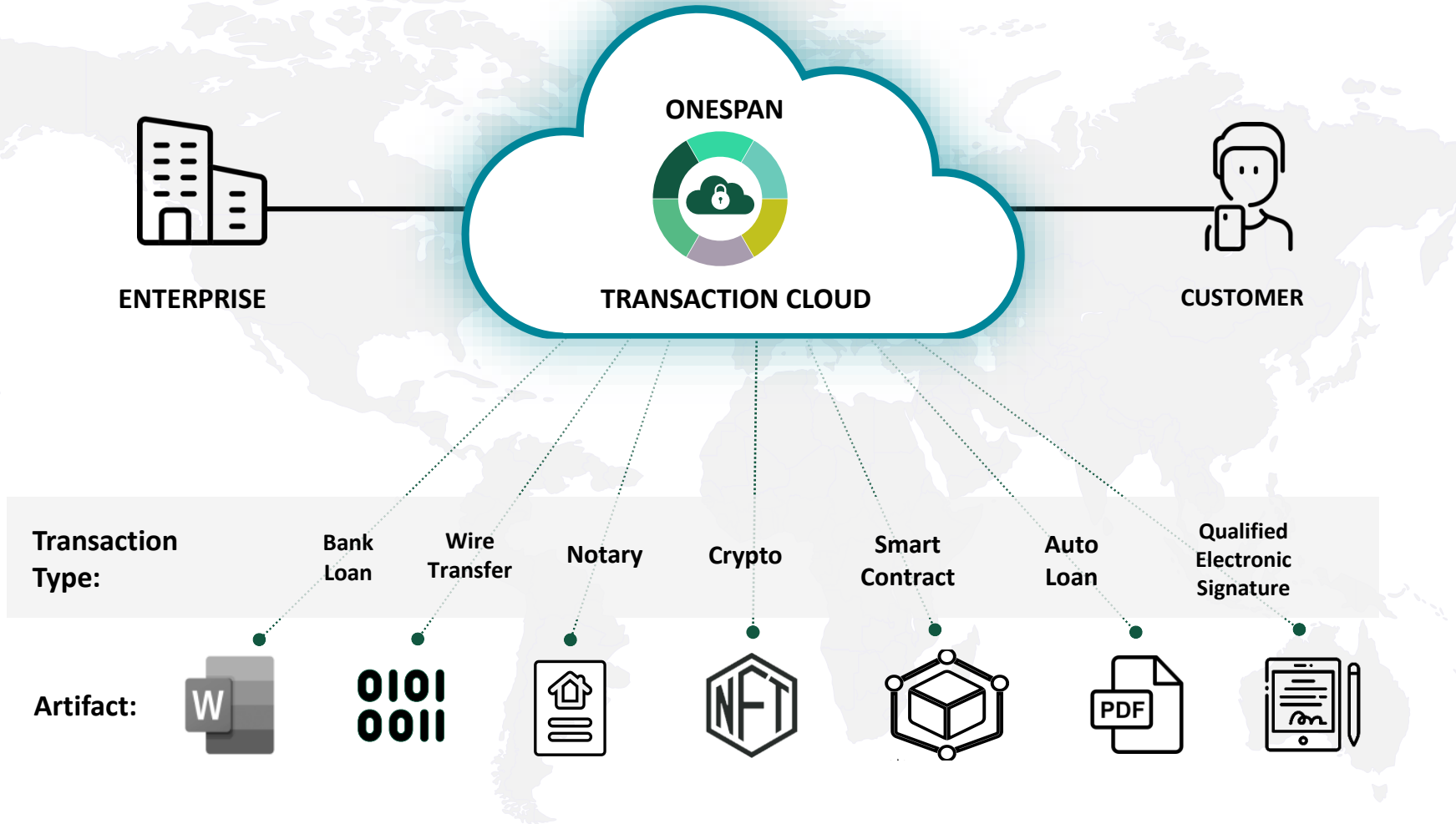
## Vision

A world of **trusted** digital interactions and agreements.



## Mission

To accelerate our customers' digital transformations by enabling **secure, compliant and refreshingly easy** digital customer agreements and transactions.

