



# Fourth Quarter and Full Year 2023 Earnings

March 15, 2024



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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 \$41.1M OF REVENUE AND 34.3% GAAP GROSS MARGIN

### 4Q 2023 Summary

- Delivered \$41.1M of revenue vs. guidance of \$30M to \$34M
  - Security Solutions (“SS”) down 32% YoY (vs. guidance of down high-30% to low-30%); Up 4% sequentially; Results in line with guidance
  - Secure Networks (“SN”) up 20% YoY (vs. guidance of down low-30% to mid-20%); Up 25% sequentially; Results exceeded guidance due to a \$7.8M product delivery that accelerated from 1Q 2024 (favorable supply chain performance)
- Delivered 34.3% GAAP gross margin (“GM”) vs. guidance of 35.1% to 36.4%
  - Excluding the lower-margin accelerated product delivery in SN, GAAP gross margin was 40.0%
    - Revenue mix was 62% SS, in line with guidance
    - Outperformance in SS due to better than forecasted pricing on a large program
    - Several fixed-price programs in SN outperformed due to cost management
- Below The Line (“BTL”) expenses, net of stock based compensation (“SBC”) and depreciation and amortization (“D&A”) slightly above guidance
- Adjusted EBITDA above high end of guidance range due to better than forecasted gross profit

	FY 2023 Actual	4Q 2023 Actual	4Q 2023 Guidance
Revenue	\$145.4M	\$41.1M	\$30M to \$34M
Revenue Growth	-33% YoY	-13% YoY +13% Sequential	-37% to -28% YoY -17% to -6% Sequential
GAAP Gross Profit	\$52.9M 36.4% GAAP GM - 3 bps YoY 39.5% Cash GM <sup>1</sup>	\$14.1M 34.3% GAAP GM -434 bps YoY 38.0% Cash GM <sup>1</sup>	35.1% to 36.4% GAAP GM -350 to -225 bps YoY
Adjusted EBITDA <sup>1</sup>	(\$5.4M) -3.7% Adj. EBITDA Margin <sup>1</sup>	(\$3.2M) -7.8% Adj. EBITDA Margin <sup>1</sup>	(\$6.5M) to (\$4.5M) -21.7% to -13.2% Adj. EBITDA Margin <sup>1</sup>
Adjusted EPS <sup>1</sup>	(\$0.23)	(\$0.09)	

**Exceeded High End of Revenue and Adjusted EBITDA Guidance Range**



**Notes:**

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



# FINANCIAL PERFORMANCE SUMMARY

## 2023 REVIEW

	Original Guidance <i>(4Q22 Earnings Call)</i>	Reaffirmed Guidance <i>(1Q23 Earnings Call)</i>	Raised Guidance <i>(2Q23 Earnings Call)</i>	Raised Guidance <i>(3Q23 Earnings Call)</i>	FY 2023 Actuals	FY Performance vs. Original Guidance
<b>Revenue</b>  <i>YoY</i>	<b>\$115M - \$140M</b>  <i>-47% to -35%</i>	<b>\$115M - \$140M</b>  <i>-47% to -35%</i>	<b>\$122M - \$137M</b>  <i>-44% to -37%</i>	<b>\$134M - \$138M</b>  <i>-38% to -36%</i>	<b>\$145.4M</b>  <i>-33.0%</i>	<ul style="list-style-type: none"> <li>SS revenue               <ul style="list-style-type: none"> <li>\$3.6M above midpoint</li> <li>Risk mitigation at low end of guidance range, strong renewal rates in IA and SC, new contract wins in SC, better than expected performance on TSA PreCheck®</li> </ul> </li> <li>SN revenue               <ul style="list-style-type: none"> <li>\$14.2M above midpoint</li> <li>Risk mitigation at low end of guidance range, favorable supply chain performance, and expanded revenues on a large program</li> </ul> </li> <li>GAAP gross margin outlook improved across portfolio               <ul style="list-style-type: none"> <li>SS above midpoint by 322 bps primarily due to revenue mix</li> <li>SN above midpoint by 430 bps due to strong program and cost management, including accelerated product delivery in 4Q</li> <li>GAAP gross profit up \$9.1M at midpoint (Cash gross profit<sup>1</sup> up \$11.7M)</li> </ul> </li> <li>BTL (Net of D&amp;A) more favorable than midpoint by ~\$5.0M               <ul style="list-style-type: none"> <li>Higher capitalization</li> <li>Disciplined cost management and results of restructuring</li> </ul> </li> </ul>
<b>GAAP Gross Margin</b>  <i>YoY</i>	<b>31.5% - 36.5%</b>  <i>-500 bps to Flat</i>	<b>31.5% - 36.5%</b>  <i>-500 bps to Flat</i>	<b>34.9% - 36.4%</b>  <i>-150 bps to Flat</i>	<b>36.8% - 37.0%</b>  <i>+35 bps to +60 bps</i>	<b>36.4%</b> <i>-3 bps</i>  <b>37.9%</b> <i>+149 bps</i> <small>excluding accelerated product delivery in 4Q</small>	
<b>Adjusted EBITDA<sup>1</sup></b>  <i>Adjusted EBITDA Margin<sup>1</sup></i>	<b>(\$27M) - (\$17M)</b>  <i>-23% to -12%</i>	<b>(\$27M) - (\$17M)</b>  <i>-23% to -12%</i>	<b>(\$19M) - (\$14M)</b>  <i>-16% to -10%</i>	<b>(\$9M) - (\$7M)</b>  <i>-7% to -5%</i>	<b>(\$5.4M)</b>  <i>-3.7%</i>	

**Exceeded Original Full Year Revenue and Adjusted EBITDA Guidance**



**Notes:**

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

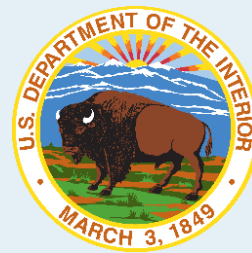


# RECENT BUSINESS HIGHLIGHTS

Telos' prime partners received awards on new programs worth up to \$525M to Telos' Security Solutions business over five years, subject to customary protest periods and favorable resolution of protests.

