



Investor Presentation

August 2021



Disclaimer

The information contained in this presentation does not constitute or form part of, and should not be construed as, any offer or sale or subscription of, or any invitation to offer, buy or subscribe for, any securities, nor shall there be any offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful. Telos Corporation (the “Company”) will only make such an offer or sale pursuant to an effective registration statement with the Securities and Exchange Commission (the “SEC”) and related prospectus. Before you invest, you should read the Company's filings with the SEC, and in particular the “Risk Factors” contained or incorporated by reference therein, for more complete information about the Company. You may obtain those filings for free by visiting EDGAR on the SEC website at www.sec.gov.

Other than statements of historical fact, all information contained in this presentation, including statements regarding the Company’s future operating results and financial position, its business strategy and plans, product, service, and technology offerings, market growth and trends, and objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “plan”, “predict”, “expect”, “estimate”, “anticipate”, “intend”, “goal”, “strategy”, “believe”, and similar expressions and variations thereof. The Company has based these forward-looking statements largely on its current expectations and projections about future events and trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading “Risk Factors” in the Company’s periodic filings with the SEC. Moreover, the Company operates in a very competitive and rapidly changing environment, the new risks emerge from time to time. It is not possible for the Company to predict all risks, nor can it assess the effect of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements it may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements speak only as of the date of this presentation and the Company undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.

This presentation contains statistical data, estimates, and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on the Company’s internal sources. While the Company believes the industry and market data included in this presentation are reliable and are based on reasonable assumptions, these data involve many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. The Company has not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information.

The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as an endorsement of such products or services.

This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measure to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. The reader is cautioned not to place undue reliance on non-GAAP financial measures and to evaluate them only in conjunction with their nearest GAAP equivalents. Please see the appendix for reconciliations of these non-GAAP financial measures to their nearest GAAP equivalents and for the calculation of certain other financial metrics.



Senior Management Team



John Wood

(President, CEO, and Chairman)

- Joined Telos as EVP and COO in 1992; named President and CEO in 1994
- Formerly worked in finance for Dean Witter Reynolds, and UBS Securities



Mark Bendza

(EVP and CFO)

- Joined Company in 2021 as EVP and CFO
- Brings 20 years of experience from organizations such as Honeywell and Northrop Grumman in the areas of investor relations, business development, financial planning and analysis, financial strategy, mergers and acquisitions, and capital markets



Edward Williams

(EVP and COO)

- Joined Company in 1992 as SVP responsible for finance, pricing, purchasing, and Defense Contract Audit Agency compliance; named COO in 2000; also served as CFO 2003-2005
- Formerly served as CFO at US Government contractors Centel Federal Systems and M/A.com Information Systems



Richard Tracy

(SVP, CSO, and CTO)

- Joined Company in 1986; appointed SVP and Chief Security Officer in 2005
- Co-invented Xacta in 2000 and principal inventor named on five issued-patents involving security risk and compliance management



Update and Highlights

- **Q2 Revenue and Adjusted EBITDA**
 - Q2 2021 Revenue = \$52.6 million
 - Q2 2021 Net Loss = \$18.7 million
 - Q2 2021 Adjusted EBITDA = \$4.2 million
- Acquired assets of Diamond Fortress Technologies, including all patents, and will integrate the **ONYX touchless fingerprinting** software with IDTrust360
- Expanded leadership team, appointing Mark Bendza as the **new chief financial officer**
- Completed **follow-on offering** of 9.1 million shares of common stock, resulting in net proceeds to Telos of \$64.3 million, of which \$28.1 million was utilized to repurchase 39,682 shares of common stock and warrants to purchase 900,970 shares.
- Added third **cloud service provider** to roster of CSP customers using Xacta solution, which includes Amazon Web Services and Azure
- Continued providing significant value to the **financial services market** with Xacta, as evidenced by a major Fortune 50 insurance company renewal
- Launched the **Telos CyberProtect Partner Program**, with launch partners DLT and Presidio Federal
- Increased **commercial adoption of Telos security solutions**, with new and renewed contracts from AT&T, Collins Aerospace, Accenture, Northrop Grumman, Vibrent Health, IronNet Cybersecurity and Comtech Telecommunications Corp.
- **Full Year 2021 Guidance**
 - Revenue in the range of \$283 million to \$295 million, an improvement of 57%-64% compared to 2020
 - Adjusted EBITDA in the range of \$33 million to \$36 million, an improvement of 190%-216%¹ compared to 2020¹

1) The Company has not provided the most directly comparable GAAP measure to this forward-looking non-GAAP financial measures because certain items are out of the Company's control or cannot be reasonably predicted. Accordingly, a reconciliation for forward-looking Adjusted EBITDA is not available without unreasonable effort.



Premier Provider of Software-based Solutions for the World's Most Security Conscious Customers

Telos Security Solutions consistently deliver more efficient, more effective, and more secure operating environments

- Endorsed by marquee intelligence community customers with growing commercial market penetration

Large and fast growing total addressable market (TAM) – \$80B+¹

- Driven by ongoing cloud adoption and growing security needs in both government and commercial channels

Clear visibility into rapidly accelerating, 85%+ recurring revenue growth

- Growth inflection fueled by key long-term contract wins for Telos' identity management and cyber misattribution solutions