# Modern Transaction Cloud Platform



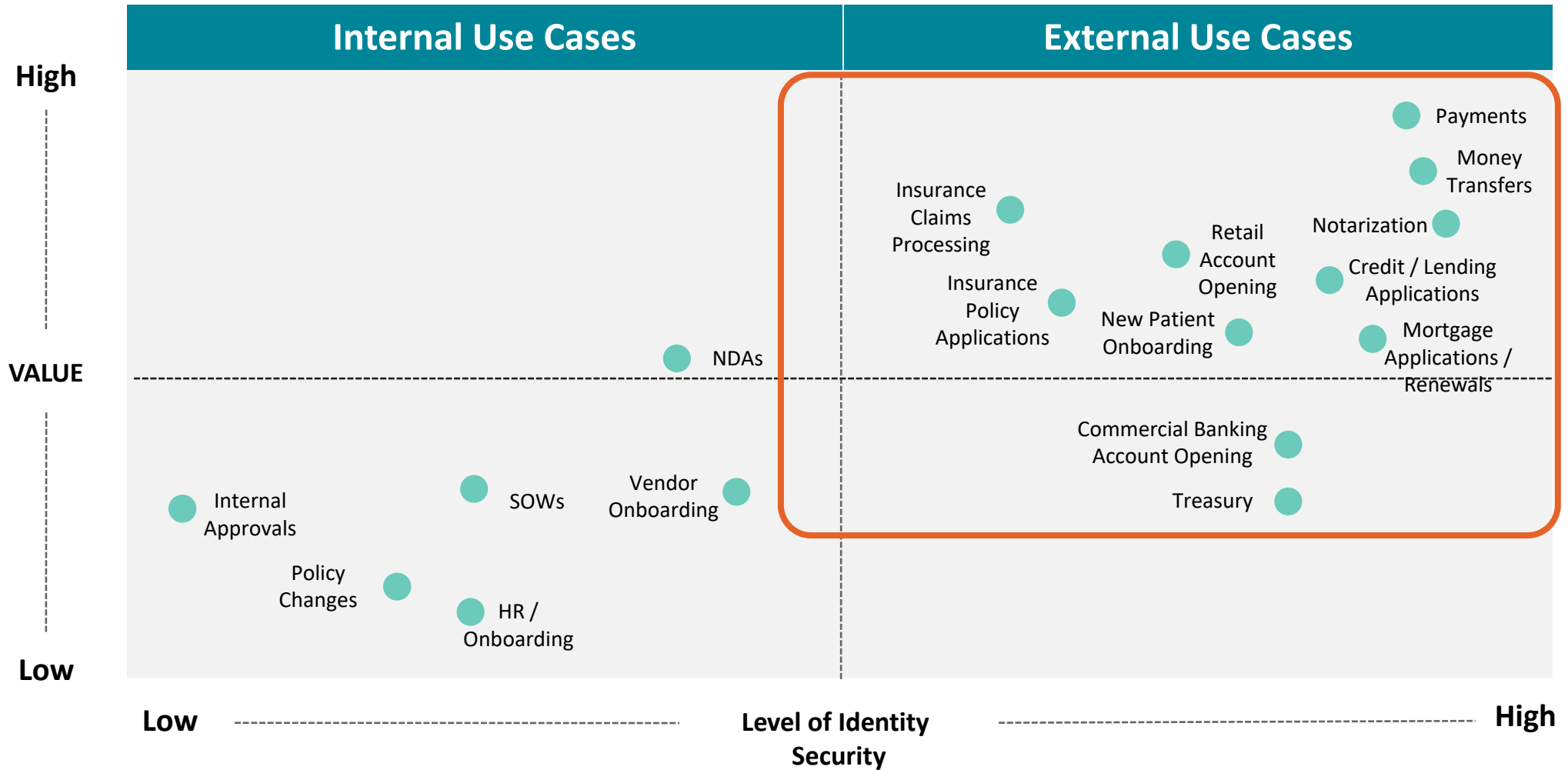
Modern cloud customer engagement necessitates secure and compliant global workflows pre- and post-authentication

-  VERIFY
-  AUTHENTICATE
-  INTERACT
-  TRANSACT
-  SIGN
-  STORE

# Competitive Differentiation

- ✓ **World-class security DNA in identity verification, authentication and transaction signing**
- ✓ **Deep expertise in end-user experience, cloud workflows, document verification and electronic signing**
- ✓ **Deep roots and experience in highly regulated global markets**
- ✓ **Ability to leverage product portfolio in time of market convergence**
- ✓ **Valuable blue-chip installed base with deep roots in financial institutions**