## OTHER NOTABLE EVENTS

- Awarded Xacta® renewals include the **U.S. Department of Energy** and a **large federal intelligence agency**, as well as new orders and incremental scope on existing contracts from the **U.S. Department of the Interior**, **U.S. Government Publishing Office**, multiple other **U.S. federal agencies**, the **Australian government**, and a **large well-known commercial customer in the technology sector**.
- Telos AMHS achieved several major contract renewals including with **the U.S. Special Operations Command**, **Intelligence Community Defense Information Systems Agency**, and several other **U.S. federal government customers**.
- Successful delivery and completion of a global satellite communications solution for the **U.S. Air Force** in Secure Networks.





# 2024 OUTLOOK

## 1Q 2024

	Guidance	
	1Q 2024 Low End	1Q 2024 High End
Revenue	\$28M <i>-21% YoY</i>	\$29M <i>-18% YoY</i>
Adjusted EBITDA <sup>1</sup>	(\$5.5M)	(\$5.0M)

### Assumptions

- Revenue range primarily driven by risks and opportunities on preexisting programs
- SS revenue assumptions:
  - Down low teens to HSD % YoY (down mid teens to low teens % sequentially)
    - Primarily driven by expected timing of revenue in Telos ID (“ID”) YoY, partially offset by significant growth in TSA PreCheck revenue
- SN revenue assumptions:
  - Down low-30% to high-20% YoY (down high to mid-40% sequentially)
    - Primarily driven by accelerated product delivery into 4Q 2023
- GAAP gross margin down ~400 bps YoY (approximately flat sequentially); Cash gross margin<sup>1</sup> approximately flat:
  - SS GM down primarily due to higher amortization of software development costs with some additional dilutive impact due to mix
  - SN GM down slightly
  - More favorable mix between SS and SN YoY
    - SS to contribute approximately 62% (vs. 56% in 1Q 2023)
- Cash BTL expenses (i.e. adjusted for capitalized software, stock based compensation, restructuring costs, and D&A) approximately \$0.3M higher primarily due to increased expenses associated with TSA PreCheck

**1Q Guidance Primarily Reflects Accelerated Product Delivery Into 4Q 2023**

**Notes:**

1. Cash Gross Margin and Adjusted EBITDA are non-GAAP financial measures. 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 Original Revenue and Adjusted EBITDA Range in 2023**

**Prime Partners Received New Program Awards Worth up to \$525M to Telos' Security Solutions Business Over Five Years, Subject to Customary Protest Periods and Favorable Resolution of Protests**

**Substantial Progress on New Business Capture Provides Path to Sequential Revenue Growth Later in 2024 and Significant Growth in 2025**

# Appendix





# 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, EBITDA Margin, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted Earnings Per Share ("EPS"), Cash Gross Profit, Cash Gross Margin, 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.

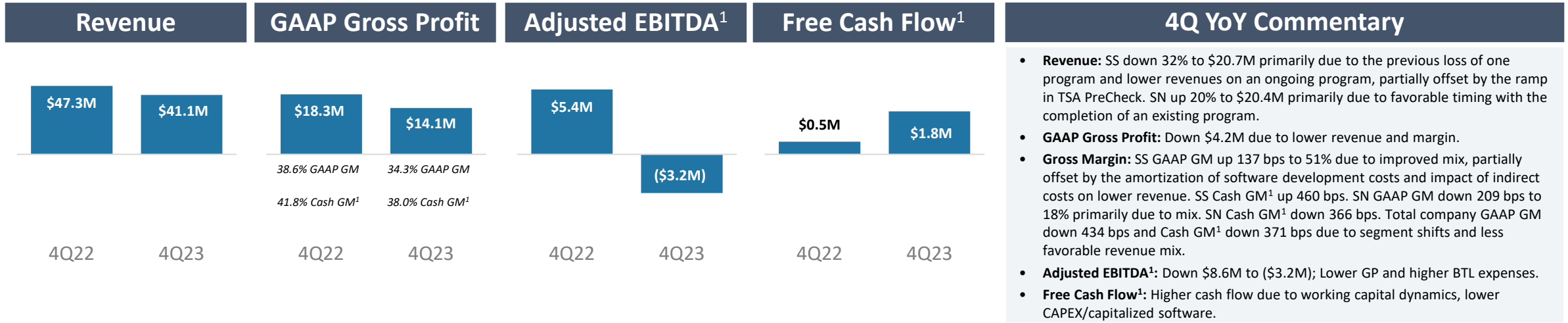
Telos believes that EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net(Loss)/Income and Adjusted EPS provide the Board, management and investors with a clear representation of the Company's core operating performance and trends, provide greater visibility into the long-term financial performance of the Company, and eliminate the impact of items that do not relate to the ongoing operating performance of the business. Further, Adjusted EBITDA and Adjusted EBITDA Margin are used by the Board and management to prepare and approve the Company's annual budget and to evaluate the performance of certain management personnel when determining incentive compensation. Cash Gross Profit and Cash Gross Margin provide management and investors a clear representation of the core economics of gross profit and gross margin without the impact of non-cash expenses and sunk costs expended. Telos uses Free Cash Flow to understand the cash flows that directly correspond with our operations and the investments the Company must make in those operations, using a methodology that combines operating cash flows and capital expenditures. Further, Free Cash Flow may be useful to management and investors in evaluating the Company's operating performance and liquidity. 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.