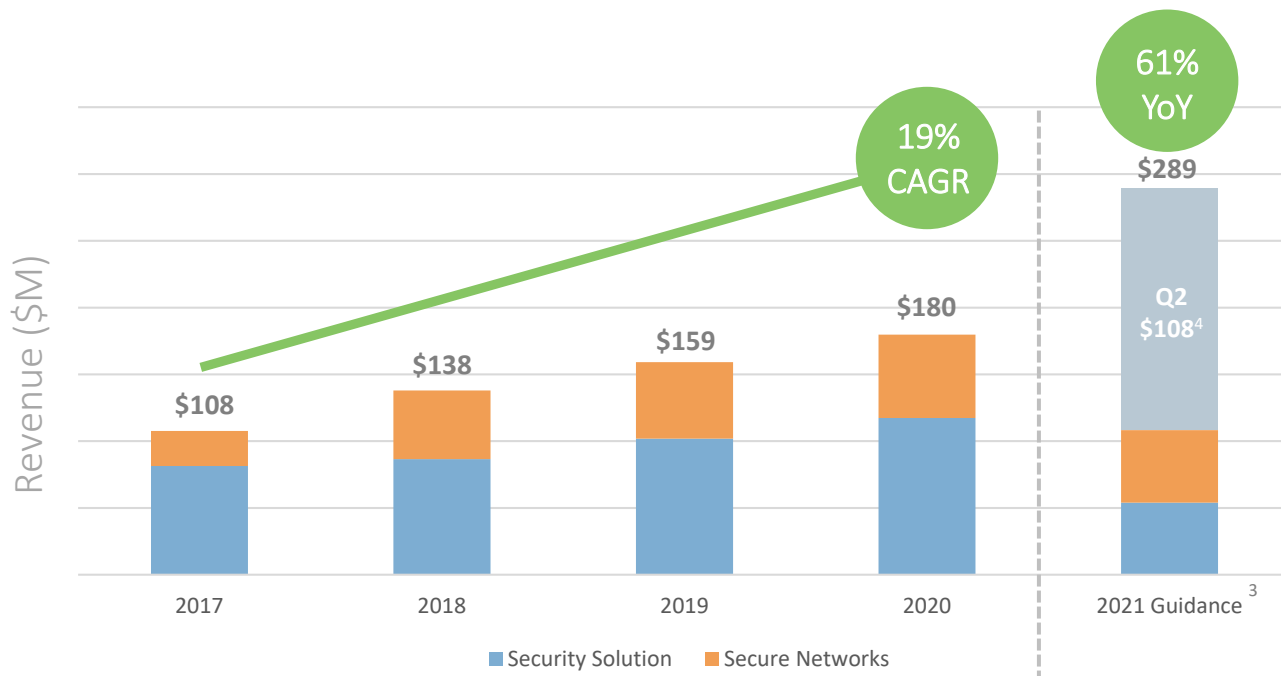
Improving revenue mix and operating leverage to drive significant margin expansion

- Scalable platform delivers strong free cash flow conversion



Telos Company Snapshot

Recently-Awarded, Long-Term Security Solutions Contracts to Accelerate Revenue Growth



Note: Reflects fiscal year ended December 31

- 1) Based on Telos management estimates
- 2) Recurring revenue for each of the last three years
- 3) 2021 Guidance represents midpoint of management range of \$283-\$295M
- 4) Revenue increased 24% year-over-year, to \$108.3M for the six months ended June 30, 2021.

Intellectual Property

- 3,000+ man-years of IP¹
- 60% of employees cleared¹

Revenue Profile

- 85% recurring²
- 50% sole source / limited competition¹

350+ Customers





Unique Solution Set Addressing Urgent Customer Needs

Security Solutions



- Governance risk and compliance solution that facilitates cloud migration



- Mis-attribution obfuscation solution that protects user information and location



- Trusted identity solutions



- Secure message and archive system for the government

**81% of
2020 Gross
Profit**

Secure Networks



- Operation / defense of networks and cyber ops

**19% of
2020 Gross
Profit**



Telos is at the Forefront of Security Solution Development

1994

Common Access Card ("CAC")
Largest biometric application
in the government



2018

U.S. Census Bureau contract
(1MM total enumerators w/in 4 mo.
at 1,100 physical service centers)



2019

Microsoft Azure partnership
to optimize Xacta cyber risk
management for sovereign and critical
infrastructure clouds



2020

TSA PreCheck & Center for Medicare &
Medicaid Services contract wins
(10-year contracts)



2016

Xacta partnership with Amazon
Web Services to provide cloud
solution to the CIA



2018

Telos Ghost launched to shield
communications, transactions,
and networks



2019

Telos Ghost wins \$39MM contract
with classified government
customer; converting to program
of record



2021

Zscaler to use Xacta for
management and automation
of FedRAMP and DoD
authorizations



Marquee Customers





Land and Expand



The Sixteenth Air Force expanded their license from Top Secret to now include Secret



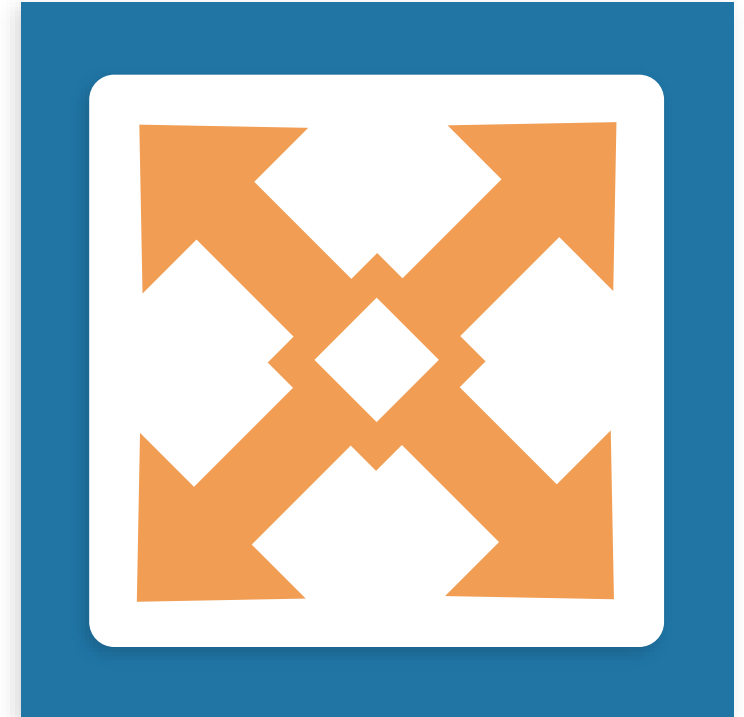
The U.S. Social Security Administration upgraded to an enterprise-wide license, and as we recently announced, they also exercised the first option year of this contract



