



Third Quarter 2022 Earnings

November 9, 2022



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This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not 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 measures 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 measures.



FINANCIAL SUMMARY

DELIVERED \$63.6 MILLION OF REVENUE, 32.9% GROSS MARGIN, AND \$8.6M OF ADJUSTED EBITDA

3Q 2022 Summary

- Delivered revenue above high end of guidance range
 - Security Solutions (“SS”) down 6% YoY (vs. guidance of down mid to high teens); Up 5% sequentially
 - Exceeded guidance due to favorable timing on preexisting programs
 - Secure Networks (“SN”) down 10% YoY due to wind-down of large programs as expected (vs. guidance of down MSD to mid teens); Up 25% sequentially
 - Results in line with guidance
- Gross margin also above guidance range at 32.9% (vs. guidance of 31% to 32.5%)
 - Total revenues weighted 51% to higher margin SS (vs. guidance of mid to high 40%)
 - SN outperformed
- Below the line (BTL) expenses managed lower than projections
- Delivered \$8.6M of adjusted EBITDA and 13.5% adjusted EBITDA margin for the quarter, above high end of guidance range

	3Q 2022 Actual	3Q 2022 Guidance
Revenue	\$63.6M	\$58M to \$62M
Revenue Growth	-8% YoY +14% Sequentially	-16% to -10% YoY +4% to +11% Sequentially
Gross Profit <i>(bps are YoY)</i>	\$20.9M 32.9% margin -313 bps	31% to 32.5% margin -506 to -356 bps
Adjusted EBITDA ⁽¹⁾	\$8.6M 13.5% Margin	\$3.5M to \$5.0M 6% to 8% Margin
Adjusted EPS ⁽¹⁾	\$0.10	

Exceeded High End of Guidance Range on all Financial Metrics



Notes:

1. Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.



BUSINESS HIGHLIGHTS

RECEIVES AUTHORITY TO OPERATE FOR TSA PRECHECK®

- ✓ Transportation Security Administration (TSA) issued authority to operate (ATO) for **Telos' PreCheck® System**
- ✓ Telos can now provide TSA PreCheck® enrollment services for a trial period to a limited population of applicants in order to validate systems and processes in advance of full implementation
- ✓ Telos is the first company participating in the program to announce receipt of an ATO
- ✓ Once Telos successfully completes its trial period to the satisfaction of the TSA, Telos will launch enrollment services to the broader public



ATO Marks the Beginning of Another Long-Term, Valuable Program



BUSINESS HIGHLIGHTS

ADDITIONAL THIRD QUARTER BUSINESS HIGHLIGHTS

SECURITY SOLUTIONS

- **Xacta®**: received renewals with several prominent customers including the National Security Agency, Central Intelligence Agency, Defense Intelligence Agency, Federal Bureau of Investigation, Office of Naval Intelligence, National Archives, Social Security Administration and Oracle
 - **IBM**: successfully building on partnership for Active Governance Services with IBM
- **NSA**: received a new five-year cyber support contract
- **Cybersecurity Services**: received contracts with large Cloud Service Providers (CSP) and Data as a Service Providers (DaaS) to expedite ATO processes
- **Designated Aviation Channeling (DAC) service**: continued expansion with new customers and renewals
- **AMHS**: 100% renewal rate



SECURE NETWORKS

- Awarded several new contracts including U.S. Air Force Robotics Process Automation (RPA) multiyear license contract