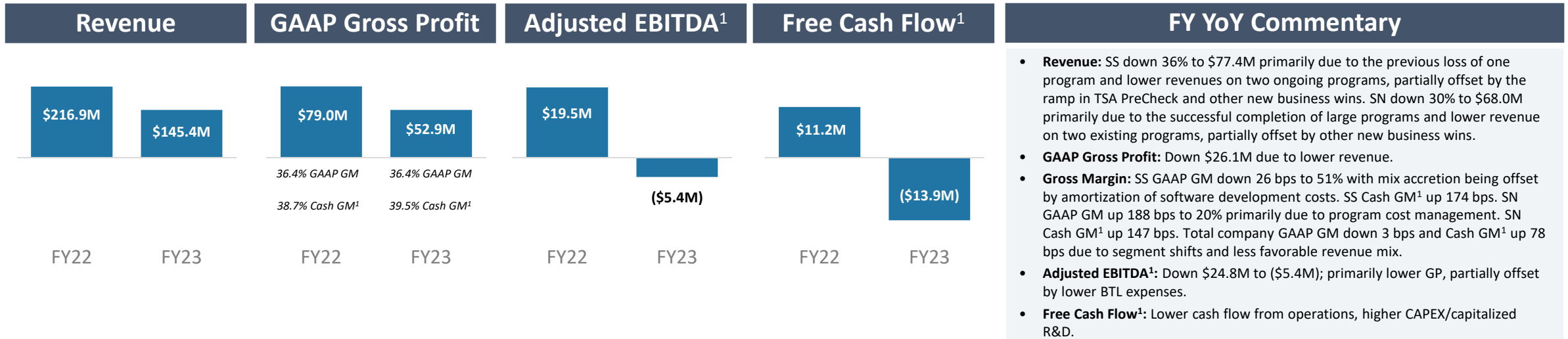
# FINANCIAL PERFORMANCE SUMMARY

## 4Q AND FY 2023 YEAR-OVER-YEAR COMPARISON

4Q YoY



FY YoY



**Notes:**

1. Adjusted EBITDA, Free Cash Flow (FCF) and Cash Gross Margin (GM) are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.



## 2024 OUTLOOK

# 2024 1Q ADDITIONAL MODELING INPUTS

	2023 Full Year	2023 1Q	2024E 1Q	2024E 1Q Commentary
GAAP Gross Margin	36.4%	38.3%	~34.3%	<ul style="list-style-type: none"> <li>SS down YoY, SN slightly down YoY</li> <li>More favorable revenue mix between SS and SN</li> <li>Cash gross margin<sup>1</sup> approximately flat YoY</li> </ul>
Stock Based Compensation (SBC)	\$24.4M	\$9.5M	~\$4.5M	<ul style="list-style-type: none"> <li>~\$0.2M in COS in 1Q 2024</li> </ul>
Depreciation & Amortization	\$9.4M	\$1.4M	~\$3.0M	<ul style="list-style-type: none"> <li>Higher amortization YoY due to development initiatives achieving key milestones</li> <li>~60% is included in BTL expenses in 1Q 2024</li> </ul>
Weighted Average Share Count	69.3M	68.2M	~70.5M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> <li>Not meaningful</li> </ul>
CAPEX & Capitalized Software	\$15.5M	\$4.0M	~\$3.0M	<ul style="list-style-type: none"> <li>~\$0.5M of CAPEX in 1Q 2024</li> </ul>
Cash Below The Line Expenses <sup>2</sup>	\$77.5M	\$18.8M	~\$19.0M	<ul style="list-style-type: none"> <li>YoY slightly higher primarily due to TSA PreCheck expenses</li> </ul>
Below The Line Expenses <sup>3</sup>	\$68.6M	\$16.1M	~\$18.4M	<ul style="list-style-type: none"> <li>YoY higher due to slightly higher spend described above in addition to higher depreciation and amortization and lower R&amp;D capitalization</li> </ul>

**Notes:**

1. Cash Gross Margin is a non-GAAP financial measure.
2. Cash below the line expenses (adjusted for capitalized software, restructuring costs, stock based compensation and D&A).
3. P&L below the line expenses excluding stock based compensation and restructuring costs (cash below the line expenses above plus D&A, net of R&D capitalization).



## Assumptions

### REVENUE

- **Preexisting programs** are expected to generate ~\$100M of revenue.
  - Assumes preexisting network of 26 TSA PreCheck enrollment centers. Any expansion of enrollment centers will provide additional revenue upside. Ultimately, full rollout of 500 enrollment centers could generate several tens of millions of dollars of additional revenue for a full calendar year. See appendix of 3Q 2023 earnings presentation for more detail.
  - ~55% of the ~\$100M of revenue is expected to be recognized in 1H.
  - Security Solutions is expected to comprise ~65% of the revenue from preexisting programs in 1H and ~75% in 2H.
- **New programs** currently under protest may generate over \$100M of revenue in some years. But for modeling purposes, we're currently assuming a more modest \$60M - \$85M of revenue contribution in a typical year. Provided the protests are resolved in our favor, we should capture a portion of that annual revenue starting sometime in the second half. All revenue from new programs under protest will be reported in Security Solutions.
- **Any additional new business wins** during the year could contribute additional upside.

### GROSS MARGIN

- **Overall GAAP gross margin** ~250bps to ~400bps lower year over year, primarily due to less favorable mix within each of Security Solutions and Secure Networks and higher amortization of capitalized software development costs in Security Solutions, partially offset by more favorable mix shift between Security Solutions and Secure Networks
- **Overall cash gross margin**<sup>1</sup> similar to 2023

### OTHER INPUTS

- Adjusted below the line expenses: ~\$5M+ higher due to lower capitalization
- Weighted average share count: LSD % dilution year over year
- Stock Based Compensation: Flat to down year over year
- Depreciation and amortization: ~\$13M



