



First Quarter 2023 Earnings

May 10, 2023



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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 PERFORMANCE SUMMARY

DELIVERED \$35.2M OF REVENUE AND 38.3% GROSS MARGIN

1Q 2023 Summary

- Delivered \$35.2M of revenue
 - Security Solutions (“SS”) down 27% YoY (vs. guidance of down mid-20% to mid-30%); Down 35% sequentially; Results in line with guidance
 - Secure Networks (“SN”) down 34% YoY (vs. guidance of down mid-to-high 40%); Down sequentially 9%; Results exceeded guidance primarily due to better than expected supply chain performance late in the quarter (revenue pull-forward from 2Q)
- Delivered 38.3% gross margin
 - 38.3% vs. guidance of 33.5% to 34.5%
 - SS and SN outperformed primarily due to strong program management and better than expected utilization of billable labor
 - Revenue mix between SS and SN in line with expectations
- Below the line (BTL) expenses lower than projections due to lower D&A, higher capitalization of R&D, and lower miscellaneous R&D
- Delivered (\$0.8M) of Adjusted EBITDA, above high end of guidance range, due to better than expected gross profit and lower BTL expenses

	1Q 2023 Actual	1Q 2023 Guidance
Revenue	\$35.2M	\$30M to \$33M
Revenue Growth	-30% YoY -26% Sequential	-40% to -34% YoY -37% to -30% Sequential
Gross Profit	\$13.5M 38.3% margin +66 bps YoY	33.5% to 34.5% margin -312 to -412 bps YoY
Adjusted EBITDA ⁽¹⁾	(\$0.8M) -2.4% Margin	(\$6.5M) to (\$4.5M) -21.7% to -13.6% Margin
Adjusted EPS ⁽¹⁾	(\$0.04)	

Exceeded High End of Guidance Range on Key Financial Metrics

Notes:

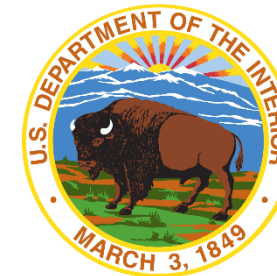
1. Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.



RECENT BUSINESS HIGHLIGHTS

NOTABLE EVENTS

- Key Xacta renewals include 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 **EY**
- AMHS achieved several major contract renewals
- Received a new, multi-year contract with the **National Geospatial-Intelligence Agency** for Xacta® products and services
- New customers for Designated Aviation Channeling services include Dubuque Regional Airport and Port of Seattle Airport

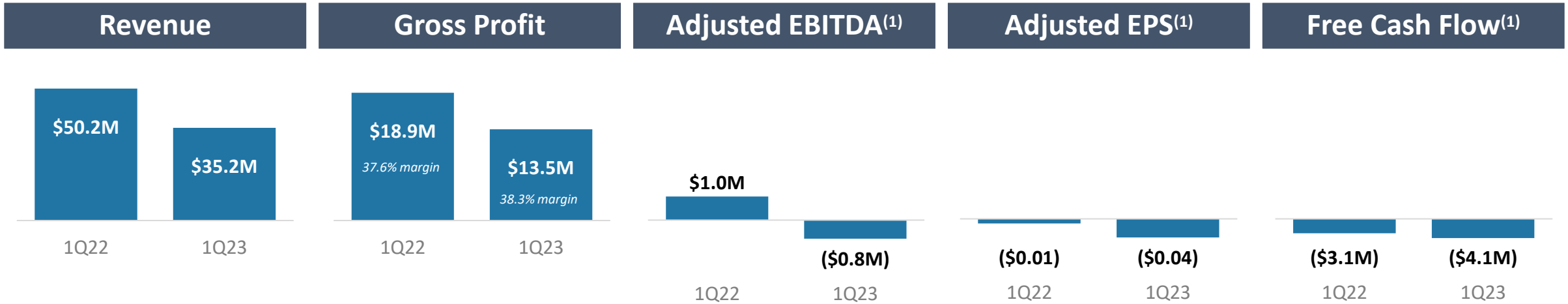


Achieved 100% Renewal Rate on Major Customer Contracts Across Portfolio in 1Q



FINANCIAL PERFORMANCE SUMMARY

1Q YEAR-OVER-YEAR COMPARISON



- Security Solutions down 27% to \$19.8M primarily due to lower revenues on two ongoing programs
- Secure Networks down 34% to \$15.4M primarily due to the successful completion of large programs