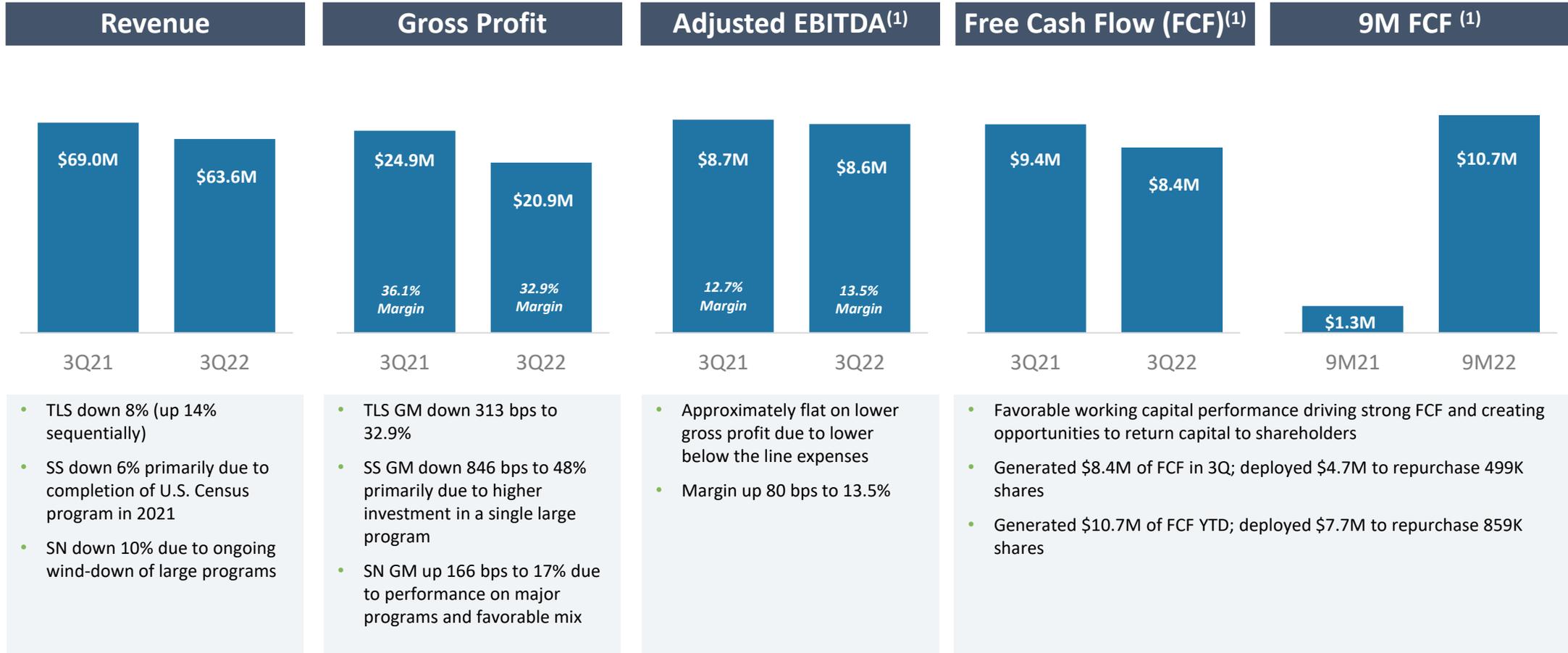


Telos' Solutions Provide a Platform for the Future



FINANCIAL SUMMARY

3Q 2022 YEAR OVER YEAR COMPARISON



Lower Expenses Drove Adj. EBITDA Margin Expansion; Strong YTD FCF Deployed to Share Repurchases



Notes:

1. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, and Free Cash Flow are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.



GUIDANCE 4Q 2022

	4Q 2022 Low End	4Q 2022 High End
Revenue	\$43M <i>-33% YoY</i>	\$47M <i>-27% YoY</i>
Adjusted EBITDA ⁽¹⁾	\$0.0M <i>0% Margin</i>	\$2.0M <i>4% Margin</i>

Assumptions

- SS revenue and growth assumptions:
 - Down HSD to high teens YoY
 - Lower revenue on large programs; completion of U.S. Census program
 - TSA PreCheck ATO received; revenues expected to be de minimis during trial period in 4Q
- SN revenue and growth assumptions:
 - Down mid to high 40% YoY
 - Ongoing wind-down of large programs as expected
 - Insufficient new business wins so far in the second half
- Gross margin down ~300 to ~450 bps YoY
 - SS mixing lower
 - SN approximately flat
 - SS to contribute approximately 60% - 65% of total revenues
- BTL expenses excluding stock based compensation approximately flat YoY

Sequentially Lower Revenues Primarily Due to Secure Networks



Notes:

1. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. The Company has not provided the most directly comparable GAAP measures to these forward-looking non-GAAP financial measures because certain items are out of the Company's control or cannot be reasonably predicted. Accordingly, reconciliations of forward-looking Adjusted EBITDA and Adjusted EBITDA Margin are not available without unreasonable effort.