# 2023 GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2023																									
	Three Months Ended March 31, 2023					Three Months Ended June 30, 2023					Three Months Ended September 30, 2023					Three Months Ended December 31, 2023					Twelve Months Ended December 31, 2023					
	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	
<b>Revenue</b>																										
Security Solutions	\$ 19,773	\$ -	\$ -	\$ -	\$ 19,773	\$ 17,196	\$ -	\$ -	\$ -	\$ 17,196	\$ 19,795	\$ -	\$ -	\$ -	\$ 19,795	\$ 20,652	\$ -	\$ -	\$ -	\$ 20,652	\$ 77,416	\$ -	\$ -	\$ -	\$ 77,416	
Secure Networks	15,449	-	-	-	15,449	15,715	-	-	-	15,715	16,391	-	-	-	16,391	20,407	-	-	-	20,407	67,962	-	-	-	67,962	
<b>Total</b>	<b>35,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,222</b>	<b>32,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,911</b>	<b>36,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,186</b>	<b>41,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,059</b>	<b>145,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,378</b>	
<b>Gross Profit</b>																										
Security Solutions	10,274	272	-	-	10,546	9,551	153	-	-	9,704	9,354	63	-	-	9,417	10,435	180	-	-	10,615	39,614	668	-	-	40,282	
Secure Networks	3,208	54	-	-	3,262	2,808	72	-	-	2,880	3,659	10	-	-	3,669	3,653	96	-	-	3,749	13,328	232	-	-	13,560	
<b>Total</b>	<b>13,482</b>	<b>326</b>	<b>-</b>	<b>-</b>	<b>13,808</b>	<b>12,359</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>12,584</b>	<b>13,013</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>13,086</b>	<b>14,088</b>	<b>276</b>	<b>-</b>	<b>-</b>	<b>14,364</b>	<b>52,942</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>53,842</b>	
<b>Gross Margin</b>																										
Security Solutions	52.0%	1.4%	0.0%	0.0%	53.3%	55.5%	0.9%	0.0%	0.0%	56.4%	47.3%	0.3%	0.0%	0.0%	47.6%	50.5%	0.9%	0.0%	0.0%	51.4%	51.2%	0.9%	0.0%	0.0%	52.0%	
Secure Networks	20.8%	0.3%	0.0%	0.0%	21.1%	17.9%	0.5%	0.0%	0.0%	18.3%	22.3%	0.1%	0.0%	0.0%	22.4%	17.9%	0.5%	0.0%	0.0%	18.4%	19.6%	0.3%	0.0%	0.0%	20.0%	
<b>Total</b>	<b>38.3%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>39.2%</b>	<b>37.6%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>38.2%</b>	<b>36.0%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>36.2%</b>	<b>34.3%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>35.0%</b>	<b>36.4%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>37.0%</b>	
<b>SG&amp;A</b>																										
Sales and Marketing	1,643	58	-	-	1,585	1,793	43	-	-	1,750	1,728	24	-	-	1,704	1,958	63	-	-	1,895	7,122	188	-	-	6,934	
Research and Development	2,833	770	-	-	2,063	2,646	847	-	-	1,799	3,154	328	-	-	2,826	3,614	44	-	-	3,570	12,247	1,989	-	-	10,258	
General and Administrative	21,976	8,345	-	1,200	12,431	17,387	6,630	-	(3)	10,760	17,824	4,793	-	-	13,031	16,701	1,551	-	(65)	15,215	73,888	21,319	-	1,132	51,437	
<b>Total</b>	<b>26,452</b>	<b>9,173</b>	<b>-</b>	<b>1,200</b>	<b>16,079</b>	<b>21,826</b>	<b>7,520</b>	<b>-</b>	<b>(3)</b>	<b>14,309</b>	<b>22,706</b>	<b>5,145</b>	<b>-</b>	<b>-</b>	<b>17,561</b>	<b>22,273</b>	<b>1,658</b>	<b>-</b>	<b>(65)</b>	<b>20,680</b>	<b>93,257</b>	<b>23,496</b>	<b>-</b>	<b>1,132</b>	<b>68,629</b>	
<b>EBIT / Operating (Loss)/Income</b>	<b>(12,970)</b>	<b>9,499</b>	<b>-</b>	<b>1,200</b>	<b>(2,271)</b>	<b>(9,467)</b>	<b>7,745</b>	<b>-</b>	<b>(3)</b>	<b>(1,725)</b>	<b>(9,693)</b>	<b>5,218</b>	<b>-</b>	<b>-</b>	<b>(4,475)</b>	<b>(8,185)</b>	<b>1,934</b>	<b>-</b>	<b>(65)</b>	<b>(6,316)</b>	<b>(40,315)</b>	<b>24,396</b>	<b>-</b>	<b>1,132</b>	<b>(14,787)</b>	
