ANCORA®

February 5, 2019

Sent via email

OneSpan Inc.
121 W. Wacker Drive, Suite 2050
Chicago, Illinois 60601

OneSpan Board of Directors:

Ancora Advisors LLC is a shareholder of OneSpan Inc. (the "Company", "OneSpan", or "OSPN"). We are writing this letter to share our thoughts regarding the Company's strategy to transition from hardware to software. 2018 witnessed an important inflection point as for the first time in the Company's history, non-hardware revenue exceeded hardware revenue.

OneSpan's software businesses have grown significantly over the past two years (mobile security +20% growth in 2017 and +50% through Q3 2018, and the Company's e-signature business Sign grew +50% in 2017, and +20% through Q3 2018), while the legacy hardware authentication business has been relatively flattish (yet generates significant cash flow). OneSpan's overall growth rate has been obscured by these disparate results between software and hardware, as well as the booking headwinds caused by the transition to subscription software bookings from on-premise license revenue. These issues combined with outdated views of the Company's Vasco hardware roots have resulted in OneSpan trading at one of the lowest multiples in the security software space (currently trading at ~2.1x and ~2.0x 2019 and 2020 revenue).

Ancora believes OneSpan is severely undervalued by the market as evidenced by the discount the shares trade relative to its security software peers (median forward revenue multiple of 5.8x[1]), and to the private market value of the Company (security software M&A revenue multiples of 7.8x[1] over the past 5 years). The graphic below illustrates Ancora's estimate of fair value for OneSpan. Based on our 2019 estimates we believe fair value for the Company would be in the range of $23 - $27, representing substantial upside to OneSpan's current market value.

Ancora 2019 Estimates	**Low 2019**	**High 2019**
Total Non-Hardware Revenue	137.9	137.9
Revenue Multiple	**5.00x**	**6.00x**
Non-Hardware EV	**689.5**	**827.4**
Ancora 2019 Hardware Ebitda est.	18.7	18.7
Ebitda Multiple	**4.50x**	**5.50x**
Hardware EV	**84.4**	**103.1**
Total EV	773.9	930.5
Plus: Net Cash	118.5	118.5
Implied Market Cap	892.4	1,049.1
Shares Outstanding	38.7	38.7
Implied Price	$23.05	$27.09
Upside %	*55.9%*	*83.3%*

[1] Source: S&P CapIQ

With a valuation discount this extreme, and considering the overall execution risk of a successful business model transition, we strongly urge the Board of Directors to immediately explore strategic alternatives including the potential outright sale of the entire Company and/or a sale of Sign (OneSpan's e-signature business). We believe either of those outcomes represent far better risk-adjusted options for shareholders than OneSpan's current strategic plan.

We believe transitioning OneSpan from hardware to a software business was the appropriate decision (which to date has included a significant outlay of capital spent on acquisitions to execute this transformation). These types of business transitions are very difficult, especially when a company is attempting to publicly make these changes. The transition has many potential risks associated with it including heightened execution risk, quarterly earnings misses as the shift in revenue mix plays out (including license to subscription bookings), and the need to communicate to the "street" key performance metrics during the transition.

Ancora spoke with OneSpan CEO Scott Clements and CFO Mark Hoyt on October 31, 2018. During this discussion we learned that Mr. Clements' biggest concern moving forward was potential execution issues related to OneSpan essentially trying to build a software business from "scratch". We have witnessed a number of situations where companies have botched these on-premise-to-cloud transitions due to execution errors resulting in the destruction of shareholder value. As such we believe a transformative pivot in the Company's business model would be much easier if OneSpan were a private company (or part of a larger strategic).

We are concerned that the less than stellar Q3 results and lower than expected growth of Sign are the beginning consequences of making this type of transition in the public eye. Our research on the e-signature market (diligence on the market leaders, DocuSign and Adobe's Sign businesses) has confirmed that the overall market for e-signatures remains relatively nascent and the growth opportunity robust. One may ask why has growth in Sign slowed down? Mr. Clements mentioned execution errors and account bookings headwinds as possible explanations, however, we believe it's likely more than that.

We believe OneSpan has been modestly successful in cross-selling its Sign product across its existing (predominantly banking) customer base in North America, and has been completely unsuccessful in doing so in Europe. The bigger issue is likely due to the fact that Sign still retains its own sales force, and it appears OneSpan has never fully integrated its acquisitions. Coupled together, these issues have resulted in OneSpan having multiple sales forces, several research and development centers, and a product platform that lacks cohesion on a go to market strategy. The Company's explanations as to why Sign has not yet been able to effectively grow in Europe (despite OneSpan's large European customer base) are less than satisfactory. DocuSign has significantly increased its European sales, and according to the discussions we've had with DocuSign management, there are no types (certifications) of e-signatures they are not able to execute in Europe.

In our opinion if the Sign business were to be transacted the consideration received could be close to the entire value of the Company today. The extremely recent acquisition of HelloSign by Dropbox (DBX) and the high trading multiple of competitor DocuSign (DOCU) demonstrate the potential value of OneSpan's Sign business. As you can see in the examples below, HelloSign was acquired for ~10x/11x estimated revenue, and DocuSign, the only publically traded pure play electronic signature comp, trades at a very lofty revenue multiple. By applying these multiples to Ancora's 2019 revenue estimate of OneSpan's Sign business we arrive at a value of the Sign business that is in the range of ~75% - 85% of the current enterprise value of OneSpan.