GUIDANCE FULL YEAR 2022

	Updated Guidance	
	FY 2022 Low End	FY 2022 High End
Revenue	\$213M <i>-12% YoY</i>	\$217M <i>-10% YoY</i>
Adjusted EBITDA ⁽¹⁾	\$14M <i>7% Margin</i>	\$16M <i>7% Margin</i>

	Prior Guidance	
	FY 2022 Low End	FY 2022 High End
Revenue	\$226M <i>-7% YoY</i>	\$242M <i>+0% YoY</i>
Adjusted EBITDA ⁽¹⁾	\$18M <i>8% Margin</i>	\$24M <i>10% Margin</i>

Updated Guidance Assumptions

- SS growth assumptions:
 - Down MSD YoY (versus prior guidance of +/- MSD)
 - Guidance revision primarily driven by lower revenues from large programs, software sales, and TSA PreCheck
 - Expected within original guidance range
- SN growth assumptions:
 - Down ~20%+ YoY (versus prior guidance of down MSD to DD)
 - Insufficient new business wins so far in the second half
- Total company 1H revenues represent slightly less than half of full year revenues (versus prior guidance of 44% - 47%)
- Gross margin similar to last year (unchanged from prior guidance)
 - SS and SN both lower YoY
 - SS revenues weighted mid 50% of total (versus prior guidance of low 50% of total), up from 51% in 2021
- BTL expenses excluding stock based compensation ~\$1M higher YoY

Full Year Revised Down Primarily Due to Lower Revenue Estimates for Secure Networks in 4Q

Notes:

1. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. The Company has not provided the most directly comparable GAAP measures to these forward-looking non-GAAP financial measures because certain items are out of the Company's control or cannot be reasonably predicted. Accordingly, reconciliations of forward-looking Adjusted EBITDA and Adjusted EBITDA Margin are not available without unreasonable effort.



SUMMARY

Exceeded quarterly expectations for a fourth consecutive reporting period; Delivered results above the high end of the guidance range on all financial metrics

Lower expenses and favorable working capital performance have driven strong FCF YTD; Returning FCF to shareholders through share repurchases

Authority to operate from TSA and “soft launch” of Telos’ PreCheck® System marks the beginning of another long-term, valuable program for Telos

Revised down 2022 forecast primarily due to lower revenue estimates for Secure Networks in 4Q; Committed to achieving organizational efficiencies and improving new business conversion

The core fundamentals of our company remain strong: robust and recession-resistant end markets, well-funded customers, and decades-long track record serving the world’s most security conscious organizations

Appendix



NON-GAAP FINANCIAL MEASURES

In addition to its results determined in accordance with GAAP, the Company believes the non-GAAP financial measures of Enterprise EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow are useful in evaluating its operating performance. The Company believes that this non-GAAP financial information, when taken collectively with the Company's GAAP results, may be helpful to readers of its financial statements because that information provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each of these non-GAAP financial measures to the most directly comparable financial measure stated in accordance with GAAP.

The Company uses these non-GAAP financial measures to understand and evaluate its core operating performance and trends, to prepare and approve its annual budget, to develop short-term and long-term operating plans, and to evaluate the performance of certain management personnel when determining incentive compensation. The Company believes these non-GAAP financial measures facilitate comparison of its operating performance on a consistent basis between periods by excluding certain items that may, or could, have a disproportionately positive or negative impact on its results of operations in any particular period. When viewed in combination with the Company's results prepared in accordance with GAAP, these non-GAAP financial measures help provide a broader picture of factors and trends affecting the Company's results of operations.