# Ability to Support High-Value, High-Assurance B2B & B2C Transactions



# The New OneSpan – at Inflection Point

**1** Building on a strong foundation

**2** Differentiated solutions will drive growth

**3** Executing clear transformation plan and priorities



# Q2 2022 Financial Highlights



# Q2 2022 Financial Highlights

**\$134M**

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

**21%**

ARR growth

**35%**

Subscription  
ARR Growth

**116%**

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

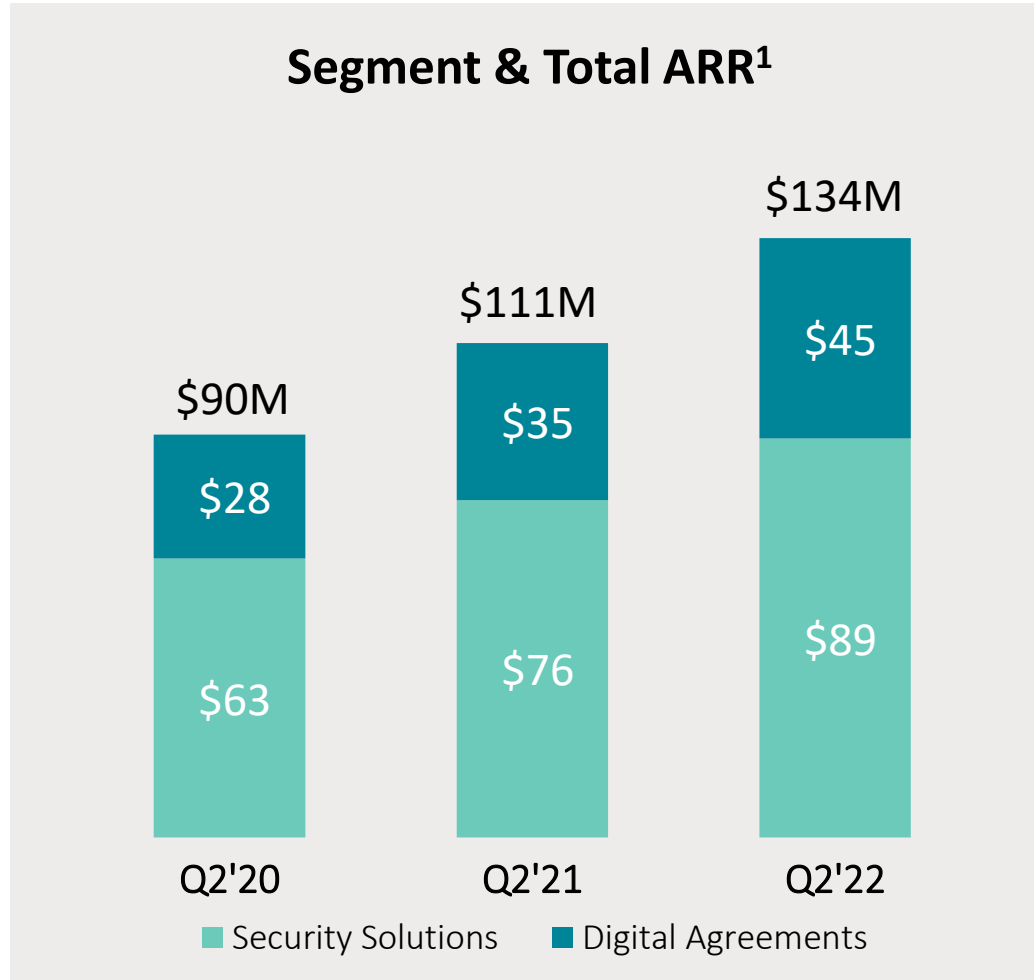
**\$98M**

Cash and STI; no  
long-term debt