The U.S. Department of Energy's Office of Intelligence and Counterintelligence moved to full enterprise licensing



The U.S. Environmental Protection Agency expanded to an enterprise-wide license





Demand for Telos' Security Solutions Has Never Been Greater

4.1B

Exposed records from data breaches in 1H19



\$8.6M

Average cost of data breach in U.S. as of 2019



954K

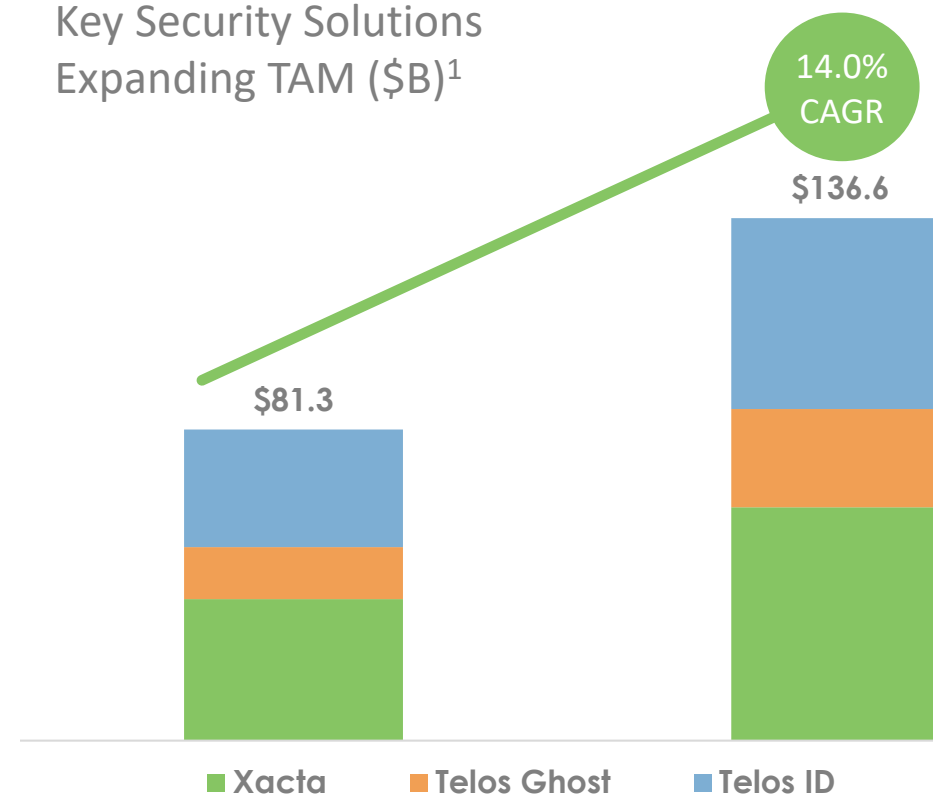
Average web attacks blocked per day



280

Average days to identify & contain a breach

Key Security Solutions Expanding TAM (\$B)¹



Investing in Sales and Marketing

New Hires and Industry Leading Experience



Foundations of the Channel

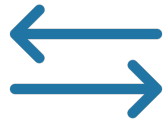


Xacta solution enables customers' cloud journeys



GRC Workflow

Operationalizes complex frameworks and required reporting



Compliance Data Sharing

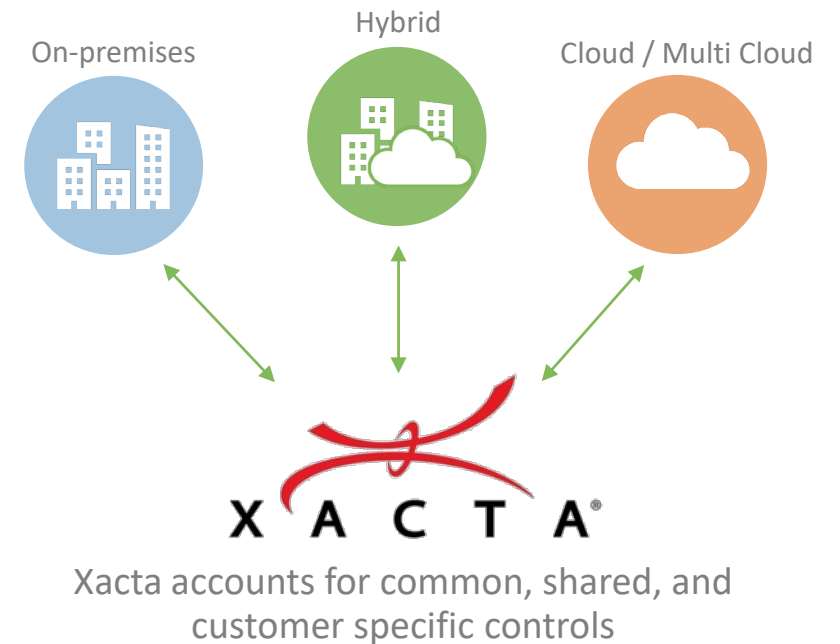
Automates security compliance activities through inheritance & control mapping