- Gross Profit down \$5.4M; Gross Margin expanded by 66 bps
- Favorable sales mix shift between SS and SN
- Lower share based compensation in cost of sales
- SS gross margins down 395 bps to 52% due to revenue pressure on high margin programs
- SN gross margins up 433 bps to 21% due to strong program management and completion of lower margin programs
- Adjusted EBITDA down \$1.8M to (\$0.8M); Below the line expense management partially offset gross profit reductions to buffer Adjusted EBITDA impact

- Lower gross profit partially offset by lower below the line expenses

- Slightly lower cash flow from operations and higher capex/capitalized R&D
- Ended the quarter with \$112M of cash, no debt, and an undrawn \$30M revolving credit facility

Expense Management Actions Buffer Adjusted EBITDA

Notes:

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



2023 OUTLOOK 2Q 2023

	Guidance	
	2Q 2023 Low End	2Q 2023 High End
Revenue	\$28M -50% YoY	\$32M -43% YoY
Adjusted EBITDA ⁽¹⁾	(\$8M)	(\$6M)

Assumptions

- SS revenue assumptions:
 - Down high-40% to mid-50% YoY (down high teens to mid-30% sequentially)
 - Primarily driven by Telos ID
- SN revenue assumptions:
 - Down mid-30% to low-40% YoY (approximately flat sequentially)
 - Primarily driven by the successful completion of large programs that generated significant revenue in 2022
- Gross margin down ~600 to ~950 bps YoY
 - Less favorable mix between SS and SN
 - SS to contribute approximately 48% to 50% (vs. 55% in 2022)
 - Lower share based compensation in cost of sales
 - SS gross margin down due to lower revenue on high margin programs
 - SN gross margin down primarily due to a short-term low margin program as well as the impact of fixed costs on lower sales
- Cash BTL expenses (i.e. adjusted for capitalized software, stock based compensation, restructuring costs, and D&A) approximately \$1M lower YoY
- Discrete cash payments totaling approximately \$6M in 2Q will likely create a sequential FCF headwind during the quarter (already contemplated in original full-year guidance)

Revenues And Margins Sequentially Lower Primarily Due To SN Revenue Pulled Forward Into 1Q and Telos ID

Notes:

- 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 of forward-looking Adjusted EBITDA is not available without unreasonable effort.



2023 OUTLOOK FULL YEAR 2023

	Guidance	
	FY 2023 Low End	FY 2023 High End
Revenue	\$115M <i>-47% YoY</i>	\$140M <i>-35% YoY</i>
Adjusted EBITDA ⁽¹⁾	(\$27M)	(\$17M)

Assumptions

- SS revenue assumptions:
 - Down low-30% to high-40% YoY
 - Expected lower revenues on two ongoing programs (~\$40M) and a program loss (~\$10M), partially offset by initial ramp of TSA PreCheck
 - Range primarily driven by risks and opportunities on pre-existing programs
- SN revenue assumptions:
 - Down low-to-high 40% YoY
 - Successful completion of large programs in 2022 and 2023 (~\$45M), and expected lower revenues on some ongoing programs (~\$5M)
- Assume new business wins in 2023 will primarily occur late in year and convert to revenue beginning in 2024
- Total company 1H revenues represent approximately half of full year revenue at midpoint of guide (vs. 49% in 2022)
- Gross margin flat to down 500 bps YoY
 - Both SS and SN down YoY primarily due to revenue pressure on higher margin programs
 - SS revenues weighted mid 50% to low 60% of total (vs. 56% in 2022)
- Cash BTL expenses (i.e. adjusted for capitalized software, stock based compensation, restructuring costs, and D&A) approximately \$4.5M lower excluding management reserve and approximately \$2.5M lower to \$2.5M higher including management reserve

Reaffirming 2023 Full Year Guidance

Notes:

1. 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 of forward-looking Adjusted EBITDA is not available without unreasonable effort.



SUMMARY

Exceeded high end of guidance range on key financial metrics

Expense management actions buffered adjusted EBITDA in the quarter

Highly liquid balance sheet with \$112M of cash, no debt, and an undrawn \$30M revolving credit facility with a \$30M expansion feature

2023 is a transition year focused on generating new business wins for 2024 and beyond

Appendix



NON-GAAP FINANCIAL MEASURES

In addition to its results determined in accordance with GAAP, the Company believes the non-GAAP financial measures of 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.