**26%**

Subscription  
Revenue Growth

# Q2 2022 ARR & ARR Growth

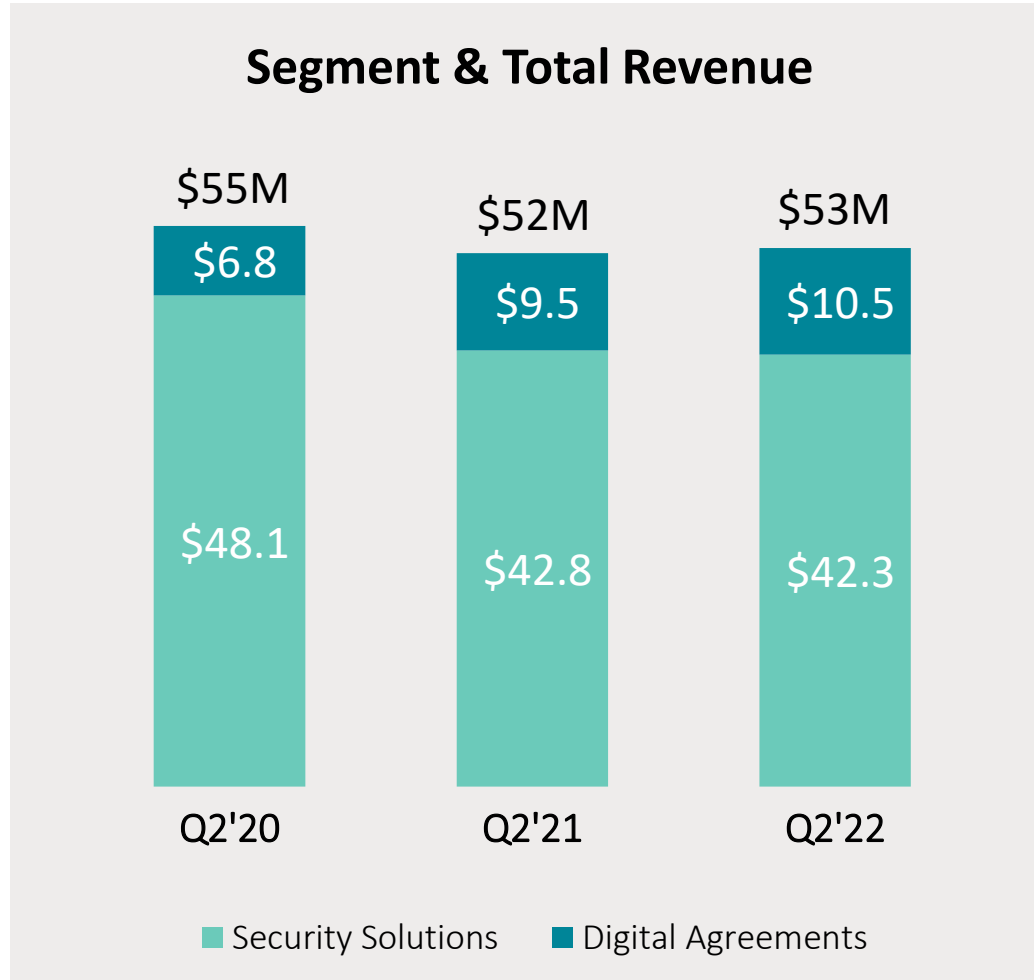


- ### Segment & Total ARR Growth
- Digital Agreements ARR grew 27% to \$45M
    - Subscription ARR grew 34% to \$40M
  - Security Solutions ARR grew 18% to \$89M
    - Subscription ARR grew 35% to \$57M
  - Total Company ARR grew 21% to \$134M
    - Subscription ARR grew 35% to \$98M

<sup>1</sup> Q2'21 ARR figures have been revised from the \$112M (Total) and \$36M (Digital Agreements) figures previously reported to correct an inadvertent \$0.8M overstatement of Q2 2021 Digital Agreements ARR.