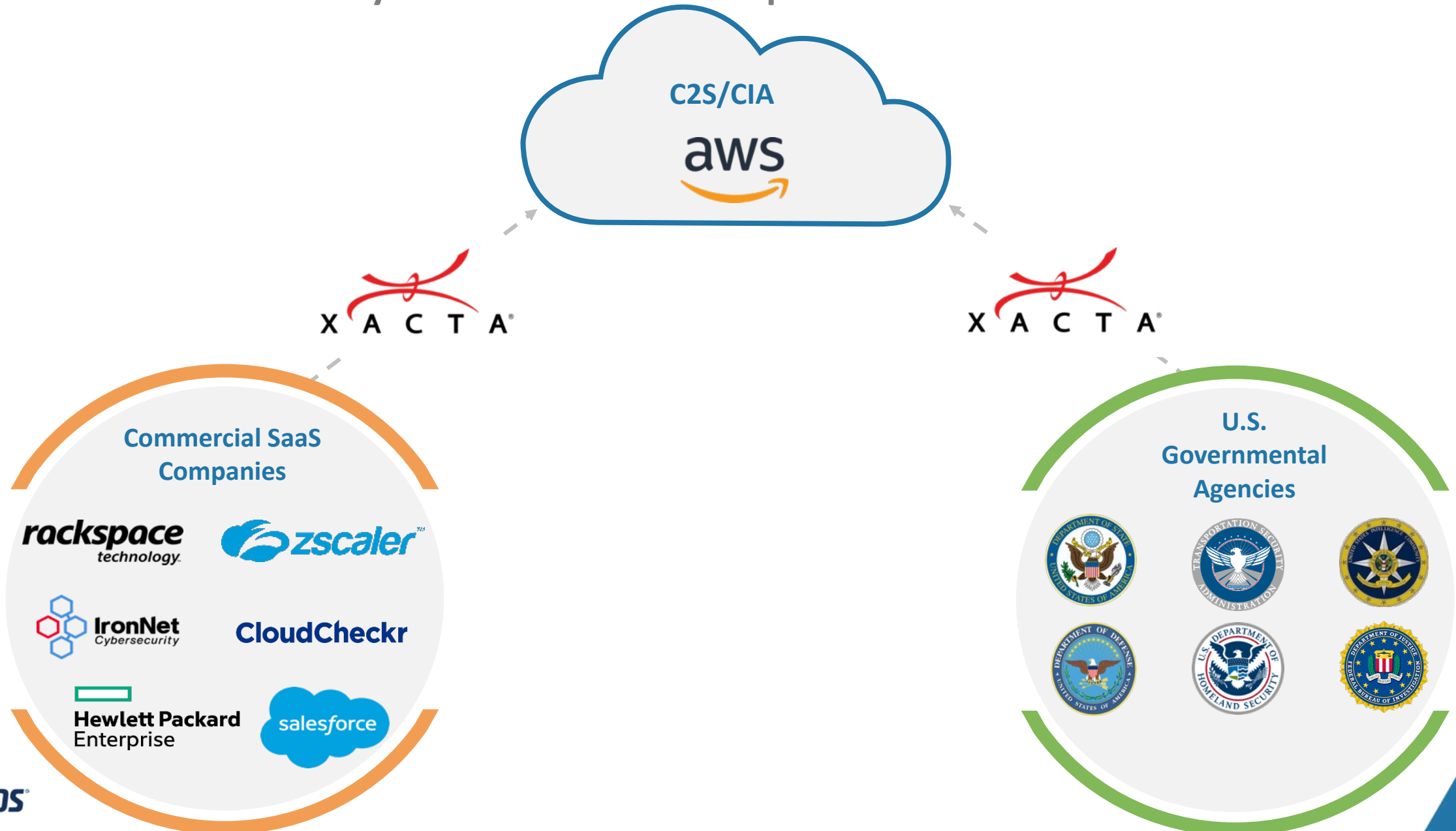
Continuous Monitoring

Delivers constant and real-time visibility into cyber risks and compliance status

Multi-Cloud Capability



Reduced Onboarding Time, Continuous Monitoring, and “Referenceability” Drive Customer Adoption



“With Xacta’s...inheritance and provider project features and capabilities, AWS expects a dramatic increase in efficiencies and effectiveness in completing ATOs, in some cases up to 90% faster.”

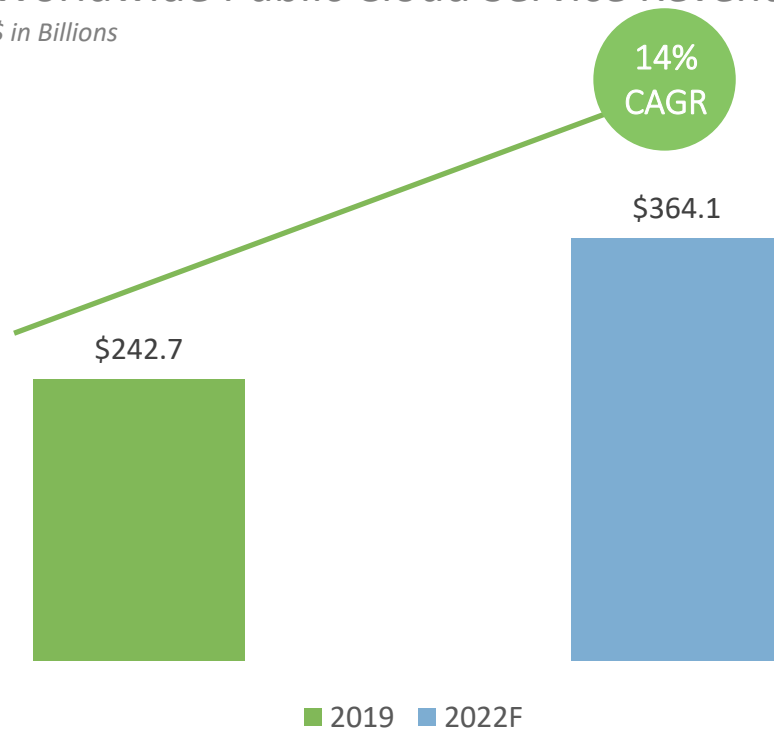
Rick Trinidad, Worldwide Public Sector, AWS

“We recognize the value of Xacta in addressing the unique compliance needs of our customers, and we’re working with them to accelerate development time and bring this cyber risk management solution directly to Microsoft Azure users.”