2022 ADDITIONAL MODELING INPUTS

	2021 Full Year	2022E Full Year	2022E 4Q	2022E Full Year YoY Commentary
Gross Margin	35.5%	35% to 35.5%	33% to 34.5%	<ul style="list-style-type: none"> SS and SN both lower Higher revenue contribution from SS
Stock Based Compensation (SBC)	\$60.2M	\$61M to \$62M	\$17M to \$18M	<ul style="list-style-type: none"> Including ~\$4M in COS for FY and ~\$1M in COS for 4Q
Depreciation & Amortization	\$5.6M	\$6M to \$7M	\$1.5M to \$2.5M	<ul style="list-style-type: none"> Higher amortization on previously capitalized development costs
Share Count	66.4M	~68.0M	~68.0M	<ul style="list-style-type: none"> Share based compensation, partially offset by share repurchases
Tax Rate	0.1%	-	-	<ul style="list-style-type: none"> Not meaningful
Capex & Capitalized Software	\$13.2M	\$13M to \$14.5M	\$3.5M to \$5M	
Below The Line Expenses ⁽¹⁾	\$69.9M	\$71M to \$73M	\$17M to \$19M	<ul style="list-style-type: none"> Higher amortization on previously capitalized software development costs, TSA readiness, and other misc. G&A

Notes:

1. Below the line expenses exclude stock compensation.



2023 TELOS' PRECHECK[®] SYSTEM MODELING INPUTS

	New Enrollments (Per Transaction)	Renewals (Per Transaction)	Additional Inputs
Gross Applicant Fee ⁽¹⁾	85.00	70.00	<ul style="list-style-type: none"> • Currently estimated market size <ul style="list-style-type: none"> • New enrollments: ~1.7M • Renewals: ~1.3M • Currently estimated other cost of sales <ul style="list-style-type: none"> • MSD millions (fixed) • Currently estimated SG&A expense <ul style="list-style-type: none"> • Credit card fees (variable): ~2.5% of gross applicant fee • Other SG&A expense (fixed): MSD to HSD millions, including LSD millions D&A <ul style="list-style-type: none"> • Moderately higher than 2022
- TSA Fee ⁽¹⁾	(42.75)	(42.75)	
Net Revenue <i>(GAAP Recognized Revenue)</i>	42.25	27.25	
- FBI Fee ⁽¹⁾	(11.25)	(11.25)	
Gross Profit Before Other Cost of Sales	31.00	16.00	