# Q2 2022 Revenue & Revenue Growth

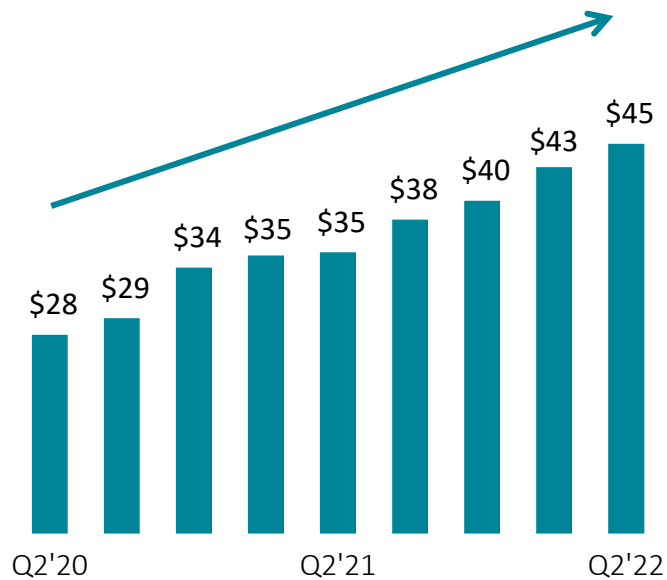


### Segment & Total YoY Revenue Growth<sup>1</sup>

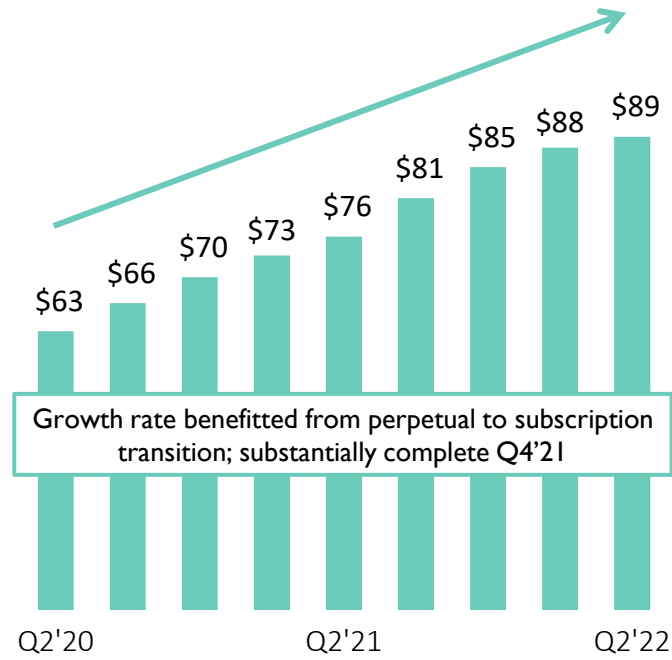
- Digital Agreements: 10% Revenue Growth
  - Subscription revenue grew 12% to \$9M
  - Maintenance and support declined 7% to \$1M
- Security Solutions: (1%) Revenue Growth
  - Subscription revenue grew 39% to \$11M
  - Maintenance and support declined 7% to \$11M
  - Digipass revenue declined 3% to \$19M
- Total Company: 1% Revenue Growth
  - Subscription revenue grew 26% to \$20M
  - Maintenance and support declined 7% to \$12M
  - Digipass revenue declined 3% to \$19M

# Segment ARR Growth

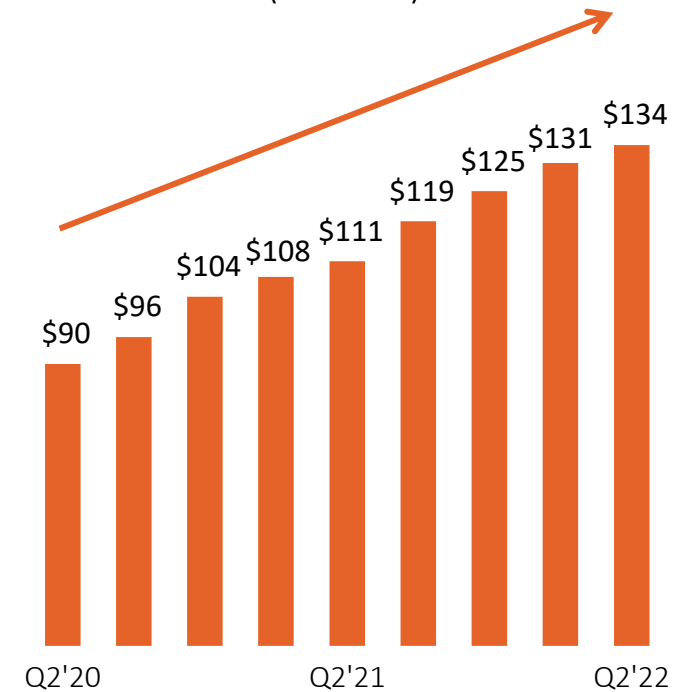
**Digital Agreements<sup>1</sup>**  
(in millions)