Lily Kim, General Manager, Azure Global at Microsoft

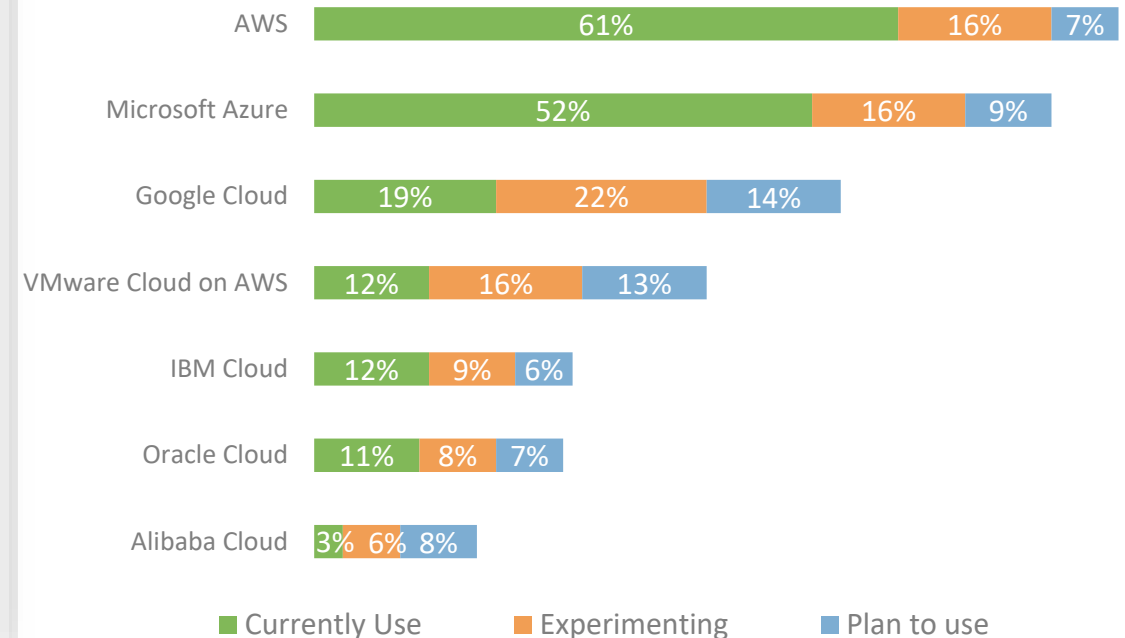
Worldwide Public Cloud Service Revenue

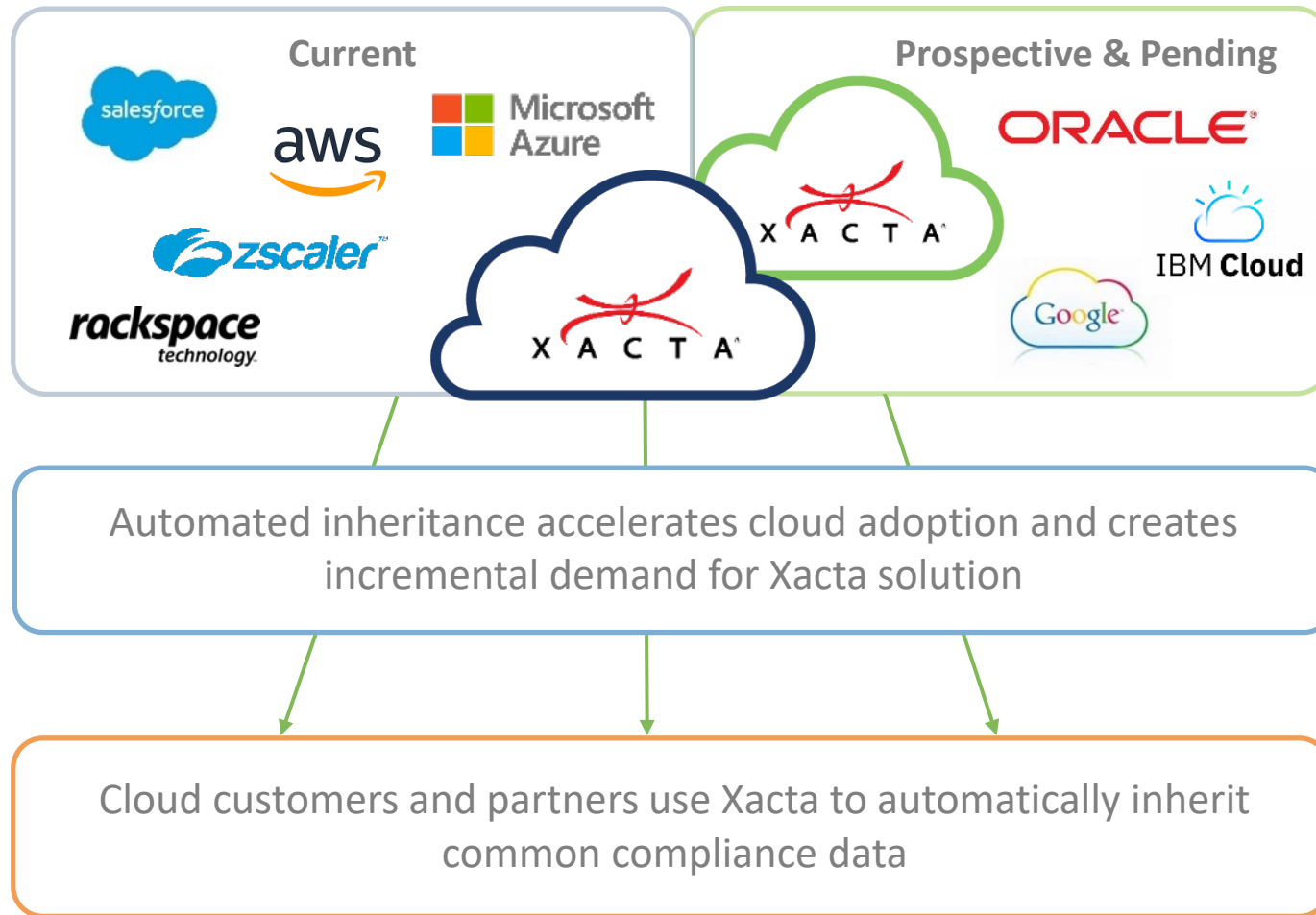
\$ in Billions



Public Cloud Adoption

% of All Respondents





Cloud infrastructure owners share control information with partners and customers via Xacta

Automated inheritance accelerates workload migration by operationalizing shared security and enabling reciprocity

Cloud provider customer relationships create channel to sell Xacta into new organizations