Interest Expense	(249)	-	-	-	(249)	(184)	-	-	-	(184)	(178)	-	-	-	(178)	(175)	-	-	-	(175)	(786)	-	-	-	(786)	
Other Income	2,496	-	(2,496)	-	-	1,649	-	(1,649)	-	-	1,222	-	(1,222)	-	-	1,348	-	(1,348)	-	-	6,715	-	(6,715)	-	-	
<b>Earnings Before Taxes (EBT)</b>	<b>(10,723)</b>	<b>9,499</b>	<b>(2,496)</b>	<b>1,200</b>	<b>(2,520)</b>	<b>(8,002)</b>	<b>7,745</b>	<b>(1,649)</b>	<b>(3)</b>	<b>(1,909)</b>	<b>(8,649)</b>	<b>5,218</b>	<b>(1,222)</b>	<b>-</b>	<b>(4,653)</b>	<b>(7,012)</b>	<b>1,934</b>	<b>(1,348)</b>	<b>(65)</b>	<b>(6,491)</b>	<b>(34,386)</b>	<b>24,396</b>	<b>(6,715)</b>	<b>1,132</b>	<b>(15,573)</b>	
Provision for Income Taxes	(23)	-	-	-	(23)	(22)	-	-	-	(22)	(23)	-	-	-	(23)	32	-	-	-	32	(36)	-	-	-	(36)	
<b>Net (Loss)/Income</b>	<b>\$ (10,746)</b>	<b>\$ 9,499</b>	<b>\$ (2,496)</b>	<b>\$ 1,200</b>	<b>\$ (2,543)</b>	<b>\$ (8,024)</b>	<b>\$ 7,745</b>	<b>\$ (1,649)</b>	<b>\$ (3)</b>	<b>\$ (1,931)</b>	<b>\$ (8,672)</b>	<b>\$ 5,218</b>	<b>\$ (1,222)</b>	<b>\$ -</b>	<b>\$ (4,676)</b>	<b>\$ (6,980)</b>	<b>\$ 1,934</b>	<b>\$ (1,348)</b>	<b>\$ (65)</b>	<b>\$ (6,459)</b>	<b>\$ (34,422)</b>	<b>\$ 24,396</b>	<b>\$ (6,715)</b>	<b>\$ 1,132</b>	<b>\$ (15,609)</b>	
Share Count	68,176	68,176	68,176	68,176	68,176	69,424	69,424	69,424	69,424	69,424	69,571	69,571	69,571	69,571	69,571	69,832	69,832	69,832	69,832	69,832	69,256	69,256	69,256	69,256	69,256	
<b>EPS</b>	<b>\$ (0.16)</b>	<b>\$ 0.14</b>	<b>\$ (0.04)</b>	<b>\$ 0.02</b>	<b>\$ (0.04)</b>	<b>\$ (0.12)</b>	<b>\$ 0.11</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.03)</b>	<b>\$ (0.12)</b>	<b>\$ 0.08</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.07)</b>	<b>\$ (0.10)</b>	<b>\$ 0.03</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.09)</b>	<b>\$ (0.50)</b>	<b>\$ 0.35</b>	<b>\$ (0.10)</b>	<b>\$ 0.02</b>	<b>\$ (0.23)</b>	
<b>Net (Loss)/Income</b>	<b>\$ (10,746)</b>	<b>\$ 9,499</b>	<b>\$ (2,496)</b>	<b>\$ 1,200</b>	<b>\$ (2,543)</b>	<b>\$ (8,024)</b>	<b>\$ 7,745</b>	<b>\$ (1,649)</b>	<b>\$ (3)</b>	<b>\$ (1,931)</b>	<b>\$ (8,672)</b>	<b>\$ 5,218</b>	<b>\$ (1,222)</b>	<b>\$ -</b>	<b>\$ (4,676)</b>	<b>\$ (6,980)</b>	<b>\$ 1,934</b>	<b>\$ (1,348)</b>	<b>\$ (65)</b>	<b>\$ (6,459)</b>	<b>\$ (34,422)</b>	<b>\$ 24,396</b>	<b>\$ (6,715)</b>	<b>\$ 1,132</b>	<b>\$ (15,609)</b>	
Other Income	(2,496)	-	2,496	-	-	(1,649)	-	1,649	-	-	(1,222)	-	1,222	-	-	(1,348)	-	1,348	-	-	(6,715)	-	6,715	-	-	
Interest Expense	249	-	-	-	249	184	-	-	-	184	178	-	-	-	178	175	-	-	-	175	786	-	-	-	786	
Provision for Income Taxes	23	-	-	-	23	22	-	-	-	22	23	-	-	-	23	(32)	-	-	-	(32)	36	-	-	-	36	
Depreciation & Amortization	1,425	-	-	-	1,425	1,696	-	-	-	1,696	3,215	-	-	-	3,215	3,093	-	-	-	3,093	9,429	-	-	-	9,429	
<b>EBITDA</b>	<b>\$ (11,545)</b>	<b>\$ 9,499</b>	<b>\$ -</b>	<b>\$ 1,200</b>	<b>\$ (846)</b>	<b>\$ (7,771)</b>	<b>\$ 7,745</b>	<b>\$ -</b>	<b>\$ (3)</b>	<b>\$ (29)</b>	<b>\$ (6,478)</b>	<b>\$ 5,218</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,260)</b>	<b>\$ (5,092)</b>	<b>\$ 1,934</b>	<b>\$ -</b>	<b>\$ (65)</b>	<b>\$ (3,223)</b>	<b>\$ (30,886)</b>	<b>\$ 24,396</b>	<b>\$ -</b>	<b>\$ 1,132</b>	<b>\$ (5,358)</b>	
<b>Cash Flow from Operations</b>	<b>\$ (100)</b>					<b>\$ (4,113)</b>					<b>\$ 846</b>					<b>\$ 4,954</b>					<b>\$ 1,587</b>					
Capitalized Software	(3,800)					(4,398)					(3,762)					(2,592)					(14,552)					
PPE	(223)					(47)					(80)					(576)					(926)					
<b>CAPEX</b>	<b>(4,023)</b>					<b>(4,445)</b>					<b>(3,842)</b>					<b>(3,168)</b>					<b>(15,478)</b>					
<b>Free Cash Flow</b>	<b>\$ (4,123)</b>					<b>\$ (8,558)</b>					<b>\$ (2,996)</b>					<b>\$ 1,786</b>					<b>\$ (13,891)</b>					

