

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

December 15, 2020

Date of Report (Date of earliest event reported)

**TELOS CORPORATION**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation)

**001-08443**

(Commission File Number)

**52-0880974**

(IRS Employer Identification No.)

**19886 Ashburn Road, Ashburn, Virginia**

(Address of principle executive offices)

**20147-2358**

(Zip Code)

**(703) 724-3800**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure**

On December 15, 2020, Telos Corporation posted the Telos Investor Presentation to its website at <https://investors.telos.com/>. A copy of that presentation is furnished as part of this Current Report on Form 8-K as Exhibit 99.1.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	Telos Investor Presentation, dated December 2020

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 15, 2020

**TELOS CORPORATION**

By: /s/ Michele Nakazawa  
Michele Nakazawa  
Chief Financial Officer



## Investor Presentation

December 2020





## Disclaimer

Other than statements of historical fact, all information contained in this presentation, including statements regarding the future operating results and financial position of Telos Corporation (the "Company"), 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 Annual Report on Form 10-K for the year ended December 31, 2019, and in the registration statement that the Company has filed with the SEC in connection with the recent initial public offering of its common stock. 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. 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.



## Telos Investment Highlights

*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+<sup>1</sup>**

- 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

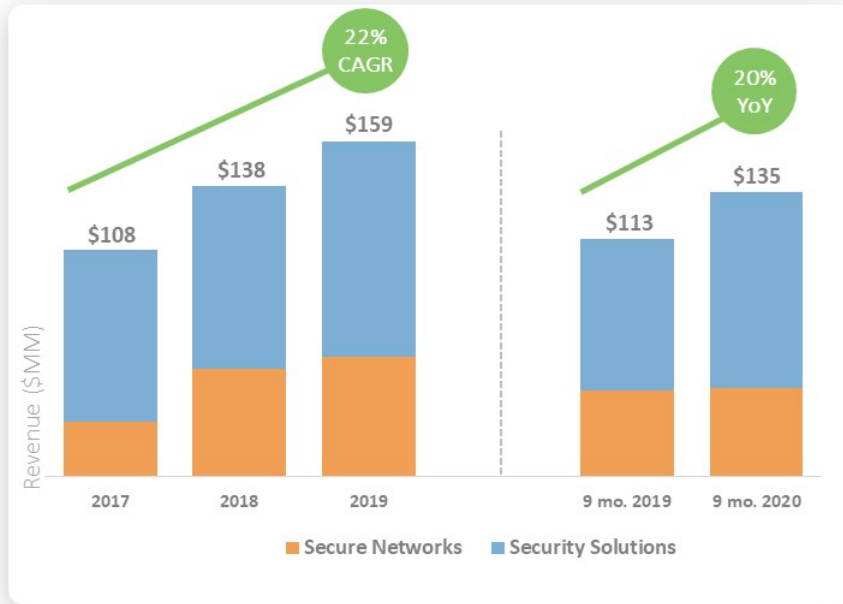


1) Based on Telos management estimates



## Telos Snapshot

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



### Intellectual Property

- 3,000+ man-years of IP<sup>1</sup>
- 60% of employees with Clearance

### Revenue Profile

- 85% recurring<sup>2</sup>
- 50% sole source / limited competition<sup>1</sup>

### 350+ Customers



Note: Reflects fiscal year ended December 31

- 1) Based on Telos management estimates
- 2) Recurring revenue for each of the last three years



