

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

May 10, 2023

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 principal executive offices)

20147-2358

(Zip Code)

(703) 724-3800

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                       | Trading symbol | Name of each exchange on which registered |
|---|----------------|---|
| Common stock, \$0.001 par value per share | TLS            | The Nasdaq Stock Market LLC               |

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))

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.

**Item 2.02. Results of Operations and Financial Condition.**

On Wednesday, May 10, 2023, Telos Corporation (the “Company”) issued a press release reporting certain financial results of the Company for the quarter ended March 31, 2023. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The Company’s press release contains non-GAAP financial measures. Pursuant to the requirements of Regulation G, the Company has provided reconciliations within the press release of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Disclosure regarding definitions of these measures used by the Company and why the Company’s management believes the measures provide useful information to investors is also included in the press release.

The Company will conduct a conference call to discuss its financial results on Wednesday, May 10, 2023, at 8:30 a.m., Eastern Time.

The information in this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 2.02 of this Current Report on Form 8-K. Such information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits.**

[99.1](#) [Press Release, issued May 10, 2023](#)

---

## SIGNATURES

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

### TELOS CORPORATION

By: /s/ Mark Bendza  
Mark Bendza  
Chief Financial Officer

Date: May 10, 2023

## **Telos Corporation Announces First Quarter Results: Reports \$35.2 Million of Revenue and 38.3% Gross Margin**

- *Reported First Quarter Results Above High End of Guidance Range*
- *Delivered Quarterly Revenue of \$35.2 Million*
- *Expanded Quarterly Gross Margin by 66 Basis Points to 38.3% Year over Year*
- *Improved GAAP Net Loss by 35% Year over Year*
- *Reaffirms Full Year Guidance*

**Ashburn, Va. – May 10, 2023** – Telos Corporation (NASDAQ: TLS), a leading provider of cyber, cloud and enterprise security solutions for the world’s most security-conscious organizations, today announced financial results for the first quarter 2023.

“We delivered \$35.2 million of revenue in the first quarter of 2023 and expanded gross margins 66 basis points to 38.3%. We also reduced our GAAP net loss by 35% to \$10.7 million. All metrics exceeded the high end of our guidance range,” said John B. Wood, chairman and CEO, Telos. “As expected, our first quarter results reflect lower revenues on large programs. We reaffirm our full year guidance and the Board and I remain focused on rebuilding and growing our revenue base throughout this transition year.”

## First Quarter 2023 Financial Highlights

|   | 1Q 2023                                     | 1Q 2022  |
|---|---|----------|
|   | <i>(in millions, except per share data)</i> |          |
| Revenue   | \$35.2                                      | \$50.2   |
| Gross Profit  | \$13.5                                      | \$18.9   |
| Gross Margin  | 38.3%                                       | 37.6%    |
| GAAP Net Loss                                       | (\$10.7)                                    | (\$16.6) |
| Adjusted Net Loss <sup>1</sup>                      | (\$2.5)                                     | (\$0.7)  |
| EBITDA <sup>1</sup>                                 | (\$11.5)                                    | (\$15.0) |
| Adjusted EBITDA <sup>1</sup>                        | (\$0.8)                                     | \$1.0    |
| Adjusted EBITDA Margin <sup>1</sup>                 | (2.4%)                                      | 1.9%     |
| GAAP EPS  | (\$0.16)                                    | (\$0.25) |
| Adjusted EPS <sup>1</sup>                           | (\$0.04)                                    | (\$0.01) |
| Weighted-average Shares of Common Stock Outstanding | 68.2  | 67.6     |
| Cash Flow from Operations                           | (\$0.1)                                     | \$0.2    |
| Free Cash Flow <sup>1</sup>                         | (\$4.1)                                     | (\$3.1)  |

<sup>1</sup> Adjusted EBITDA, Adjusted EBITDA Margin, EBITDA, Adjusted Net Loss, Adjusted EPS and Free Cash Flow are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" below.

### Selected First Quarter Business Highlights:

- Achieved a 100% renewal rate on major customer contracts across the portfolio in the first quarter.
  - Received Xacta<sup>®</sup> renewals with several prominent customers including the U.S. Air Force, the Department of Homeland Security, the Department of State, the Department of the Interior, the Department of Energy, the Defense Intelligence Agency, Amazon Web Services and Ernst & Young.
  - The Company's Automated Message Handling System achieved several major contract renewals.
- Received a new, multi-year contract with the National Geospatial-Intelligence Agency for Xacta products and services.
- Continued expansion of the Company's Designated Aviation Channeling service with several new customers and renewals, including Dubuque Regional Airport and Port of Seattle Airport.