2023 ADDITIONAL MODELING INPUTS

	2022 Full Year	2023E Full Year	2023E 2Q	2023E Full Year YoY Commentary
Gross Margin	36.4%	31.5% to 36.5%	28.0% to 31.5%	<ul style="list-style-type: none"> Both SS and SN down YoY due to revenue pressure on high margin programs, partially offset by favorable mix shift between SS and SN
Share Based Compensation (SBC)	\$64.7M	\$35M - \$40M	\$8M - \$10M	<ul style="list-style-type: none"> Final vesting/amortization of IPO related grants through end of 2022 ~\$1M included in COS for FY, up to ~\$0.3M in COS for 2Q
Depreciation & Amortization	\$5.9M	\$11M to \$13M	\$2.5M to \$3.5M	<ul style="list-style-type: none"> Higher amortization and less capitalization due to development initiatives achieving key milestones ~90% is included in Below The Line Expenses
Share Count	67.6M	69M to 70M	~70M	
Tax Rate	(0.01%)	-	-	<ul style="list-style-type: none"> Not meaningful
Capex & Capitalized Software	\$13.7M	\$10.5M to \$11.5M	\$3.5M to \$4.5M	<ul style="list-style-type: none"> Higher amortization and less capitalization due to development initiatives achieving key milestones 2022 includes \$1M of CAPEX; 2023 includes ~\$1M - \$2M of CAPEX
Cash Below The Line Expenses ⁽¹⁾	\$77.6M	\$75M - \$80M	\$19M to \$20M	<ul style="list-style-type: none"> YoY expected to be lower due to \$6.5M of labor savings, partially offset by \$2M of misc. higher costs. Range includes management reserve of \$2M to \$7M
Below The Line Expenses ⁽²⁾	\$69.5M	\$76M - \$81M	\$18.5M to \$19.5M	<ul style="list-style-type: none"> YoY driven by cost savings and management reserve described above in addition to ~\$5.5M higher depreciation and ~\$3.5M lower R&D capitalization

Notes:

- Cash below the line expenses (adjusted for capitalized software, restructuring costs, share based compensation and D&A).
- P&L below the line expenses excluding share based compensation and restructuring costs (cash below the line expenses above plus D&A, net of R&D capitalization).



2023 1Q GAAP AND ADJUSTED RESULTS

(Amounts in thousands, unaudited)

	2023					2022				
	Q1					Q1				
	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Adjusted	
Revenue										
Security Solutions	19,773	-	-	-	19,773	26,919	-	-	26,919	
Secure Networks	15,449	-	-	-	15,449	23,241	-	-	23,241	
Total	35,222	-	-	-	35,222	50,160	-	-	50,160	
Gross Profit										
Security Solutions	10,274	272	-	-	10,546	15,051	857	-	15,908	
Secure Networks	3,208	54	-	-	3,262	3,820	150	-	3,970	
Total	13,482	326	-	-	13,808	18,871	1,007	-	19,878	
Gross Margin										
Security Solutions	52.0%	1.4%	0.0%	0.0%	53.3%	55.9%	3.2%	0.0%	59.1%	
Secure Networks	20.8%	0.3%	0.0%	0.0%	21.1%	16.4%	0.6%	0.0%	17.1%	
Total	38.3%	0.9%	0.0%	0.0%	39.2%	37.6%	2.0%	0.0%	39.6%	
SG&A										
Sales and Marketing	1,643	58	-	-	1,585	5,252	1,668	-	3,584	
Research and Development	2,833	770	-	-	2,063	5,430	1,295	-	4,135	
General and Administrative	21,976	8,345	-	1,200	12,431	24,556	11,961	-	12,595	
Total	26,452	9,173	-	1,200	16,079	35,238	14,924	-	20,314	
EBIT / Operating Income (Loss)	(12,970)	9,499	-	1,200	(2,271)	(16,367)	15,931	-	(436)	
Interest Expense	(249)	-	-	-	(249)	(190)	-	-	(190)	
Other Income (Expense)	2,496	-	(2,496)	-	-	12	-	(12)	-	
Earnings Before Taxes (EBT)	(10,723)	9,499	(2,496)	1,200	(2,520)	(16,545)	15,931	(12)	(626)	
Tax Provision	(23)	-	-	-	(23)	(71)	-	-	(71)	
Net Income (Loss)	(10,746)	9,499	(2,496)	1,200	(2,543)	(16,616)	15,931	(12)	(697)	
Share Count	68,176	68,176	68,176	68,176	68,176	67,559	67,559	67,559	67,559	
EPS	(0.16)	0.14	(0.04)	0.02	(0.04)	(0.25)	0.24	(0.00)	(0.01)	
Net Income (Loss)	(10,746)	9,499	(2,496)	1,200	(2,543)	(16,616)	15,931	(12)	(697)	
Other Income (Expense)	(2,496)	-	2,496	-	-	(12)	-	12	-	
Interest Expense	249	-	-	-	249	190	-	-	190	
Tax Provision	23	-	-	-	23	71	-	-	71	
Depreciation & Amortization	1,425	-	-	-	1,425	1,405	-	-	1,405	
EBITDA	(11,545)	9,499	-	1,200	(846)	(14,962)	15,931	-	969	
	Actuals					Actuals				
Cash Flow from Operations	(100)					249				
Capitalized Software	(3,800)					(2,795)				
PPE	(223)					(546)				
CAPEX	(4,023)					(3,341)				
Free Cash Flow	(4,123)					(3,092)				