TELOS

GHOST®

Reduce Attack Surface, Hide Digital Exhaust & Disguise Identity

Security Solutions

You can't attack what you can't see



Cloaked Services

Encrypted communications, storage and applications



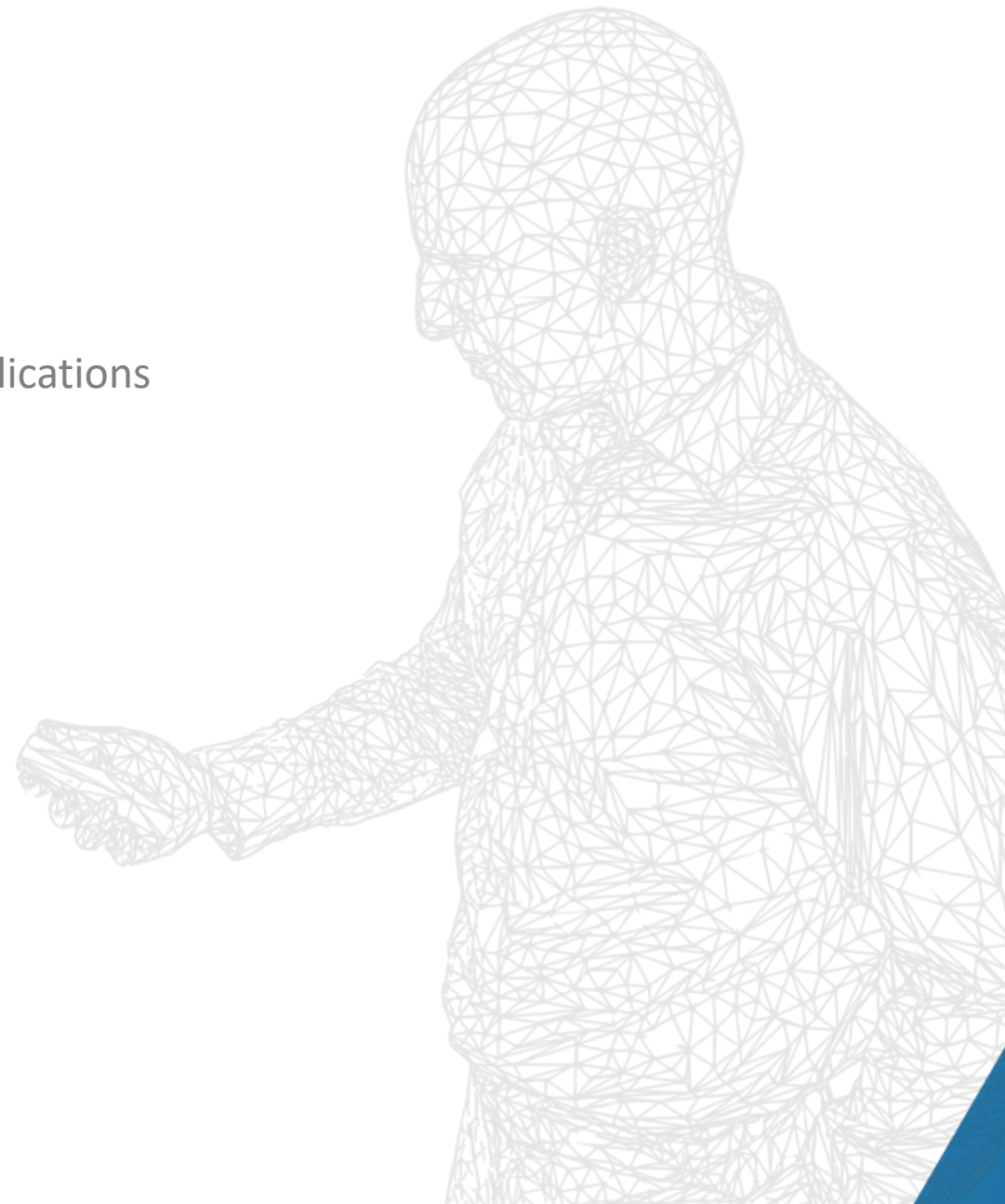
Private Network Access

Secure, private network in the cloud



Private Web Access

Anonymous worldwide internet access



DMDC

Military ID

- Provider of the largest identity application in the US Government – Military ID (CAC)
- Biometric capture
- Smart cards