**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																					
	Three Months Ended March 31, 2022				Three Months Ended June 30, 2022				Three Months Ended September 30, 2022				Three Months Ended December 31, 2022					Twelve Months Ended December 31, 2022				
	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
<b>Revenue</b>																						
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
<b>Total</b>	<b>50,160</b>	<b>-</b>	<b>-</b>	<b>50,160</b>	<b>55,791</b>	<b>-</b>	<b>-</b>	<b>55,791</b>	<b>63,593</b>	<b>-</b>	<b>-</b>	<b>63,593</b>	<b>47,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,343</b>	<b>216,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216,887</b>
<b>Gross Profit</b>																						
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	3,006	-	355	65,309
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
<b>Total</b>	<b>18,871</b>	<b>1,007</b>	<b>-</b>	<b>19,878</b>	<b>20,929</b>	<b>862</b>	<b>-</b>	<b>21,791</b>	<b>20,945</b>	<b>929</b>	<b>-</b>	<b>21,874</b>	<b>18,298</b>	<b>699</b>	<b>-</b>	<b>578</b>	<b>19,575</b>	<b>79,043</b>	<b>3,497</b>	<b>-</b>	<b>578</b>	<b>83,118</b>
<b>Gross Margin</b>																						
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%
<b>Total</b>	<b>37.6%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>39.6%</b>	<b>37.5%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>39.1%</b>	<b>32.9%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>34.4%</b>	<b>38.6%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>1.2%</b>	<b>41.3%</b>	<b>36.4%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>38.3%</b>
<b>SG&amp;A</b>																						
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	3,806	-	221	12,891
General and Administrative	24,556	11,961	-	12,595	25,735	14,102	-	11,633	22,706	13,399	-	9,307	26,396	13,227	-	1,781	11,388	99,393	52,689	-	1,781	44,923
<b>Total</b>	<b>35,238</b>	<b>14,924</b>	<b>-</b>	<b>20,314</b>	<b>34,965</b>	<b>16,214</b>	<b>-</b>	<b>18,751</b>	<b>29,729</b>	<b>14,907</b>	<b>-</b>	<b>14,822</b>	<b>32,961</b>	<b>15,118</b>	<b>-</b>	<b>2,189</b>	<b>15,654</b>	<b>132,893</b>	<b>61,163</b>	<b>-</b>	<b>2,189</b>	<b>69,541</b>
<b>EBIT / Operating (Loss)/Income</b>	<b>(16,367)</b>	<b>15,931</b>	<b>-</b>	<b>(436)</b>	<b>(14,036)</b>	<b>17,076</b>	<b>-</b>	<b>3,040</b>	<b>(8,784)</b>	<b>15,836</b>	<b>-</b>	<b>7,052</b>	<b>(14,663)</b>	<b>15,817</b>	<b>-</b>	<b>2,767</b>	<b>3,921</b>	<b>(53,850)</b>	<b>64,660</b>	<b>-</b>	<b>2,767</b>	<b>13,577</b>
Interest Expense	(190)	-	-	(190)	(187)	-	-	(187)	(181)	-	-	(181)	(316)	-	-	-	(316)	(874)	-	-	-	(874)
Other Income	12	-	(12)	-	118	-	(118)	-	518	-	(518)	-	702	-	(702)	-	-	1,350	-	(1,350)	-	-
<b>Earnings Before Taxes (EBT)</b>	<b>(16,545)</b>	<b>15,931</b>	<b>(12)</b>	<b>(626)</b>	<b>(14,105)</b>	<b>17,076</b>	<b>(118)</b>	<b>2,853</b>	<b>(8,447)</b>	<b>15,836</b>	<b>(518)</b>	<b>6,871</b>	<b>(14,277)</b>	<b>15,817</b>	<b>(702)</b>	<b>2,767</b>	<b>3,605</b>	<b>(53,374)</b>	<b>64,660</b>	<b>(1,350)</b>	<b>2,767</b>	<b>12,703</b>
(Provision for)/Benefit From Income Taxes	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	79	-	-	-	79	(54)	-	-	-	(54)
<b>Net (Loss)/Income</b>	<b>\$ (16,616)</b>	<b>\$ 15,931</b>	<b>\$ (12)</b>	<b>\$ (697)</b>	<b>\$ (14,159)</b>	<b>\$ 17,076</b>	<b>\$ (118)</b>	<b>\$ 2,799</b>	<b>\$ (8,455)</b>	<b>\$ 15,836</b>	<b>\$ (518)</b>	<b>\$ 6,863</b>	<b>\$ (14,198)</b>	<b>\$ 15,817</b>	<b>\$ (702)</b>	<b>\$ 2,767</b>	<b>\$ 3,684</b>	<b>\$ (53,428)</b>	<b>\$ 64,660</b>	<b>\$ (1,350)</b>	<b>\$ 2,767</b>	<b>\$ 12,649</b>
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
<b>EPS</b>	<b>\$ (0.25)</b>	<b>\$ 0.24</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ (0.21)</b>	<b>\$ 0.25</b>	<b>\$ -</b>	<b>\$ 0.04</b>	<b>\$ (0.13)</b>	<b>\$ 0.23</b>	<b>\$ (0.01)</b>	<b>\$ 0.10</b>	<b>\$ (0.21)</b>	<b>\$ 0.23</b>	<b>\$ (0.01)</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ (0.79)</b>	<b>\$ 0.96</b>	<b>\$ (0.02)</b>	<b>\$ 0.04</b>	<b>\$ 0.19</b>
<b>Net (Loss)/Income</b>	<b>\$ (16,616)</b>	<b>\$ 15,931</b>	<b>\$ (12)</b>	<b>\$ (697)</b>	<b>\$ (14,159)</b>	<b>\$ 17,076</b>	<b>\$ (118)</b>	<b>\$ 2,799</b>	<b>\$ (8,455)</b>	<b>\$ 15,836</b>	<b>\$ (518)</b>	<b>\$ 6,863</b>	<b>\$ (14,198)</b>	<b>\$ 15,817</b>	<b>\$ (702)</b>	<b>\$ 2,767</b>	<b>\$ 3,684</b>	<b>\$ (53,428)</b>	<b>\$ 64,660</b>	<b>\$ (1,350)</b>	<b>\$ 2,767</b>	<b>\$ 12,649</b>
Other Income	(12)	-	12	-	(118)	-	118	-	(518)	-	518	-	(702)	-	702	-	-	(1,350)	-	1,350	-	-
Interest Expense	190	-	-	190	187	-	-	187	181	-	-	181	316	-	-	316	874	-	-	-	874	
Provision for/(Benefit From) Income Taxes	71	-	-	71	54	-	-	54	8	-	-	8	(79)	-	-	(79)	(79)	-	-	-	(79)	
Depreciation & Amortization	1,405	-	-	1,405	1,505	-	-	1,505	1,517	-	-	1,517	1,463	-	-	1,463	5,890	-	-	-	5,890	
<b>EBITDA</b>	<b>\$ (14,962)</b>	<b>\$ 15,931</b>	<b>\$ -</b>	<b>\$ 969</b>	<b>\$ (12,531)</b>	<b>\$ 17,076</b>	<b>\$ -</b>	<b>\$ 4,545</b>	<b>\$ (7,267)</b>	<b>\$ 15,836</b>	<b>\$ -</b>	<b>\$ 8,569</b>	<b>\$ (13,200)</b>	<b>\$ 15,817</b>	<b>\$ -</b>	<b>\$ 2,767</b>	<b>\$ 5,384</b>	<b>\$ (47,960)</b>	<b>\$ 64,660</b>	<b>\$ -</b>	<b>\$ 2,767</b>	<b>\$ 19,467</b>
<b>Cash Flow from Operations</b>	<b>\$ 249</b>				<b>\$ 7,883</b>				<b>\$ 11,986</b>				<b>\$ (3,610)</b>					<b>\$ 16,508</b>				
Capitalized Software	(2,795)				(2,339)				(3,446)				(4,128)					(12,708)				
PPE	(546)				(95)				(174)				(194)					(1,009)				
<b>CAPEX</b>	<b>(3,341)</b>				<b>(2,434)</b>				<b>(3,620)</b>				<b>(4,322)</b>					<b>(13,717)</b>				
Net cash - software presale	-				-				-				8,457					8,457				
<b>Free Cash Flow</b>	<b>\$ (3,092)</b>				<b>\$ 5,449</b>				<b>\$ 8,366</b>				<b>\$ 525</b>					<b>\$ 11,248</b>				