2021 GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands)

	2021																			
	Q1				Q2				Q3				Q4				FY			
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted
Revenue																				
Security Solutions	22,830	-	-	22,830	32,236	-	-	32,236	34,558	-	-	34,558	33,910	-	-	33,910	123,534	-	-	123,534
Secure Networks	32,928	-	-	32,928	21,408	-	-	21,408	34,423	-	-	34,423	30,140	-	-	30,140	118,899	-	-	118,899
Total	55,758	-	-	55,758	53,644	-	-	53,644	68,981	-	-	68,981	64,050	-	-	64,050	242,433	-	-	242,433
Gross Profit																				
Security Solutions	9,327	548	-	9,875	17,188	525	-	17,713	19,517	633	-	20,150	18,872	583	-	19,455	64,904	2,289	-	67,193
Secure Networks	5,143	77	-	5,220	5,346	106	-	5,452	5,360	85	-	5,445	5,276	83	-	5,359	21,125	351	-	21,476
Total	14,470	625	-	15,095	22,534	631	-	23,165	24,877	718	-	25,595	24,148	666	-	24,814	86,029	2,640	-	88,669
Gross Margin																				
Security Solutions	40.9%	2.4%	0.0%	43.3%	53.3%	1.6%	0.0%	54.9%	56.5%	1.8%	0.0%	58.3%	55.7%	1.7%	0.0%	57.4%	52.5%	1.9%	0.0%	54.4%
Secure Networks	15.6%	0.2%	0.0%	15.9%	25.0%	0.5%	0.0%	25.5%	15.6%	0.2%	0.0%	15.8%	17.5%	0.3%	0.0%	17.8%	17.8%	0.3%	0.0%	18.1%
Total	26.0%	1.1%	0.0%	27.1%	42.0%	1.2%	0.0%	43.2%	36.1%	1.0%	0.0%	37.1%	37.7%	1.0%	0.0%	38.7%	35.5%	1.1%	0.0%	36.6%
SG&A																				
Sales and Marketing	3,826	1,547	-	2,279	5,043	2,233	-	2,810	5,363	1,536	-	3,827	5,423	1,873	-	3,550	19,655	7,189	-	12,466
Research and Development	4,061	461	-	3,600	5,327	648	-	4,679	4,863	970	-	3,893	4,845	1,189	-	3,656	19,096	3,268	-	15,828
General and Administrative	20,077	11,037	-	9,040	29,635	17,824	-	11,811	19,739	9,148	-	10,591	19,291	9,125	-	10,166	88,742	47,134	-	41,608
Total	27,964	13,045	-	14,919	40,005	20,705	-	19,300	29,965	11,654	-	18,311	29,559	12,187	-	17,372	127,493	57,591	-	69,902
EBIT / Operating Income (Loss)	(13,494)	13,670	-	176	(17,471)	21,336	-	3,865	(5,088)	12,372	-	7,284	(5,411)	12,853	-	7,442	(41,464)	60,231	-	18,767
Interest Expense	(196)	-	-	(196)	(192)	-	-	(192)	(195)	-	-	(195)	(194)	-	-	(194)	(777)	-	-	(777)
Other Income (Expense)	(1,054)	-	1,054	-	32	-	(32)	-	20	-	(20)	-	81	-	(81)	-	(921)	-	921	-
Earnings Before Taxes (EBT)	(14,744)	13,670	1,054	(20)	(17,631)	21,336	(32)	3,673	(5,263)	12,372	(20)	7,089	(5,524)	12,853	(81)	7,248	(43,162)	60,231	921	17,990
Tax Provision	(34)	-	-	(34)	(13)	-	-	(13)	41	-	-	41	34	-	-	34	28	-	-	28
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(5,222)	12,372	(20)	7,130	(5,490)	12,853	(81)	7,282	(43,134)	60,231	921	18,018
Share Count	64,625	64,625	64,625	64,625	66,616	66,616	66,616	66,616	66,755	66,755	66,755	66,755	66,756	66,756	66,756	66,756	66,374	66,374	66,374	66,374
EPS	(0.23)	0.21	0.02	(0.00)	(0.26)	0.32	(0.00)	0.05	(0.08)	0.19	(0.00)	0.11	(0.08)	0.19	(0.00)	0.11	(0.65)	0.91	0.01	0.27
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(5,222)	12,372	(20)	7,130	(5,490)	12,853	(81)	7,282	(43,134)	60,231	921	18,018
Other Income (Expense)	1,054	-	(1,054)	-	(32)	-	32	-	(20)	-	20	-	(81)	-	81	-	921	-	(921)	-
Interest Expense	196	-	-	196	192	-	-	192	195	-	-	195	194	-	-	194	777	-	-	777
Tax Provision	34	-	-	34	13	-	-	13	(41)	-	-	(41)	(34)	-	-	(34)	(28)	-	-	(28)
Depreciation & Amortization	1,360	-	-	1,360	1,404	-	-	1,404	1,459	-	-	1,459	1,401	-	-	1,401	5,624	-	-	5,624
EBITDA	(12,134)	13,670	-	1,536	(16,067)	21,336	-	5,269	(3,629)	12,372	-	8,743	(4,010)	12,853	-	8,843	(35,840)	60,231	-	24,391
Actuals																				
Cash Flow from Operations	(6,882)				3,528				12,991				(2,375)				7,262			
Capitalized Software	(2,165)				(1,498)				(3,009)				(3,296)				(9,968)			
PPE	(480)				(590)				(575)				(1,556)				(3,201)			
CAPEX	(2,645)				(2,088)				(3,584)				(4,852)				(13,169)			
Free Cash Flow	(9,527)				1,440				9,407				(7,227)				(5,907)			



Notes:

Adjusted Net Income (Loss), EBITDA, Adjusted EBITDA, Adjusted EPS and Free Cash Flow are non-GAAP financial measures.