## 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

**80% of  
2019 Gross Profit**

### Secure Networks



- Operation / defense of networks and cyber ops

**20% of  
2019 Gross Profit**





## Marquee Customers





## Demand for Telos' Security Solutions Has Never Been Greater

4.1B

Exposed records from data breaches in 1H19



\$8.6MM

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



954K

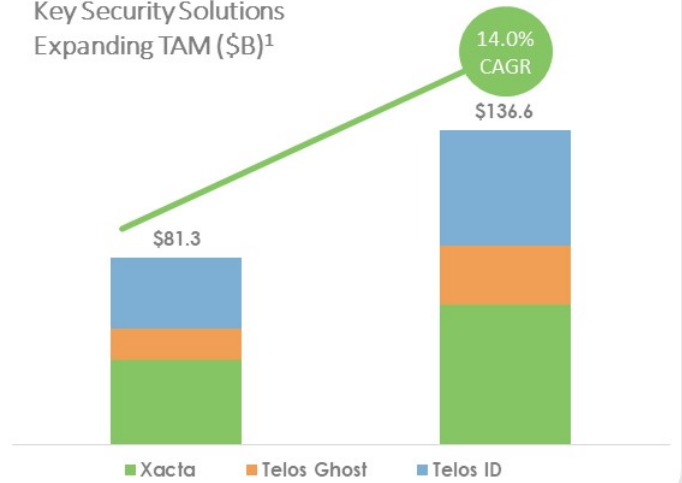
Average web attacks blocked per day



280

Average days to identify & contain a breach

Key Security Solutions Expanding TAM (\$B)<sup>1</sup>



Sources: Comparitech, Symantec Internet Security Threat Report 2019, Cyber Risk Analytics 2019 MidYear Data Breach Report, IBM 2020 Cost of a Data Breach Report  
1) Based on Telos management estimates



# 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





## 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

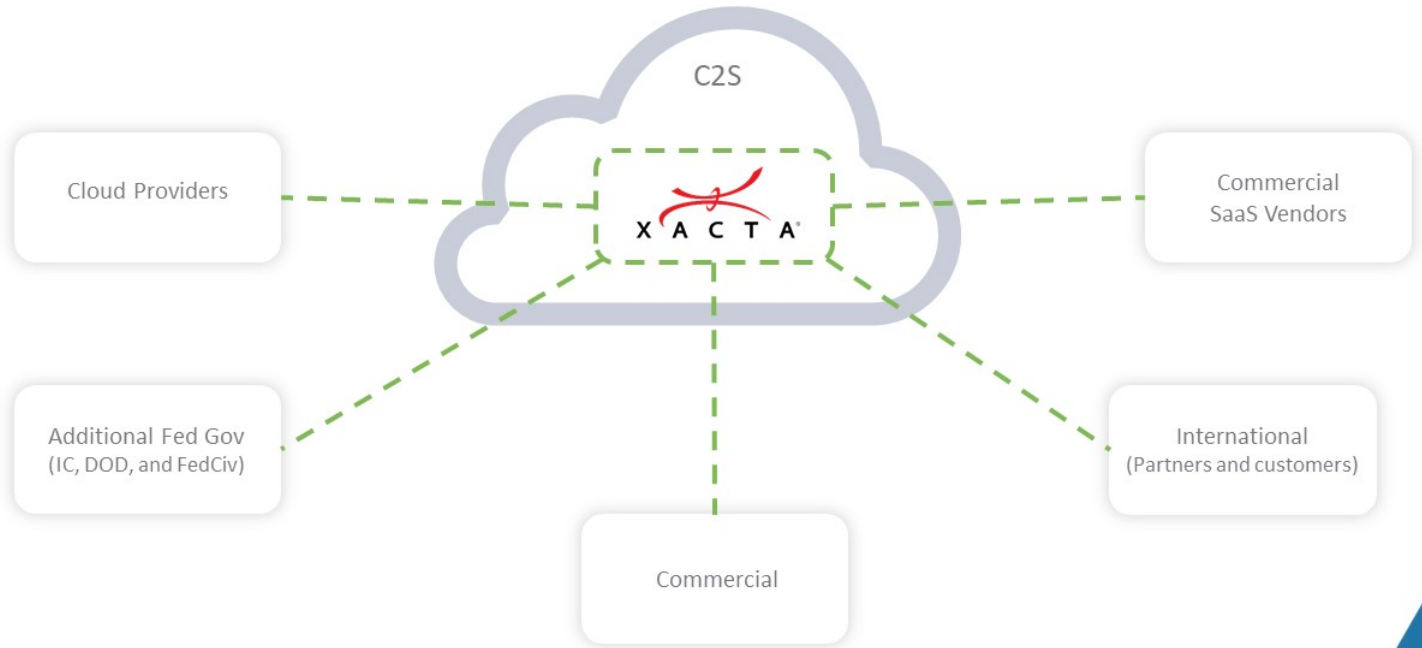
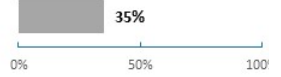
## Multi-Cloud Capability

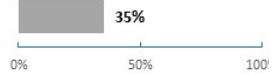


XACTA®  
Xacta accounts for common, shared, and customer specific controls



# Xacta: Cloud Focus and “Reference-ability” Expands Market Share and Opportunity





"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."