FBI

Fingerprint Capture

- SaaS biometric web capture
- Pre-employment screening
- Identity vetting



TSA - Airports

Employee Vetting

- Continuous monitoring of airport employees – Security Threat Assessment
- Fingerprint capture and FBI records check
- 100+ significant airports, airlines, general aviation customers



PreCheck & CMS Wins

- TSA PreCheck™ Enrollment Provider – 2MM new members per year over 10-year contract¹
- Provider Enrollment & Oversight (PEO) contract holder
- Background checks for 1.5MM Centers for Medicare & Medicaid (CMS) health providers each year¹





Fully integrated suite of Telos ID and commercial services for identity verification, enrollment, fingerprinting, insider threat management, biometric matching, and personnel security

Affiliated Service Providers



IDTrust360 has direct interfaces to:

- The FBI's criminal records
- DHS's terrorist watch list
- Treasury's pay.gov
- Other government identity risk management systems
- Numerous commercial identity, intelligence, and risk-based data sources



Secure Mobility and Network Management / Defense

Secure Mobility Solutions

- **Productivity** — Mobile / remote access
- **Coverage** — Seamless roaming between Wi-Fi and cellular on any device, anywhere
- **Cost Savings** — Single integrated enterprise mobility management solution
- **Efficiency** — Simplify the process of updating devices with the most recent version of apps and content
- **Security** — Centrally managed security policy

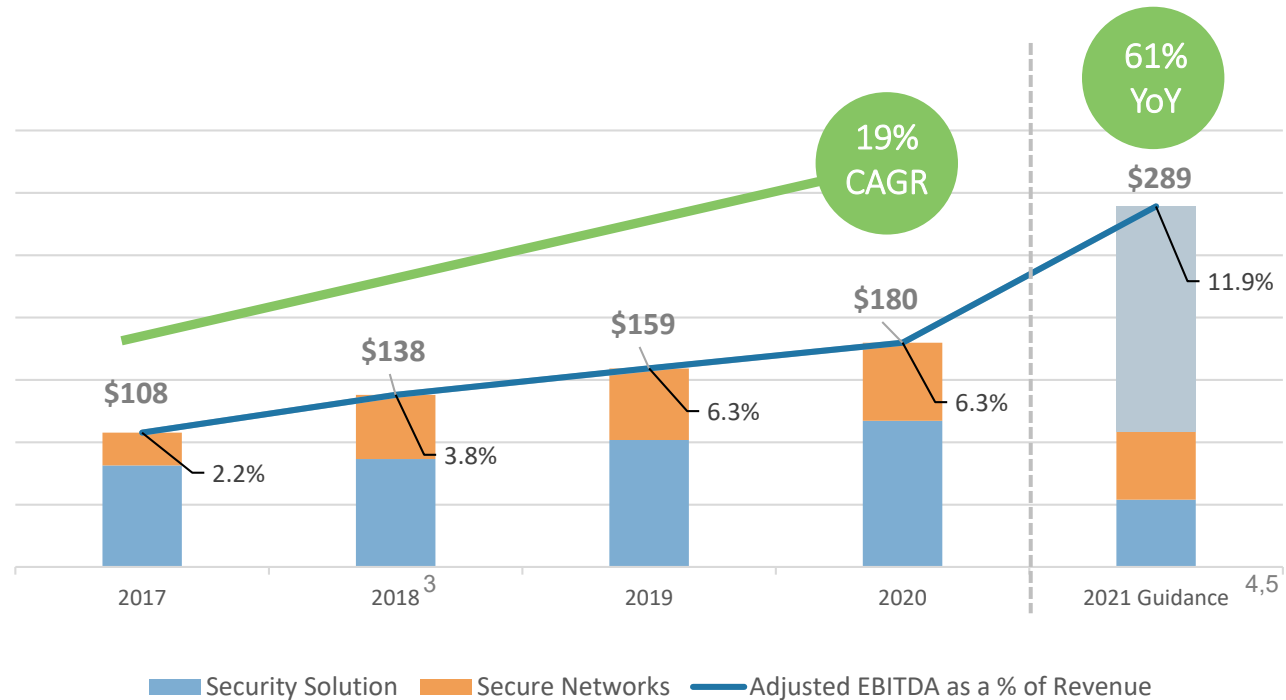
Network Management Solutions

- **Network Operations** — Situational awareness of networks, including users, systems and security posture
- **Network Maintenance** — Preventive maintenance, troubleshooting and repairs
- **Defensive Cyber Operations** — Real-time threat monitoring, analysis and remediation

Financial Highlights & Objectives



Accelerating Revenue Growth and Expanding Margins



Key New Contract Wins

- TSA PreCheck – \$1.7B+¹ total 10-year contract potential
- CMS – \$2.0B² total 10-year contract potential
- U.S. Govt Ghost Customer – \$39M¹ with significant upside with program of record
- Security Solutions / Secure Networks – \$34M new one year contract

Note: Reflects fiscal year ended December 31

Note: Adj. EBITDA margin reflected on an enterprise basis, before adjustments for the Non-Controlling Interests

1) Based on Telos management estimates derived from customer / sponsor contract assumptions

2) Reflects contract ceiling

3) 2018 Adj. EBITDA further adjusted to exclude one-time benefit of \$6.8M associated with increased billing rate for certain government contracts

4) 2021 Guidance represents midpoint of management ranges of \$283-\$295M in revenue and \$33-\$36M in Adj. EBITDA

5) 2021 Guidance Adjusted EBITDA calculated as follows: \$34.5M Adjusted EBITDA / \$289M revenue = 11.9%