HelloSign *($ in millions)*	Low	High
HelloSign Transaction Value	230.0	230.0
Estimated HelloSign Revenue Range	20.0	25.0
Implied Transaction Multiple	**10.0x**	**11.0x**
Ancora Sign 2019 Revenue Estimate	38.5	38.5
Transaction Value of Sign	384.9	423.6
% of OneSpan EV	*76.6%*	*84.3%*
Current OneSpan Enterprise Value	502.6	502.6

Source: CapIQ, Consensus estimates, Ancora estimates

DocuSign (DOCU) *($ in millions)*	2019
DocuSign Enterprise Value*	9,624.0
DocuSign FY 2020 Revenue Estimate**	861.6
DocuSign Revenue Multiple	**11.2x**
Ancora Sign 2019 Revenue Estimate	38.5
Transaction Value of Sign	429.9
% of OneSpan EV	*85.5%*
Current OneSpan Enterprise Value	502.6

** DocuSign FYE January 2020*
***Share count includes 36.2mm dilutive shares as of 10/31/18*

Even if we conservatively haircut the acquisition value for HelloSign and DocuSign's current market multiple by 30% - 40%, Sign would be worth approximately $247 - $289 million, meaning the remaining OSPN business implied value is between 1.1x-1.3x revenue, which includes a mobile security software offering (including the newly launched Trusted Identity Platform) growing 20%-30% per year.

($ in millions)	Low	High
OneSpan TEV	502.6	502.6
Sign Value	247.7	289.0
% discount to avg. transaction value	*(40.0%)*	*(30.0%)*
Proforma OneSpan TEV	**254.9**	**213.6**
Ancora 2019 OneSpan Revenue Estimate	231.6	231.6
Ancora 2019 Sign Revenue Estimate	38.5	38.5
Ancora 2019 OneSpan Revenue ex Sign	**193.1**	**193.1**
Implied OneSpan Revenue Multiple	**1.3x**	**1.1x**

Source: Ancora estimates

We believe the sale of Sign not only leaves the Company flush with cash, it also causes minimal (if any) disruption to OneSpan's mobile security Trusted Identity Platform. Additionally, we have spoken to numerous private equity investors and are convinced the appetite for acquiring a business like Sign would be very high.

This conclusion begs the question, why would we sell such a good business? We've seen estimates that the e-signature market as a whole is expected to grow 20%-30% per year for the foreseeable future. Although we believe there remains plenty of white space for Sign to gain share and grow with the e-signature industry, we are extremely concerned management is failing to capitalize on this opportunity and could effectively miss the current window to cross-sell the product to its large roster of financial services clients. Longer-term we believe e-signatures as a standalone business seems less viable as the products become more commoditized and, in reality, more of a feature-set of a larger product portfolio/platform.

Ancora views OneSpan's valuation disconnect as a byproduct of poor communication to the street and the limited financial disclosure related to the software assets. Many investors still think of OneSpan as a hardware company with lumpy revenues and high customer concentration. These are no longer accurate depictions and are antiquated views of the Company's Vasco (pre-OneSpan) days. The lack of consistent disclosure regarding the true growth rates and vague descriptions of the actual size of each of the software assets has limited investor's ability to accurately value the business. In our opinion these pieces of information are critical components to communicate in order to provide as clear a picture as possible for investors.

The disconnect exists despite OneSpan's mobile security software growing more than 50% and the subscription piece of the OneSpan Sign business growing more than 20% through the third quarter of 2018. We believe these high growth software assets should be valued at much higher multiples yet the Company remains stuck in a significant sum-of-parts discount. The risk of ongoing execution errors, the challenges of pivoting the Company's business from hardware to software in the public market, and the recent disappointing growth of Sign (well below its e-signature peers) all lead us to the conclusion that the best path for shareholders to receive fair value for their investment is the eventual sale of the Company.

Outside of a sale, another topic we would like to discuss is OneSpan's capital allocation policy. We've learned through multiple conversations with Mr. Clements that the Company intends to use its cash balance to pursue acquisitions. Given the current multiple that OneSpan trades at, it is our opinion that the Company should not be making acquisitions of any kind. Paying market multiples for acquisitions and then trading at a significant discount to fair value is a losing proposition for OneSpan shareholders. If the Company is eager to deploy capital, the cheapest acquisition it can make today would be to repurchase its own shares. We believe making opportunistic share repurchases could easily be done with the Company's strong balance sheet and net cash position. The notion of OneSpan buying "technology" rather than buying assets based on accretion or improved profitability is irresponsible. We have seen very few companies successfully acquire businesses without regard for ROI at the time of investment, and OneSpan's inability to fully integrate its previous acquisitions speaks to this challenge. The acquisitions combined with significant re-investment in R&D and sales & marketing has also resulted in a material hit to margins.

In conclusion, we believe there are multiple ways for the Board to address the glaring valuation disconnect between OneSpan's current market value and the intrinsic value of the Company. We strongly encourage the Board to act with a sense of urgency in order to realize value for all shareholders and Ancora reserves the right to take whatever actions we deem necessary to protect our investment in the Company. Please do not hesitate to contact us directly should you have any comments or questions regarding the content of this letter.

Sincerely,

Fred DiSanto
Chairman & Chief Executive Officer
Ancora Advisors LLC