2021 and 2022 GAAP AND ADJUSTED FIRST 9M RESULTS

(Amounts in thousands)

	2021								2022															
	Q3				2021 9M				Q1				Q2				Q3				2022 9M			
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted
Revenue																								
Security Solutions	34,558	-	-	34,558	89,624	-	-	89,624	26,919	-	-	26,919	30,819	-	-	30,819	32,440	-	-	32,440	90,178	-	-	90,178
Secure Networks	34,423	-	-	34,423	88,759	-	-	88,759	23,241	-	-	23,241	24,972	-	-	24,972	31,153	-	-	31,153	79,366	-	-	79,366
Total	68,981	-	-	68,981	178,383	-	-	178,383	50,160	-	-	50,160	55,791	-	-	55,791	63,593	-	-	63,593	169,544	-	-	169,544
Gross Profit																								
Security Solutions	19,517	633	-	20,150	46,032	1,707	-	47,739	15,051	857	-	15,908	16,433	747	-	17,180	15,577	823	-	16,400	47,062	2,426	-	49,488
Secure Networks	5,360	85	-	5,445	15,849	267	-	16,116	3,820	150	-	3,970	4,496	115	-	4,611	5,368	106	-	5,474	13,683	372	-	14,055
Total	24,877	718	-	25,595	61,881	1,974	-	63,855	18,871	1,007	-	19,878	20,929	862	-	21,791	20,945	929	-	21,874	60,745	2,798	-	63,543
Gross Margin																								
Security Solutions	56.5%	1.8%	0.0%	58.3%	51.4%	1.9%	0.0%	53.3%	55.9%	3.2%	0.0%	59.1%	53.3%	2.4%	0.0%	55.7%	48.0%	2.5%	0.0%	50.6%	52.2%	2.7%	0.0%	54.9%
Secure Networks	15.6%	0.2%	0.0%	15.8%	17.9%	0.3%	0.0%	18.2%	16.4%	0.6%	0.0%	17.1%	18.0%	0.5%	0.0%	18.5%	17.2%	0.3%	0.0%	17.6%	17.2%	0.5%	0.0%	17.7%
Total	36.1%	1.0%	0.0%	37.1%	34.7%	1.1%	0.0%	35.8%	37.6%	2.0%	0.0%	39.6%	37.5%	1.5%	0.0%	39.1%	32.9%	1.5%	0.0%	34.4%	35.8%	1.7%	0.0%	37.5%
SG&A																								
Sales and Marketing	5,363	1,536	-	3,827	14,233	5,316	-	8,917	5,252	1,668	-	3,584	4,741	1,420	-	3,321	3,042	611	-	2,431	13,035	3,699	-	9,336
Research and Development	4,863	970	-	3,893	14,250	2,079	-	12,171	5,430	1,295	-	4,135	4,489	692	-	3,797	3,981	897	-	3,084	13,900	2,884	-	11,016
General and Administrative	19,739	9,148	-	10,591	69,452	38,009	-	31,443	22,923	10,328	-	12,595	23,865	12,232	-	11,633	21,591	12,284	-	9,307	68,379	34,844	-	33,535
Total	29,965	11,654	-	18,311	97,935	45,404	-	52,531	33,605	13,291	-	20,314	33,095	14,344	-	18,751	28,614	13,792	-	14,822	95,314	41,427	-	53,887
EBIT / Operating Income (Loss)	(5,088)	12,372	-	7,284	(36,054)	47,378	-	11,324	(14,734)	14,298	-	(436)	(12,166)	15,206	-	3,040	(7,669)	14,721	-	7,052	(34,569)	44,225	-	9,656