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



# 2023 CASH GROSS PROFIT AND CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2023				
	Three Months Ended				Twelve Months Ended
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023
<b>Revenue</b>					
Security Solutions	\$ 19,773	\$ 17,196	\$ 19,795	\$ 20,652	\$ 77,416
Secure Networks	15,449	15,715	16,391	20,407	67,962
<b>Total</b>	<b>\$ 35,222</b>	<b>\$ 32,911</b>	<b>\$ 36,186</b>	<b>\$ 41,059</b>	<b>\$ 145,378</b>
<b>GAAP Gross Profit</b>					
Security Solutions	\$ 10,274	\$ 9,551	\$ 9,354	\$ 10,435	\$ 39,614
Secure Networks	3,208	2,808	3,659	3,653	13,328
<b>Total</b>	<b>\$ 13,482</b>	<b>\$ 12,359</b>	<b>\$ 13,013</b>	<b>\$ 14,088</b>	<b>\$ 52,942</b>
<b>GAAP Gross Margin</b>					
Security Solutions	52.0%	55.5%	47.3%	50.5%	51.2%
Secure Networks	20.8%	17.9%	22.3%	17.9%	19.6%
<b>Total</b>	<b>38.3%</b>	<b>37.6%</b>	<b>36.0%</b>	<b>34.3%</b>	<b>36.4%</b>
<b>Stock Based Compensation - Cost of Sales</b>					
Security Solutions	\$ 272	\$ 153	\$ 63	\$ 180	\$ 668
Secure Networks	54	72	10	96	232
<b>Total</b>	<b>\$ 326</b>	<b>\$ 225</b>	<b>\$ 73</b>	<b>\$ 276</b>	<b>\$ 900</b>
<b>Restructuring Costs - Cost of Sales</b>					
Security Solutions	\$ -	\$ -	\$ -	\$ -	\$ -
Secure Networks	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>					
Security Solutions	\$ 170	\$ 168	\$ 1,943	\$ 1,251	\$ 3,532
Secure Networks	6	2	2	2	12
<b>Total</b>	<b>\$ 176</b>	<b>\$ 170</b>	<b>\$ 1,945</b>	<b>\$ 1,253</b>	<b>\$ 3,544</b>
<b>Cash Gross Profit</b>					
Security Solutions	\$ 10,716	\$ 9,872	\$ 11,360	\$ 11,866	\$ 43,814
Secure Networks	3,268	2,882	3,671	3,751	13,572
<b>Total</b>	<b>\$ 13,984</b>	<b>\$ 12,754</b>	<b>\$ 15,031</b>	<b>\$ 15,617</b>	<b>\$ 57,386</b>
<b>Cash Gross Margin</b>					
Security Solutions	54.2%	57.4%	57.4%	57.5%	56.6%
Secure Networks	21.2%	18.3%	22.4%	18.4%	20.0%
<b>Total</b>	<b>39.7%</b>	<b>38.8%</b>	<b>41.5%</b>	<b>38.0%</b>	<b>39.5%</b>

**Notes:**

Cash Gross Profit and Cash Gross Margin are non-GAAP financial measures.



# 2022 CASH GROSS PROFIT AND CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2022				
	Three Months Ended				Twelve Months Ended
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2022
<b>Revenue</b>					
Security Solutions	\$ 26,919	\$ 30,819	\$ 32,440	\$ 30,276	\$ 120,454
Secure Networks	23,241	24,972	31,153	17,067	96,433
<b>Total</b>	<b>\$ 50,160</b>	<b>\$ 55,791</b>	<b>\$ 63,593</b>	<b>\$ 47,343</b>	<b>\$ 216,887</b>
<b>GAAP Gross Profit</b>					
Security Solutions	\$ 15,051	\$ 16,433	\$ 15,577	\$ 14,887	\$ 61,948
Secure Networks	3,820	4,496	5,368	3,411	17,095
<b>Total</b>	<b>\$ 18,871</b>	<b>\$ 20,929</b>	<b>\$ 20,945</b>	<b>\$ 18,298</b>	<b>\$ 79,043</b>
<b>GAAP Gross Margin</b>					
Security Solutions	55.9%	53.3%	48.0%	49.2%	51.4%
Secure Networks	16.4%	18.0%	17.2%	20.0%	17.7%
<b>Total</b>	<b>37.6%</b>	<b>37.5%</b>	<b>32.9%</b>	<b>38.6%</b>	<b>36.4%</b>
<b>Stock Based Compensation - Cost of Sales</b>					
Security Solutions	\$ 857	\$ 747	\$ 823	\$ 579	\$ 3,006
Secure Networks	150	115	106	120	491
<b>Total</b>	<b>\$ 1,007</b>	<b>\$ 862</b>	<b>\$ 929</b>	<b>\$ 699</b>	<b>\$ 3,497</b>
<b>Restructuring Costs - Cost of Sales</b>					
Security Solutions	\$ -	\$ -	\$ -	\$ 355	\$ 355
Secure Networks	-	-	-	223	223
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 578</b>	<b>\$ 578</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>					
Security Solutions	\$ 205	\$ 192	\$ 183	\$ 183	\$ 763
Secure Networks	7	7	8	8	30
<b>Total</b>	<b>\$ 212</b>	<b>\$ 199</b>	<b>\$ 191</b>	<b>\$ 191</b>	<b>\$ 793</b>
<b>Cash Gross Profit</b>					
Security Solutions	\$ 16,113	\$ 17,372	\$ 16,583	\$ 16,004	\$ 66,072
Secure Networks	3,977	4,618	5,482	3,762	17,839
<b>Total</b>	<b>\$ 20,090</b>	<b>\$ 21,990</b>	<b>\$ 22,065</b>	<b>\$ 19,766</b>	<b>\$ 83,911</b>
<b>Cash Gross Margin</b>					
Security Solutions	59.9%	56.4%	51.1%	52.9%	54.9%
Secure Networks	17.1%	18.5%	17.6%	22.0%	18.5%
<b>Total</b>	<b>40.1%</b>	<b>39.4%</b>	<b>34.7%</b>	<b>41.8%</b>	<b>38.7%</b>

**Notes:**

Cash Gross Profit and Cash Gross Margin are non-GAAP financial measures.