### Financial Outlook:

|                              | 2Q 2023                      | Full Year 2023          |
|------------------------------|------------------------------|-------------------------|
|                              | <i>(dollars in millions)</i> |                         |
| Revenue                      | \$28 - \$32 Million          | \$115 - \$140 Million   |
| YoY Growth                   | (50%) - (43%)                | (47%) - (35%)           |
| Adjusted EBITDA <sup>1</sup> | (\$8) - (\$6) Million        | (\$27) - (\$17) Million |

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" below.

This guidance consists of forward-looking statements and actual results may differ materially. Refer to the Forward-Looking Statements section below for information on the factors that could cause the Company's actual results to differ materially from these forward-looking statements. Adjusted EBITDA is a non-GAAP financial measure. The Company has not provided the most directly comparable GAAP measure to this forward-looking non-GAAP financial measure 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.

### **Webcast Information**

Telos will host a live webcast to discuss its first quarter 2023 financial results at 8:30 a.m. Eastern Time today, May 10, 2023. To access the webcast, visit <https://register.vevent.com/register/B118da6a473f804bcc98ebf44dde4dddd4>. Related presentation materials will be made available on the Investors section of the Company's website at <https://investors.telos.com>. In addition, an archived webcast will be available approximately two hours after the conclusion of the live event on the Investors section of the Company's website.

### **Forward-Looking Statements**

This press release contains forward-looking statements which are made under the safe harbor provisions of the federal securities laws. These statements are based on the Company's management's current beliefs, expectations and assumptions about future events, conditions, and results and on information currently available to them. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company believes that these risks and uncertainties include, but are not limited to, those described under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth from time to time in the Company's filings and reports with the U.S. Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2022 and its Quarterly Reports on Form 10-Q, as well as future filings and reports by the Company, copies of which are available at <https://investors.telos.com> and on the SEC's website at [www.sec.gov](http://www.sec.gov).

Although the Company bases these forward-looking statements on assumptions that its management believes are reasonable when made, the Company cautions the reader that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this release. Given these risks, uncertainties, and other factors, many of which are beyond its control, the Company cautions the reader not to place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date of such statement and, except as required by law, the Company undertakes no obligation to update any forward-looking statement publicly, or to revise any forward-looking statement to reflect events or developments occurring after the date of the statement, even if new information becomes available in the future. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

### **Non-GAAP Financial Measures**

In addition to Telos' results determined in accordance with U.S. GAAP, Telos believes the non-GAAP financial measures of EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted Earnings Per Share ("EPS") and Free Cash Flow are useful in evaluating operating performance. Telos believes that this non-GAAP financial information, when taken collectively with GAAP results, may be helpful to readers of the financial statements because it 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 the following non-GAAP financial measures (a) to understand and evaluate Telos' core operating performance and trends, (b) to prepare and approve the Company's annual budget, (c) to develop short-term and long-term operating plans, and (d) to evaluate the performance of certain management personnel when determining incentive compensation. Telos believes these non-GAAP financial measures facilitate the comparison of the Company's operating performance on a consistent basis between periods by excluding certain items that may, or could, have a disproportionately positive or negative impact on the Company's 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.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted EPS and Free Cash Flow 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), Net Income/(Loss) Margin, Earnings per Share, or Net Cash Flows provided by/(used in) operating activities, as determined by GAAP.

The Company defines EBITDA as net (loss)/income, adjusted for non-operating expense/(income), interest expense, (benefit from)/provision for income taxes, and depreciation and amortization. The Company defines Adjusted EBITDA as EBITDA, adjusted for stock-based compensation expense and restructuring expenses/(adjustments). The Company defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue. The Company defines Adjusted Net Income/(Loss) as net income/(loss), adjusted for non-operating expense/(income), stock-based compensation expense and restructuring expenses/(adjustments). The Company defines Adjusted EPS as Adjusted Net Income/(Loss) divided by the weighted-average number of common shares outstanding for the period. Free Cash Flow is defined as net cash provided by/(used in) operating activities, less purchases of property and equipment, and capitalized software development costs.



EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted EPS and Free Cash Flow each has limitations as an analytical tool, and you should not consider any of them in isolation, or as a substitute for analysis of results as reported under GAAP. Among other limitations, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted EPS and Free Cash Flow each does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments, does not reflect the impact of certain cash charges resulting from matters considered not to be indicative of ongoing operations, and does not reflect income tax expense or benefit. Other companies in the Company's industry may calculate Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted EPS and Free Cash Flow differently than Telos does, which limits its usefulness as a comparative measure. Because of these limitations, neither EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted EPS nor Free Cash Flow should be considered as a replacement for Net Income/ (Loss), Net Income/(Loss) Margin, Earnings per Share, or Net Cash Flows Provided by Operating Activities, as determined by GAAP, or as a measure of profitability. Telos compensates for these limitations by relying primarily on the Company's GAAP results and using non-GAAP measures only for supplemental purposes.

### **About Telos Corporation**

[Telos Corporation](#) (NASDAQ: TLS) empowers and protects the world's most security-conscious organizations with solutions for continuous security assurance of individuals, systems, and information. Telos' offerings include cybersecurity solutions for IT risk management and information security; cloud security solutions to protect cloud-based assets and enable continuous compliance with industry and government security standards; and enterprise security solutions for identity and access management, secure mobility, organizational messaging, and network management and defense. The Company serves commercial enterprises, regulated industries and government customers around the world.

###

#### **Media:**

[media@telos.com](mailto:media@telos.com)

#### **Investors:**

[InvestorRelations@telos.com](mailto:InvestorRelations@telos.com)

**TELOS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(Unaudited)*

|   | For the Three Months Ended                      |                    |
|---|---|--------------------|
|   | March 31, 2023                                  | March 31, 2022     |
|   | <i>(in thousands, except per share amounts)</i> |                    |
| Revenue – services  | \$ 31,534                                       | \$ 48,108          |
| Revenue – products  | 3,688   | 2,052              |
| <b>Total revenue</b>                                      | <b>35,222</b>                                   | <b>50,160</b>      |
| Cost of sales – services                                  | 19,268  | 29,731             |
| Cost of sales – products                                  | 2,472   | 1,558              |
| <b>Total cost of sales</b>                                | <b>21,740</b>                                   | <b>31,289</b>      |
| <b>Gross profit</b>                                       | <b>13,482</b>                                   | <b>18,871</b>      |
| Selling, general and administrative expenses              |   |                    |
| Sales and marketing                                       | 1,643   | 5,252              |
| Research and development                                  | 2,833   | 5,430              |
| General and administrative                                | 21,976  | 24,556             |
| <b>Total selling, general and administrative expenses</b> | <b>26,452</b>                                   | <b>35,238</b>      |
| <b>Operating loss</b>                                     | <b>(12,970)</b>                                 | <b>(16,367)</b>    |
| Other income  | 2,496   | 12                 |
| Interest expense  | (249)   | (190)              |
| <b>Loss before income taxes</b>                           | <b>(10,723)</b>                                 | <b>(16,545)</b>    |
| Provision for income taxes                                | (23)  | (71)               |
| <b>Net loss</b>   | <b>\$ (10,746)</b>                              | <b>\$ (16,616)</b> |
| <b>Net loss per share:</b>                                |   |                    |
| Basic   | \$ (0.16)                                       | \$ (0.25)          |
| Diluted   | \$ (0.16)                                       | \$ (0.25)          |
| <b>Weighted-average shares outstanding:</b>               |   |                    |
| Basic   | 68,176  | 67,559             |
| Diluted   | 68,176  | 67,559             |