Interest Expense	(195)	-	-	(195)	(583)	-	-	(583)	(190)	-	-	(190)	(187)	-	-	(187)	(181)	-	-	(181)	(558)	-	-	(558)
Other Income (Expense)	20	-	(20)	-	(1,001)	-	1,001	-	12	-	(12)	-	118	-	(118)	-	518	-	(518)	-	648	-	(648)	-
Earnings Before Taxes (EBT)	(5,263)	12,372	(20)	7,089	(37,638)	47,378	1,001	10,741	(14,912)	14,298	(12)	(626)	(12,235)	15,206	(118)	2,853	(7,332)	14,721	(518)	6,871	(34,479)	44,225	(648)	9,098
Tax Provision	41	-	-	41	(6)	-	-	(6)	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	(133)	-	-	(133)
Net Income (Loss)	(5,222)	12,372	(20)	7,130	(37,644)	47,378	1,001	10,735	(14,983)	14,298	(12)	(697)	(12,289)	15,206	(118)	2,799	(7,340)	14,721	(518)	6,863	(34,612)	44,225	(648)	8,965
Share Count	66,755	66,755	66,755	66,755	65,999	65,999	65,999	65,999	67,559	67,559	67,559	67,559	67,876	67,876	67,876	67,876	67,493	67,493	67,493	67,493	67,641	67,641	67,641	67,641
EPS	(0.08)	0.19	(0.00)	0.11	(0.57)	0.72	0.02	0.16	(0.22)	0.21	(0.00)	(0.01)	(0.18)	0.22	(0.00)	0.04	(0.11)	0.22	(0.01)	0.10	(0.51)	0.65	(0.01)	0.13
Net Income (Loss)	(5,222)	12,372	(20)	7,130	(37,644)	47,378	1,001	10,735	(14,983)	14,298	(12)	(697)	(12,289)	15,206	(118)	2,799	(7,340)	14,721	(518)	6,863	(34,612)	44,225	(648)	8,965
Other Income (Expense)	(20)	-	20	-	1,001	-	(1,001)	-	(12)	-	12	-	(118)	-	118	-	(518)	-	518	-	(648)	-	648	-
Interest Expense	195	-	-	195	583	-	-	583	190	-	-	190	187	-	-	187	181	-	-	181	558	-	-	558
Tax Provision	(41)	-	-	(41)	6	-	-	6	71	-	-	71	54	-	-	54	8	-	-	8	133	-	-	133
Depreciation & Amortization	1,459	-	-	1,459	4,223	-	-	4,223	1,405	-	-	1,405	1,505	-	-	1,505	1,517	-	-	1,517	4,427	-	-	4,427
EBITDA	(3,629)	12,372	-	8,743	(31,831)	47,378	-	15,547	(13,329)	14,298	-	969	(10,661)	15,206	-	4,545	(6,152)	14,721	-	8,569	(30,142)	44,225	-	14,083
Actuals					Actuals				Actuals				Actuals				Actuals				Actuals			
Cash Flow from Operations	12,991				9,637				249				7,883				11,986				20,118			
Capitalized Software	(3,009)				(6,672)				(2,795)				(2,339)				(3,446)				(8,580)			
PPE	(575)				(1,645)				(546)				(95)				(174)				(815)			
CAPEX	(3,584)				(8,317)				(3,341)				(2,434)				(3,620)				(9,395)			
Free Cash Flow	9,407				1,320				(3,092)				5,449				8,366				10,723			