**Security Solutions**  
(in millions)



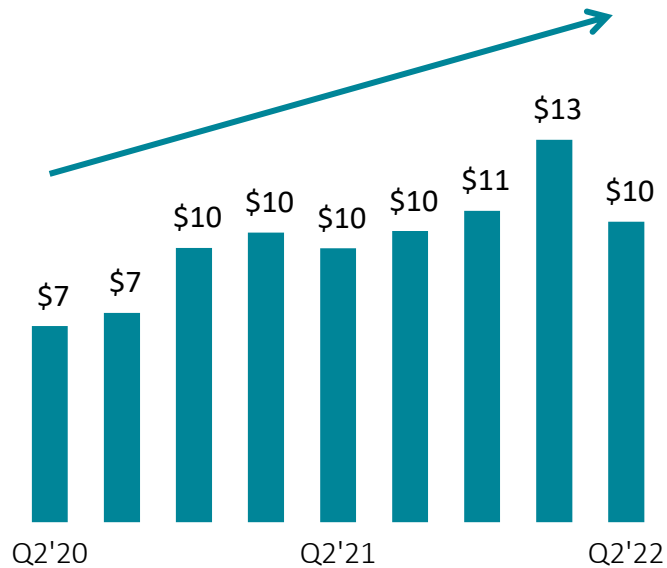
**Total Company<sup>1</sup>**  
(in millions)



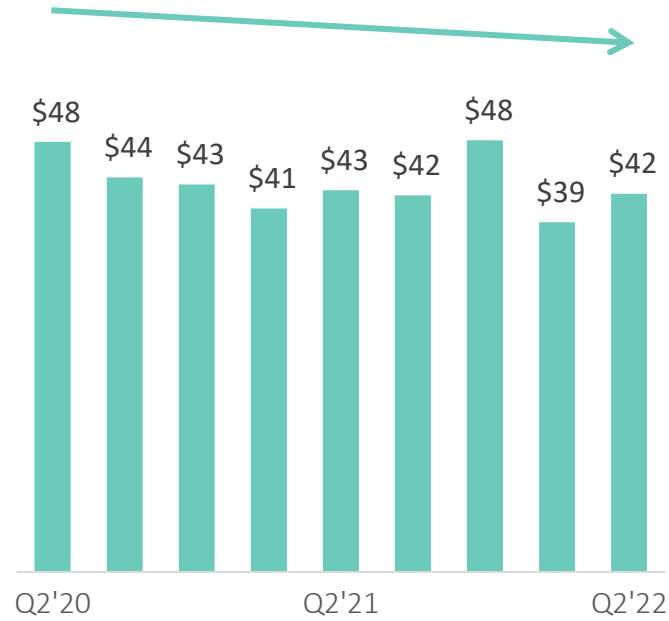
<sup>1</sup> Q2'21 ARR figures have been revised from the \$112M (Total) and \$36M (Digital Agreements) figures previously reported to correct an inadvertent \$0.8M overstatement of Q2 2021 Digital Agreements ARR.

# Segment Revenue Growth

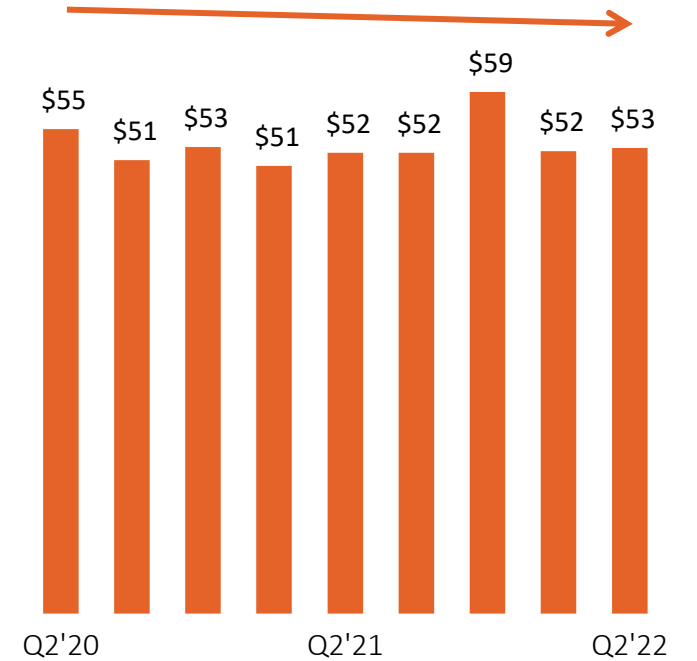
**Digital Agreements<sup>1</sup>**  
(in millions)