Notes:

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



2022 GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

NOTE: As previously revised

	2022																					
	Q1				Q2				Q3				Q4				FY					
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted
Revenue																						
Security Solutions	26,919	-	-	26,919	30,819	-	-	30,819	32,440	-	-	32,440	30,276	-	-	-	30,276	120,454	-	-	-	120,454
Secure Networks	23,241	-	-	23,241	24,972	-	-	24,972	31,153	-	-	31,153	17,067	-	-	-	17,067	96,433	-	-	-	96,433
Total	50,160	-	-	50,160	55,791	-	-	55,791	63,593	-	-	63,593	47,343	-	-	-	47,343	216,887	-	-	-	216,887
Gross Profit																						
Security Solutions	15,051	857	-	15,908	16,433	747	-	17,180	15,577	823	-	16,400	14,887	579	-	355	15,821	61,948	3,007	-	355	65,310
Secure Networks	3,820	150	-	3,970	4,496	115	-	4,611	5,368	106	-	5,474	3,411	120	-	223	3,754	17,095	491	-	223	17,809
Total	18,871	1,007	-	19,878	20,929	862	-	21,791	20,945	929	-	21,874	18,298	700	-	578	19,576	79,043	3,498	-	578	83,119
Gross Margin																						
Security Solutions	55.9%	3.2%	0.0%	59.1%	53.3%	2.4%	0.0%	55.7%	48.0%	2.5%	0.0%	50.6%	49.2%	1.9%	0.0%	1.2%	52.3%	51.4%	2.5%	0.0%	0.3%	54.2%
Secure Networks	16.4%	0.6%	0.0%	17.1%	18.0%	0.5%	0.0%	18.5%	17.2%	0.3%	0.0%	17.6%	20.0%	0.7%	0.0%	1.3%	22.0%	17.7%	0.5%	0.0%	0.2%	18.5%
Total	37.6%	2.0%	0.0%	39.6%	37.5%	1.5%	0.0%	39.1%	32.9%	1.5%	0.0%	34.4%	38.6%	1.5%	0.0%	1.2%	41.3%	36.4%	1.6%	0.0%	0.3%	38.3%
SG&A																						
Sales and Marketing	5,252	1,668	-	3,584	4,741	1,420	-	3,321	3,042	611	-	2,431	3,547	969	-	187	2,391	16,582	4,668	-	187	11,727
Research and Development	5,430	1,295	-	4,135	4,489	692	-	3,797	3,981	897	-	3,084	3,018	922	-	221	1,875	16,918	3,805	-	221	12,891
General and Administrative	24,556	11,961	-	12,595	25,735	14,102	-	11,633	22,706	13,400	-	9,307	26,396	13,226	-	1,781	11,389	99,393	52,689	-	1,781	44,923
Total	35,238	14,924	-	20,314	34,965	16,214	-	18,751	29,729	14,907	-	14,822	32,961	15,117	-	2,189	15,655	132,893	61,162	-	2,189	69,541
EBIT / Operating Income (Loss)	(16,367)	15,931	-	(436)	(14,036)	17,076	-	3,040	(8,784)	15,836	-	7,052	(14,663)	15,817	-	2,767	3,921	(53,850)	64,660	-	2,767	13,578
Interest Expense	(190)	-	-	(190)	(187)	-	-	(187)	(181)	-	-	(181)	(316)	-	-	-	(316)	(874)	-	-	-	(874)
Other Income (Expense)	12	-	(12)	-	118	-	(118)	-	518	-	(518)	-	702	-	(702)	-	-	1,350	-	(1,350)	-	-
Earnings Before Taxes (EBT)	(16,545)	15,931	(12)	(626)	(14,105)	17,076	(118)	2,853	(8,447)	15,836	(518)	6,871	(14,277)	15,817	(702)	2,767	3,605	(53,374)	64,660	(1,350)	2,767	12,704
Tax Provision	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	79	-	-	-	79	(54)	-	-	-	(54)