Notes:

Adjusted Net Income (Loss), EBITDA, Adjusted EBITDA, Adjusted EPS and Free Cash Flow are non-GAAP financial measures.



RECONCILIATIONS

Enterprise EBITDA and Adjusted EBITDA (*Unaudited*)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2022		September 30, 2021		September 30, 2022		September 30, 2021	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(in thousands)</i>							
Net loss	\$ (7,340)	(11.5)%	\$ (5,222)	(7.6)%	\$ (34,612)	(20.4)%	\$ (37,644)	(21.1)%
Adjustments:								
Non-operating (income)/expense	(518)	(0.8)%	(20)	-%	(648)	(0.4)%	1,001	0.6%
Interest expense	181	0.3%	195	0.3%	558	0.3%	583	0.3%
Provision for income taxes	8	-%	(41)	-%	133	0.1%	6	-%
Depreciation and amortization	1,517	2.4%	1,459	2.1%	4,427	2.6%	4,223	2.4%
Enterprise EBITDA	(6,152)	(9.6)%	(3,629)	(5.2)%	(30,142)	(17.8)%	(31,831)	(17.8)%
Stock-based compensation expense ⁽¹⁾	14,721	23.1%	12,372	17.9%	44,225	26.1%	47,378	26.5%
Adjusted EBITDA	\$ 8,569	13.5%	\$ 8,743	12.7%	\$ 14,083	8.3%	\$ 15,547	8.7%

Notes:

- The stock-based compensation adjustment to EBITDA for the three and nine months ended September 30, 2022 is made up of \$15.0 million and \$42.2 million, respectively, of stock-based compensation expense for the awarded RSUs and PRSUs, and \$(0.3) million and \$2.0 million, respectively, of other sources of stock-based compensation (adjustment)/expense. The other sources of stock-based compensation consist of accrued compensation, which the Company intends to settle in shares of the Company's common stock. However, it is the Company's discretion whether this compensation will ultimately be paid in stock or cash. The Company has the right to dictate the form of these payments up until the date at which they are paid. Any change to the expected payment form would result in a change in estimate that would add back to Adjusted EBITDA.



RECONCILIATIONS

Adjusted Net Income (Loss) and Adjusted EPS (*Unaudited*)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2022		September 30, 2021		September 30, 2022		September 30, 2021	
	Adjusted Net Income / (Loss)	Adjusted Per Share	Adjusted Net Income / (Loss)	Adjusted Per Share	Adjusted Net Income / (Loss)	Adjusted Per Share	Adjusted Net Income / (Loss)	Adjusted Per Share
	<i>(in thousands, except per share data)</i>							
Reported GAAP measure	\$ (7,340)	\$ (0.11)	\$ (5,222)	\$ (0.08)	\$ (34,612)	\$ (0.51)	\$ (37,644)	\$ (0.57)
Adjustments:								
Non-operating (income)/expense	(518)	(0.01)	(20)	—	(648)	(0.01)	1,001	0.01
Stock-based compensation expense ⁽¹⁾	14,721	0.22	12,372	0.19	44,225	0.65	47,378	0.72
Adjusted non-GAAP measure	\$ 6,863	\$ 0.10	\$ 7,130	\$ 0.11	\$ 8,965	\$ 0.13	\$ 10,735	\$ 0.16
Weighted-average shares of common stock outstanding	67,493		66,755		67,641		65,999	

Notes:

- The stock-based compensation adjustment to net loss for the three and nine months ended September 30, 2022 is made up of \$15.0 million and \$42.2 million, respectively, of stock-based compensation expense for the awarded RSUs and PRSUs, and \$(0.3) million and \$2.0 million, respectively, of other sources of stock-based compensation (adjustment)/expense. The other sources of stock-based compensation consist of accrued compensation, which the Company intends to settle in shares of the Company's common stock. However, it is the Company's discretion whether this compensation will ultimately be paid in stock or cash. The Company has the right to dictate the form of these payments up until the date at which they are paid. Any change to the expected payment form would result in a change in estimate that would add back to Adjusted Net Income/(Loss).



RECONCILIATIONS

Free Cash Flow (*Unaudited*)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	<i>(in thousands)</i>			
Net cash flows provided by/ (used in) operating activities	\$ 11,986	\$ 12,991	\$ 20,118	\$ 9,637
Adjustments:				
Purchase of property and equipment	(174)	(575)	(815)	(1,645)
Capitalized software development costs	(3,446)	(3,009)	(8,580)	(6,672)
Free cash flow	<u>\$ 8,366</u>	<u>\$ 9,407</u>	<u>\$ 10,723</u>	<u>\$ 1,320</u>