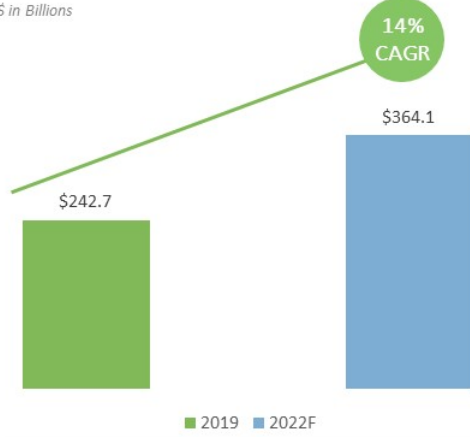
*Rick Trinidad, Worldwide Public Sector, AWS*

"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*

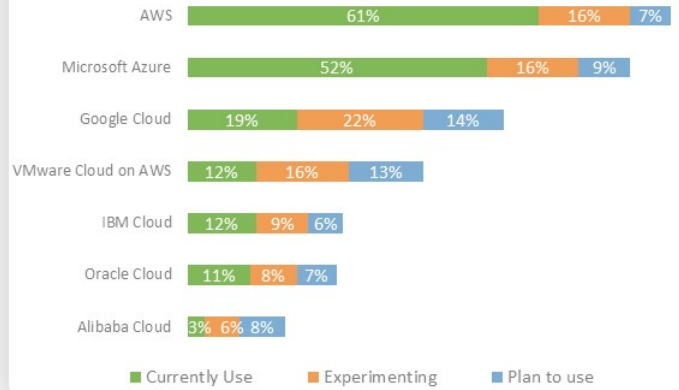
## Worldwide Public Cloud Service Revenue

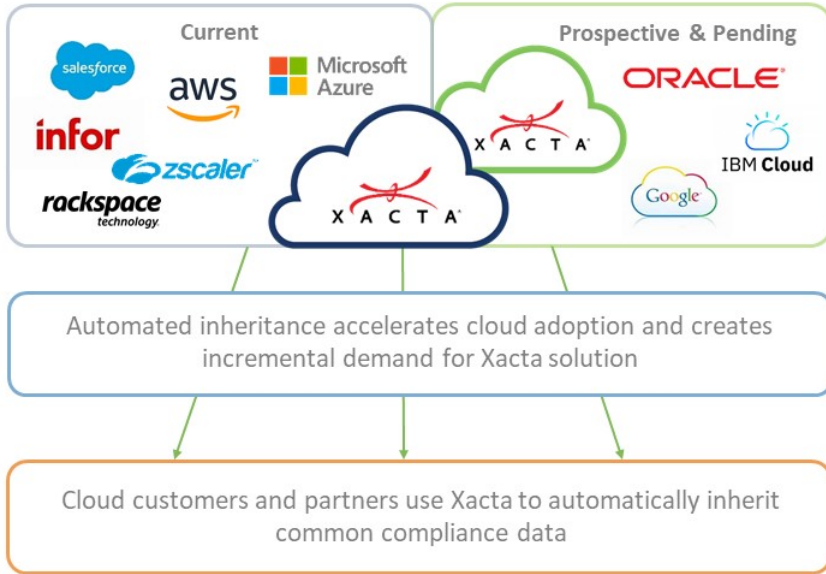
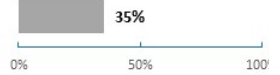
\$ in Billions



## Public Cloud Adoption

% of All Respondents





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

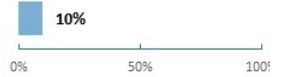
*Automated inheritance accelerates workload migration by operationalizing shared security and enabling reciprocity*