Growth Strategies



Leverage diverse Security Solutions to expand commercial market presence



Grow revenue & expand margins by building robust sales channels



Target & replace inefficient legacy products within organizations



Broaden existing reach within U.S. federal government vertical



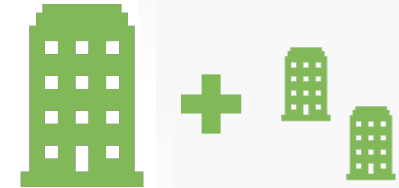
Extend Security Solutions platform & ecosystem to capitalize on massive scalability



Exploit increasing demand for NIST and other cybersecurity frameworks



Expand international footprint through channel partners



Pursue targeted tuck-in acquisitions to complement organic growth



Long-Term Aspirational Goals¹

Revenue	\$1B
Gross Margin	50%
Adj. EBITDA Margin	30%
Free Cash Flow	\$150M



Investment Highlights

Premier provider of software-based solutions for the world's most security conscious customers

- 3,000+¹ man-years invested in technology development

Telos Security Solutions consistently deliver more efficient, more effective, and more secure operating environments

- Endorsed by marquee intelligence community customers with growing commercial market penetration

Large and fast growing total addressable market (TAM) – \$80B+¹

- Driven by ongoing cloud adoption and growing security needs in both government and commercial channels

Clear visibility into rapidly accelerating, 85%+ recurring revenue growth

- Growth inflection fueled by key long-term contract wins for Telos' identity management and cyber misattribution solutions

Improving revenue mix and operating leverage to drive significant margin expansion

- Scalable platform delivers strong free cash flow conversion

Appendix



Historical Income Statement

(\$ in thousands)	FY 2019	FY 2020	Six Months Ended June 30, 2021
Revenue	\$159,218	\$179,917	\$108,317
Costs and Expenses			
Cost of Sales	106,874	117,497	73,402
Selling, General & Administrative Expenses	47,319	62,123	66,965
Operating Income (Loss)	\$5,025	\$297	\$(32,050)
Other Income (Expenses)			
Gain on redemption of public preferred stock	—	14,012	—
Non-Operating Income	201	(255)	(1,022)
Interest Expense	(7,467)	(7,259)	(388)
(Loss) Income before Taxes	\$(2,241)	\$6,795	\$(33,460)
Benefit (Provision) for Taxes	104	46	(47)
Net (Loss) Income	\$(2,137)	\$6,841	\$(33,507)
Less: Non-Controlling Interest	(4,264)	(5,154)	—
Net Income (Loss) Attributable to Telos Corporation	\$ (6,401)	\$ 1,687	\$ (33,507)



Adjusted EBITDA Reconciliation¹

<i>(\$ in thousands)</i>	FY 2019	FY 2020	Six Months Ended June 30, 2021
Net income (loss) attributable to Telos Corporation	\$(6,401)	\$1,687	\$(33,507)
Non-controlling interest	4,264	5,154	—
Non-operating income	(201)	(20)	1,022
Interest Expense	7,467	7,259	388
(Benefit) provision for income taxes	(104)	(46)	47
Depreciation and amortization	4,972	5,353	2,764
Enterprise EBITDA	\$9,997	\$19,387	\$(29,286)
Transaction related gains/losses/expenses	—	(8,007)	—
Stock-based compensation expense	—	4	35,006
Adjusted EBITDA	\$9,997	\$11,384	\$5,720

1) This page reflects non-GAAP financial measures. Readers should refer to the disclaimers related to non-GAAP financial measures on page two of this presentation.







Non-GAAP Financial Measures

Enterprise EBITDA and Adjusted EBITDA are supplemental measures of operating performance that are not made under GAAP and do not represent, and should not be considered as, an alternative to net income (loss) or earnings per share as determined by GAAP. The Company defines Enterprise EBITDA as net income (loss) attributable to Telos Corporation, adjusted for net income attributable to non-controlling interest, non-operating (expense) income, interest expense, (benefit) provision for income taxes, and depreciation and amortization. The Company defines Adjusted EBITDA as Enterprise EBITDA, adjusted for stock-based compensation expense, the gain realized on redemption of the public preferred stock upon the closing of the initial public offering, the losses realized on the extinguishment of senior term loan and subordinated debt upon the closing of the initial public offering, bonuses paid as a result of the closing of the initial public offering, and other expenses related to the initial public offering.



Telos Solution Set Detail

Customer Need / Pain Point	Telos Solution	Solution Capabilities
<ul style="list-style-type: none">• Time, cost, effort of cyber risk and compliance management• Compliance as an obstacle to cloud adoption• Audit fatigue – many standards		<ul style="list-style-type: none">• Automated cyber risk management workflow• Inheritance and control mapping• Automated continuous monitoring
<ul style="list-style-type: none">• Massive financial, reputational, and personal consequences for breaches of mobile / digital assets		<ul style="list-style-type: none">• Secure mobile access anywhere• Security through encryption and obfuscation• Virtual obfuscation network-as-a-service with encryption and managed attribution
<ul style="list-style-type: none">• Reliance on inefficient identity trust applications• Identifying fraud and mitigating the impact of fraudulent activities• Protection of employee and customer identity data		<ul style="list-style-type: none">• Digital risk management platform offering enterprise identity and scalable security solutions• Omni-channel services leveraging tech partners• Integrated suite of advanced services modernizing management of threats and privacy of sensitive data
<ul style="list-style-type: none">• Requirement for secure communications with certainty of delivery and non-repudiation functionality		<ul style="list-style-type: none">• Web-based; full spectrum of messaging systems• Routes incoming messages and creates archive
<ul style="list-style-type: none">• Continuous need to protect enterprise networks		<ul style="list-style-type: none">• Solutions across and beyond the enterprise• Operation / defense of networks and cyber ops



Solutions that **empower**
and **protect** the enterprise.™