**Security Solutions<sup>1</sup>**  
(in millions)



**Total Company**  
(in millions)



# 2022 Guidance and Long-Term Targets

Revenue	FY21 Actual	FY22 Guidance	FY22 – FY25 CAGR
Total Revenue	\$214 M	≥ FY21 Revenue	10% - 12%
Digital Agreements	\$40 M	--	30% - 35%
Security Solutions	\$174 M	--	1% - 3%

Profitability Metrics	FY21 Actual	FY22 Guidance	% of Revenue, 2025
Gross Margin	67%	--	~70%
Adjusted EBITDA <sup>3</sup>	\$(5.1) M	\$(5M) - \$(7M)	8% - 10%

ARR <sup>1</sup>	FY21 Actual	FY22 Guidance	FY22 – FY25 CAGR
Total ARR	\$125 M	16% - 18% Growth	20%+
Digital Agreements	\$40 M	--	30% - 35%
Security Solutions	\$85 M	--	5%+

DBNE <sup>2</sup>	FY21 Actual	FY22 Guidance	Exiting 2025
Total Company	115%	--	120%+

<sup>1,2</sup> See Appendix for definitions

<sup>3</sup> Adjusted EBITDA is a non-GAAP financial measure. The Company is not providing a target for or reconciliation to net income, the most directly comparable GAAP measure, for 2022 or 2025 because the Company is unable to predict certain items contained in the GAAP measure without unreasonable efforts. Please refer to the Appendix for more information regarding non-GAAP financial measures and a reconciliation of fiscal year 2021 Adjusted EBITDA to fiscal year 2021 GAAP net income.

# Strategic Cost Savings Plan Update

## December 2021 – Phase One<sup>1</sup>

Achieved approximately \$11.8 million in annualized cost savings as of June 30, 2022 vs. \$10 million - \$12 million plan

## May 2022 – Phase Two<sup>2</sup>

Achieved approximately \$6 million in annualized cost savings as of June 30, 2022; \$20 - \$25 million expected by end of 2025

# Appendix



# Non-GAAP Reconciliation

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2022	2021	2022
Net income (loss)	\$ (6,685)	\$ (9,350)	\$ (15,836)	\$ (4,136)
Interest income, net	(2)	(35)	(6)	(18)
Provision (benefit) for income taxes	(1,143)	472	(1,644)	1,645
Depreciation and amortization of intangible assets	2,272	1,946	4,582	4,043
Long-term incentive compensation	1,567	1,277	3,109	2,501
Non-recurring items <sup>1</sup>	3,025	4,150	3,573	(5,335)
Adjusted EBITDA	<u>\$ (966)</u>	<u>\$ (1,540)</u>	<u>\$ (6,222)</u>	<u>\$ (1,300)</u>

<sup>1</sup> For the three months ended June 30, 2022, non-recurring items consist of \$1.5 million of outside services related to our strategic action plan and \$2.7 million of severance and retention bonus costs related to our restructuring plan. For the six months ended June 30, 2022, non-recurring items consist of \$4.2 million of outside services related to our strategic action plan, \$5.3 million of severance and retention bonus costs related to our restructuring plan, and a \$(14.8) million non-operating gain on the sale of our investment in Promon AS.

For the three months ended June 30, 2021, non-recurring items consist of \$2.3 million of outside service costs related to the proxy contest that took place in 2021 and the related \$0.7 million settlement with Legion Partners. For the six months ended June 30, 2021, non-recurring items consist of \$2.8 million of outside service costs related to the proxy contest that took place in 2021 and the related \$0.7 million settlement with Legion Partners.

# 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 - **DBNE** 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, including Adjusted EBITDA. 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.

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.

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. 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, non-routine shareholder matters), deal with the structure or financing of the business (e.g., interest, one-time strategic action costs) 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 our that of our competitors.

Reconciliations of Adjusted EBITDA to its most directly comparable GAAP financial measure, net income, appear above.

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# OneSpan

The Digital Agreements Company