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



# Reduce Attack Surface, Hide Digital Exhaust & Disguise Identity

*You can't attack what you can't see*



## Cloaked Services

Encrypted communications, storage and applications



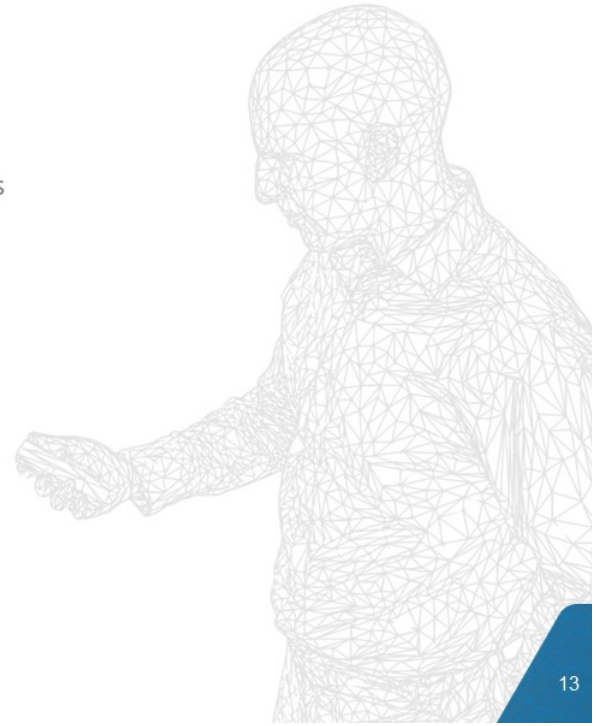
## Private Network Access

Secure, private network in the cloud

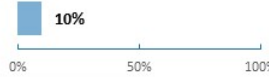


## Private Web Access

Anonymous worldwide internet access



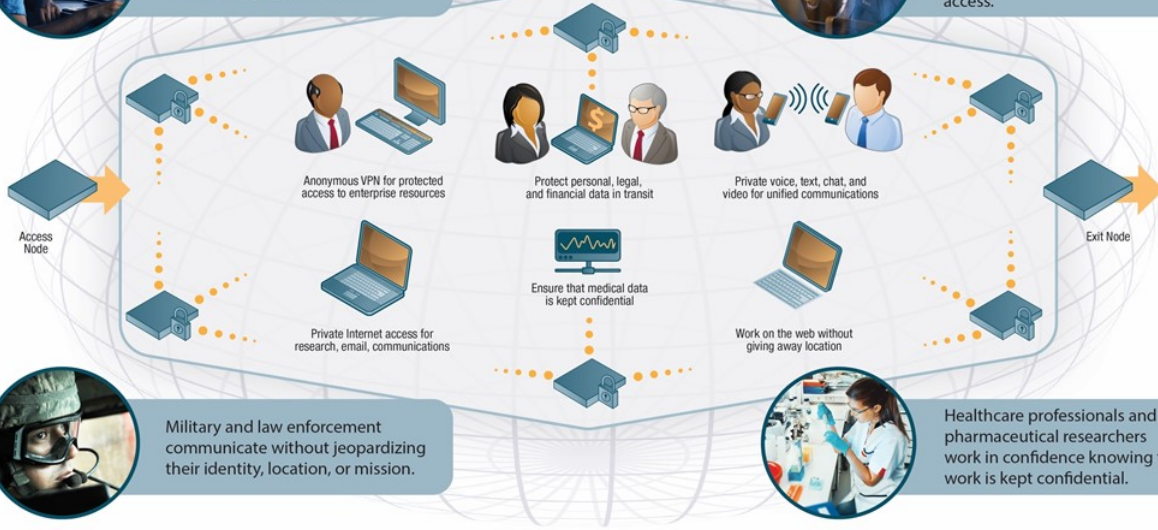




Cyber operators investigate threats without revealing their own presence, identity, or physical location.



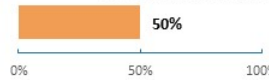
Financial executives and legal counsel exchange candid views protected from unauthorized access.



Military and law enforcement communicate without jeopardizing their identity, location, or mission.



Healthcare professionals and pharmaceutical researchers work in confidence knowing their work is kept confidential.