# RECONCILIATIONS

## EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin (*Unaudited*)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2023		2022		2023		2022	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
<i>(dollars in thousands)</i>								
Net loss	\$ (6,980)	(17.0)%	\$ (14,198)	(30.0)%	\$ (34,422)	(23.7)%	\$ (53,428)	(24.6)%
Other income	(1,348)	(3.2)%	(702)	(1.5)%	(6,715)	(4.6)%	(1,350)	(0.6)%
Interest expense	175	0.4 %	316	0.7 %	786	0.5 %	874	0.4 %
Provision for income taxes	(32)	(0.1)%	(79)	(0.2)%	36	— %	54	— %
Depreciation and amortization	3,093	7.5 %	1,463	3.1 %	9,429	6.5 %	5,890	2.7 %
EBITDA (Non-GAAP)	(5,092)	(12.4)%	(13,200)	(27.9)%	(30,886)	(21.3)%	(47,960)	(22.1)%
Stock-based compensation expense <sup>(1)</sup>	1,934	4.7 %	15,817	33.4 %	24,396	16.8 %	64,660	29.8 %
Restructuring expenses <sup>(2)</sup>	(65)	(0.1)%	2,767	5.9 %	1,132	0.8 %	2,767	1.3 %
Adjusted EBITDA (Non-GAAP)	\$ (3,223)	(7.8)%	\$ 5,384	11.4 %	\$ (5,358)	(3.7)%	\$ 19,467	9.0 %

### Notes:

- (1) The stock-based compensation adjustment to EBITDA is made up of stock-based compensation expense for the awarded restricted stock units (“RSUs”), performance-based restricted stock units (“PSUs”), stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$4.1 million and \$22.9 million for the three and twelve months ended December 31, 2023, respectively, and \$15.7 million and \$62.5 million for the three and twelve months ended December 31, 2022, respectively. Stock-based compensation (adjustment)/expense from other sources was \$(2.1) million and \$1.5 million for the three and twelve months ended December 31, 2023, respectively, and \$0.1 million and \$2.1 million for the three and twelve months ended December 31, 2022, respectively. 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 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 December 31,				For the Year Ended December 31,			
	2023		2022		2023		2022	
	Amount	Earnings Per Share	Amount	Earnings Per Share	Amount	Earnings Per Share	Amount	Earnings Per Share
	<i>(in thousands, except per share data)</i>							
Net loss	\$ (6,980)	\$ (0.10)	\$ (14,198)	\$ (0.21)	\$ (34,422)	\$ (0.50)	\$ (53,428)	\$ (0.79)
Adjustments:								
Other income	(1,348)	(0.02)	(702)	(0.01)	(6,715)	(0.10)	(1,350)	(0.02)
Stock-based compensation expense <sup>(1)</sup>	1,934	0.03	15,817	0.23	24,396	0.35	64,660	0.96
Restructuring expenses <sup>(2)</sup>	(65)	—	2,767	0.04	1,132	0.02	2,767	0.04
Adjusted net (loss)/income (Non-GAAP)	<u>\$ (6,459)</u>	<u>\$ (0.09)</u>	<u>\$ 3,684</u>	<u>\$ 0.05</u>	<u>\$ (15,609)</u>	<u>\$ (0.23)</u>	<u>\$ 12,649</u>	<u>\$ 0.19</u>
Weighted-average shares of common stock outstanding, basic	69,832		67,313		69,256		67,559	

### Notes:

- (1) The stock-based compensation adjustment to EBITDA is made up of stock-based compensation expense for the awarded RSUs, PSUs, stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$4.1 million and \$22.9 million for the three and twelve months ended December 31, 2023, respectively, and \$15.7 million and \$62.5 million for the three and twelve months ended December 31, 2022, respectively. Stock-based compensation (adjustment)/expense from other sources was \$(2.1) million and \$1.5 million for the three and twelve months ended December 31, 2023, respectively, and \$0.1 million and \$2.1 million for the three and twelve months ended December 31, 2022, respectively. 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)/Income.
- (2) The restructuring expenses 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

## Cash Gross Profit and Cash Gross Margin (*Unaudited*)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2023		2022		2023		2022	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(dollars in thousands)</i>							
Gross profit	\$ 14,088	34.3 %	\$ 18,298	38.6 %	\$ 52,942	36.4 %	\$ 79,043	36.4 %
Adjustments:								
Stock-based compensation expense — cost of sales	276	0.7 %	699	1.5 %	900	0.6 %	3,497	1.6 %
Depreciation and amortization — cost of sales	1,253	3.0 %	191	0.4 %	3,544	2.5 %	793	0.4 %
Restructuring expenses — cost of sales	—	— %	578	1.3 %	—	— %	578	0.3 %
Cash gross profit (Non-GAAP)	\$ 15,617	38.0 %	\$ 19,766	41.8 %	\$ 57,386	39.5 %	\$ 83,911	38.7 %



# RECONCILIATIONS

## Free Cash Flow (*Unaudited*)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Net cash flows provided by/(used in) operating activities	\$ 4,954	\$ (3,610)	\$ 1,587	\$ 16,508
Adjustments:				
Purchases of property and equipment	(576)	(194)	(926)	(1,009)
Capitalized software development costs	(2,592)	(4,128)	(14,552)	(12,708)
Net cash proceeds from resale of software	—	8,457	—	8,457
Free cash flow (Non-GAAP)	<u>\$ 1,786</u>	<u>\$ 525</u>	<u>\$ (13,891)</u>	<u>\$ 11,248</u>



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