Net Income (Loss)	(16,616)	15,931	(12)	(697)	(14,159)	17,076	(118)	2,799	(8,455)	15,836	(518)	6,863	(14,198)	15,817	(702)	2,767	3,684	(53,428)	64,660	(1,350)	2,767	12,649
Share Count	67,559	67,559	67,559	67,559	67,876	67,876	67,876	67,876	67,493	67,493	67,493	67,493	67,313	67,313	67,313	67,313	67,313	67,559	67,559	67,559	67,559	67,559
EPS	(0.25)	0.24	(0.00)	(0.01)	(0.21)	0.25	(0.00)	0.04	(0.13)	0.23	(0.01)	0.10	(0.21)	0.23	(0.01)	0.04	0.05	(0.79)	0.96	(0.02)	0.04	0.19
Net Income (Loss)	(16,616)	15,931	(12)	(697)	(14,159)	17,076	(118)	2,799	(8,455)	15,836	(518)	6,863	(14,198)	15,817	(702)	2,767	3,684	(53,428)	64,660	(1,350)	2,767	12,649
Other Income (Expense)	(12)	-	12	-	(118)	-	118	-	(518)	-	518	-	(702)	-	702	-	-	(1,350)	-	1,350	-	-
Interest Expense	190	-	-	190	187	-	-	187	181	-	-	181	316	-	-	-	316	874	-	-	-	874
Tax Provision	71	-	-	71	54	-	-	54	8	-	-	8	(79)	-	-	-	(79)	54	-	-	-	54
Depreciation & Amortization	1,405	-	-	1,405	1,505	-	-	1,505	1,517	-	-	1,517	1,463	-	-	-	1,463	5,890	-	-	-	5,890
EBITDA	(14,962)	15,931	-	969	(12,531)	17,076	-	4,545	(7,267)	15,836	-	8,569	(13,200)	15,817	-	2,767	5,384	(47,960)	64,660	-	2,767	19,467
Actuals																						
Cash Flow from Operations	249				7,883				11,986				(3,610)					16,508				
Capitalized Software	(2,795)				(2,339)				(3,446)				(4,128)					(12,708)				
PPE	(546)				(95)				(174)				(194)					(1,009)				
CAPEX	(3,341)				(2,434)				(3,620)				(4,322)					(13,717)				
Net cash - software presale	-				-				-				8,457					8,457				
Free Cash Flow	(3,092)				5,449				8,366				525					11,248				

Notes:

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





RECONCILIATIONS

EBITDA and Adjusted EBITDA (*Unaudited*)

	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 ⁽¹⁾	9,499	27.0%	15,931	31.7%
Restructuring expenses/(adjustments) ⁽²⁾	1,200	3.4%	-	-%
Adjusted EBITDA	\$ (846)	(2.4%)	\$ 969	1.9%

Notes:

1. 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 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.
2. 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.



RECONCILIATIONS

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

	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 ⁽¹⁾	9,499	0.14	15,931	0.24
Restructuring Expenses/(adjustments) ⁽²⁾	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	

Notes:

- 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 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.
- 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.



RECONCILIATIONS

Free Cash Flow (*Unaudited*)

	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>



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