### 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 contract<sup>1</sup>
- Provider Enrollment & Oversight (PEO) contract holder
- Background checks for 1.5MM Centers for Medicare & Medicaid (CMS) health providers each year<sup>1</sup>



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 ■ Network Mgmt. & Defen

## 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



## 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



**Michele Nakazawa**

*(EVP and CFO)*

- Joined Company in 2004 as VP and Controller; named CFO in 2005
- Former experience includes senior financial leadership roles with Ubizen, National Security Analysts, and Federal Systems Division of IBM



**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**

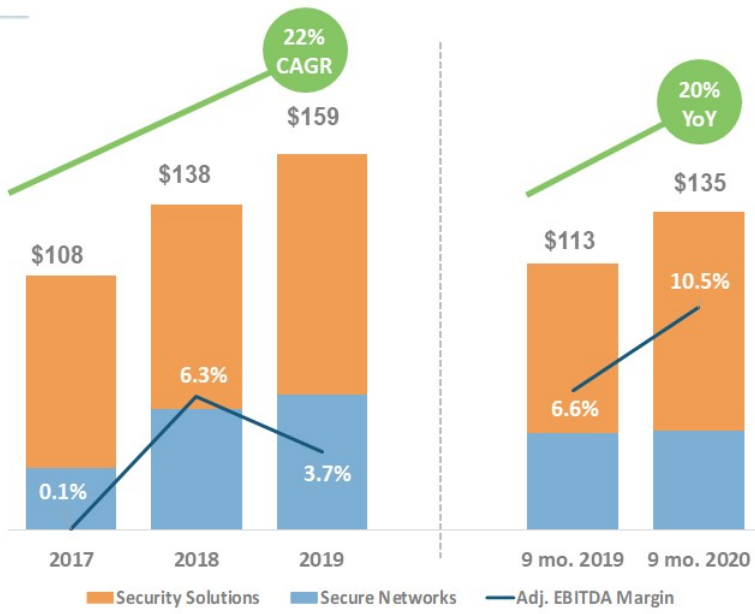
*(SVP, CSO, and CTO)*

- 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

# Financial Highlights



# Accelerating Revenue Growth and Expanding Margins



## Key New Contract Wins

- TSA PreCheck – \$1.7B<sup>1</sup> total 10-year contract potential
- CMS – \$2.0B<sup>2</sup> total 10-year contract potential
- U.S. Government Telos Ghost Customer – \$50MM<sup>1</sup> with potential to increase dramatically over 10 years once converted to program of record

Note: Reflects fiscal year ended December 31

Note: For 9 month periods, Adj. EBITDA Margin reflected on an enterprise basis, before adjustments for the Non-Controlling Interests

Note: FY 2018 includes one-time indirect rate adjustment benefit of \$6.8M. Excluding this adjustment AEBITDA is 1.4%

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

2) Reflects contract ceiling





## 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





## Investment Highlights

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

- 3,000+<sup>1</sup> man-years invested in technology development

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### **Improving revenue mix and operating leverage to drive significant margin expansion**

- Scalable platform delivers strong free cash flow conversion



1) Based on Telos management estimates

# Appendix



## Contact Information

### Investor Relations:

The Blueshirt Group - [brinlea@blueshirtgroup.com](mailto:brinlea@blueshirtgroup.com)

### Media Relations:

Merritt Group - [damiano@merrittgrp.com](mailto:damiano@merrittgrp.com)



## Adjusted EBITDA Reconciliation

(\$ in thousands)	FY 2017	FY2018	FY2019	9 mo. 2019	9 mo. 2020
Net income (loss) attributable to Telos Corporation	(\$5,833)	(\$1,640)	(\$6,401)	(\$2,921)	(\$2,178)
Interest Expense	6,690	7,258	7,467	5,470	6,026
(Benefit) provision for income taxes	(2,767)	31	(104)	(187)	(136)
Depreciation	1,999	3,028	4,972	3,609	4,018
Stock-based compensation expense	50	—	—	—	—
<b>Adjusted EBITDA</b>	<b>\$139</b>	<b>\$8,677</b>	<b>\$5,934</b>	<b>\$5,971</b>	<b>\$7,730</b>



Note: We define Adjusted EBITDA as net income (loss), adjusted for interest expense, loss on extinguishment of debt, (benefit) provision for income taxes, depreciation and amortization, stock-based compensation expense, acquisition related expense and other (income) expense, net.



# Telos Solution Set Detail

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





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