**TELOS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
*(Unaudited)*

|   | March 31, 2023  | December 31, 2022 |
|---|---|-------------------|
|   | <i>(in thousands, except per share amount and share data)</i> |                   |
| <b>Assets:</b>  |   |                   |
| Cash and cash equivalents   | \$ 112,462  | \$ 119,305        |
| Accounts receivable, net  | 34,702  | 40,069            |
| Inventories, net  | 1,629   | 2,877             |
| Prepaid expenses  | 5,480   | 4,819             |
| Other current assets  | 1,042   | 893               |
| Total current assets  | 155,315   | 167,963           |
| Property and equipment, net   | 4,406   | 4,787             |
| Finance lease right-of-use assets, net  | 7,527   | 7,832             |
| Operating lease right-of-use assets, net  | 458   | 341               |
| Goodwill  | 17,922  | 17,922            |
| Intangible assets, net  | 33,801  | 37,415            |
| Other assets  | 1,223   | 1,137             |
| Total assets  | \$ 220,652  | \$ 237,397        |
| <b>Liabilities and Stockholders' Equity</b>   |   |                   |
| Liabilities:  |   |                   |
| Accounts payable and other accrued liabilities  | \$ 18,011   | \$ 22,551         |
| Accrued compensation and benefits   | 7,665   | 8,388             |
| Contract liabilities  | 7,203   | 6,444             |
| Finance lease obligations – current portion   | 1,625   | 1,592             |
| Operating lease obligations – current portion   | 494   | 361               |
| Other financing obligations – current portion   | —   | 1,247             |
| Other current liabilities   | 3,856   | 4,919             |
| Total current liabilities   | 38,854  | 45,502            |
| Finance lease obligations – non-current portion   | 10,832  | 11,248            |
| Operating lease liabilities – non-current portion   | —   | 27                |
| Other financing obligations – non-current portion   | —   | 7,211             |
| Deferred income taxes   | 770   | 758               |
| Other liabilities   | 301   | 297               |
| Total liabilities   | 50,757  | 65,043            |
| Commitments and contingencies   |   |                   |
| Stockholders' equity:   |   |                   |
| Common stock, \$0.001 par value, 250,000,000 shares authorized, 69,388,256 shares and 67,431,632 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively | 108   | 106               |
| Additional paid-in capital  | 420,980   | 412,708           |
| Accumulated other comprehensive income  | (42)  | (55)              |
| Accumulated deficit   | (251,151)   | (240,405)         |
| Total stockholders' equity  | 169,895   | 172,354           |
| Total liabilities and stockholders' equity  | 220,652   | 237,397           |

**TELOS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited)*

|  | For the Three Months Ended |                |
|--|----------------------------|----------------|
|  | March 31, 2023             | March 31, 2022 |
|  | <i>(in thousands)</i>      |                |
| <b>Cash flows from operating activities:</b>   |                            |                |
| Net loss   | \$ (10,746)                | \$ (16,616)    |
| <b>Adjustments to reconcile net loss to cash (used in)/provided by operating activities:</b> |                            |                |
| Stock-based compensation   | 9,499                      | 15,931         |
| Depreciation and amortization  | 1,425                      | 1,405          |
| Deferred income tax provision  | 12                         | 12             |
| Accretion of discount in acquisition holdback  | 2                          | 12             |
| Loss on disposal of fixed assets   | 1                          | —              |
| Provision for doubtful accounts  | 89                         | 95             |
| Amortization of debt issuance costs  | 17                         | —              |
| Gain on early extinguishment of other financing obligations                                  | (1,427)                    | —              |
| <b>Changes in other operating assets and liabilities:</b>                                    |                            |                |
| Accounts receivable  | 5,279                      | 2,014          |
| Inventories  | 1,248                      | (850)          |
| Prepaid expenses, other current assets, other assets   | (927)                      | (3,563)        |
| Accounts payable and other accrued payables  | (4,489)                    | 674            |
| Accrued compensation and benefits  | (364)                      | 495            |
| Contract liabilities   | 758                        | 655            |
| Other current liabilities  | (477)                      | (15)           |
| Net cash (used in)/provided by operating activities  | (100)                      | 249            |
| <b>Cash flows from investing activities:</b>   |                            |                |
| Capitalized software development costs   | (3,800)                    | (2,795)        |
| Purchases of property and equipment  | (223)                      | (546)          |
| Payment of DFT holdback amount   | (564)                      | —              |
| Net cash used in investing activities  | (4,587)                    | (3,341)        |
| <b>Cash flows from financing activities:</b>   |                            |                |
| Payments under finance lease obligations   | (383)                      | (351)          |
| Payment of tax withholding related to net share settlement of equity awards                  | (1,520)                    | (2,886)        |
| Repurchase of common stock   | (139)                      | —              |
| Payments for debt issuance costs   | (114)                      | —              |
| Net cash used in financing activities  | (2,156)                    | (3,237)        |
| Net change in cash, cash equivalents, and restricted cash                                    | (6,843)                    | (6,329)        |
| Cash, cash equivalents, and restricted cash, beginning of period                             | 119,438                    | 126,562        |
| Cash, cash equivalents, and restricted cash, end of period                                   | \$ 112,595                 | \$ 120,233     |

**Non-GAAP Financial Measures**  
(Unaudited)

**Reconciliation of Net Loss to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin**

|   | For the Three Months Ended    |          |                |          |
|---|-------------------------------|----------|----------------|----------|
|   | March 31, 2023                |          | March 31, 2022 |          |
|   | Amount                        | Margin   | Amount         | Margin   |
|   | <i>(dollars in thousands)</i> |          |                |          |
| Net loss  | \$ (10,746)                   | (30.5) % | \$ (16,616)    | (33.1) % |
| Other income  | (2,496)                       | (7.1) %  | (12)           | — %      |
| Interest expense                                    | 249                           | 0.7 %    | 190            | 0.4 %    |
| Provision for income taxes                          | 23                            | 0.1 %    | 71             | 0.1 %    |
| Depreciation and amortization                       | 1,425                         | 4.0 %    | 1,405          | 2.8 %    |
| EBITDA  | (11,545)                      | (32.8) % | (14,962)       | (29.8) % |
| Stock-based compensation expense <sup>(1)</sup>     | 9,499                         | 27.0 %   | 15,931         | 31.7 %   |
| Restructuring expenses/(adjustments) <sup>(2)</sup> | 1,200                         | 3.4 %    | —              | — %      |
| Adjusted EBITDA                                     | \$ (846)                      | (2.4) %  | \$ 969         | 1.9 %    |

<sup>(1)</sup> The Stock-based Compensation adjustment to EBITDA as of March 31, 2023, and 2022 is made up of \$7.9 million and \$14.3 million, respectively, of stock-based compensation expense for the awarded RSUs and PSUs, and \$1.6 million and \$1.7 million, respectively, of other sources of stock-based compensation 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 as to 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 out-of-quarter adjustments to this add back to Adjusted EBITDA.

<sup>(2)</sup> The restructuring expenses/(adjustments) to EBITDA include severance and other related benefit costs (including outplacement services and continuing health insurance coverage), external consulting and advisory fees related to implementing the restructuring plan.

**Reconciliation of Net Loss to Non-GAAP Adjusted Net Loss and Adjusted EPS**

|  | For the Three Months Ended                   |                             |                   |                             |
|--|--|-----------------------------|-------------------|-----------------------------|
|  | March 31, 2023                               |                             | March 31, 2022    |                             |
|  | Adjusted Net Loss                            | Adjusted Earnings Per Share | Adjusted Net Loss | Adjusted Earnings Per Share |
|  | <i>(in thousands, except per share data)</i> |                             |                   |                             |
| Net loss - GAAP measure                                    | \$ (10,746)                                  | \$ (0.16)                   | \$ (16,616)       | \$ (0.25)                   |
| Adjustments:   |  |                             |                   |                             |
| Other income   | (2,496)                                      | (0.04)                      | (12)              | —                           |
| Stock-based compensation expense <sup>(1)</sup>            | 9,499  | 0.14                        | 15,931            | 0.24                        |
| Restructuring expenses/(adjustments) <sup>(2)</sup>        | 1,200  | 0.02                        | —                 | —                           |
| Adjusted net loss - non-GAAP measure                       | \$ (2,543)                                   | \$ (0.04)                   | \$ (697)          | \$ (0.01)                   |
| Weighted-average shares of common stock outstanding, basic | 68,176                                       |                             | 67,559            |                             |

<sup>(1)</sup> The Stock-based Compensation adjustment to Net Loss as of March 31, 2023, and 2022 is made up of \$7.9 million and \$14.3 million, respectively, of stock-based compensation expense for the awarded RSUs and PSUs, and \$1.6 million and \$1.7 million, respectively, of other sources of stock-based compensation 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 as to 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 out-of-quarter adjustments to this add back to Adjusted Net Loss.

<sup>(2)</sup> The restructuring expenses/(adjustments) to net loss include severance and other related benefit costs (including outplacement services and continuing health insurance coverage), external consulting and advisory fees related to implementing the restructuring plan.

**Free Cash Flow**

|   | For the Three Months Ended |                   |
|---|----------------------------|-------------------|
|   | March 31, 2023             | March 31, 2022    |
|   | <i>(in thousands)</i>      |                   |
| Net cash (used in)/provided by operating activities | \$ (100)                   | \$ 249            |
| Adjustments:  |                            |                   |
| Purchases of property and equipment                 | (223)                      | (546)             |
| Capitalized software development costs              | (3,800)                    | (2,795)           |
| Free cash flow                                      | <u>\$ (4,123)</u>          | <u>\$ (3,092)</u> |