



First Quarter 2026 Financial Results

May 11, 2026

Telos Corporation Reports 56% Revenue Growth and Continued Strong Profitability and Cash Flow Margins; Reaffirms Full Year Outlook

- **Substantial Growth:** Revenue grew 56% year-over-year to \$47.7 million, exceeding guidance, and driven by 78% growth in Security Solutions primarily due to the expansion of large programs in Telos ID.
- **Healthy Gross Margins:** GAAP Gross Margin and Cash Gross Margin¹ both exceeded guidance assumptions primarily due to performance in Telos ID. GAAP Gross Margin was 36.4% and Cash Gross Margin¹ was 42.3%.
- **Rigorous Expense Discipline:** GAAP Operating Expenses decreased 25% year-over-year primarily due to lower stock-based compensation expense. Adjusted Operating Expenses¹ decreased 8% primarily due to restructuring and cost management initiatives.
- **Expanding Operating Margins:** GAAP Net Income was \$2.0 million. Adjusted EBITDA¹ was \$7.9 million, exceeding guidance. Adjusted EBITDA Margin¹ expanded from 1.2% to 16.5% year-over-year primarily due to revenue growth in Telos ID and lower operating expenses.
- **Robust Cash Flow Margins:** Cash Flow from Operations was \$8.7 million, or 18.1% of revenue. Free Cash Flow¹ increased 69% year-over-year to \$6.4 million. Free Cash Flow Margin¹ increased from 12.3% to 13.4%.
- **Continued Share Repurchases.** Deployed \$2.2 million to repurchase 0.5 million shares at an average price of \$4.25 per share in the first quarter of 2026. Repurchases expected to accelerate in the second quarter.
- **Forecast:** Year-over-year double-digit revenue growth, lower operating expenses, and Adjusted EBITDA Margin² expansion as well as robust cash flow and accelerated share repurchases in the second quarter. Reaffirming full year outlook.

Financial Guidance for the Second Quarter and Full Year

	Second Quarter	Full Year
Revenue	\$44.0 million - \$46.0 million	\$187 million - \$200 million
Year-Over-Year Growth	22% - 28%	14% - 21%
Adjusted EBITDA ²	\$5.0 million - \$6.0 million	\$20.6 million - \$28.0 million
Adjusted EBITDA Margin ²	11.4% - 13.0%	11.0% - 14.0%

¹ Cash Gross Margin, Adjusted Operating Expenses, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow and Free Cash Flow Margin are non-GAAP financial measures. Refer to "Non- GAAP Financial Measures" below.

² Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. The Company has not provided a reconciliation to the most directly comparable GAAP measure to these forward-looking non-GAAP financial measures because certain items are out of the Company's control or cannot be reasonably predicted. Accordingly, reconciliations of forward-looking Adjusted EBITDA and Adjusted EBITDA Margin are not available without unreasonable effort.

First Quarter 2026 Financial Highlights

	Three Months Ended	
	March 31, 2026	March 31, 2025
	<i>(amounts in millions, except per share data)</i>	
Revenue	\$ 47.7	\$ 30.6
Gross Profit	\$ 17.4	\$ 12.2
Gross Margin	36.4 %	39.8 %
Adjusted Gross Profit ¹	\$ 17.6	\$ 12.4
Adjusted Gross Margin ¹	36.9 %	40.4 %
Cash Gross Profit ¹	\$ 20.2	\$ 13.9
Cash Gross Margin ¹	42.3 %	45.3 %
GAAP Net Income (Loss)	\$ 2.0	\$ (8.6)
Adjusted Net Income (Loss) ¹	\$ 4.3	\$ (2.1)
EBITDA ¹	\$ 4.9	\$ (6.7)
Adjusted EBITDA ¹	\$ 7.9	\$ 0.4
Adjusted EBITDA Margin ¹	16.5 %	1.2 %
GAAP EPS, basic	\$ 0.03	\$ (0.12)
Weighted-average Shares of Common Stock Outstanding, basic (GAAP)	73.8	72.7
GAAP EPS, diluted ²	\$ 0.03	\$ (0.12)
Weighted-average Shares of Common Stock Outstanding, diluted/basic ² (GAAP)	77.6	72.7
Adjusted EPS ¹	\$ 0.06	\$ (0.03)
Weighted-average Shares of Common Stock Outstanding, diluted/basic ² (non-GAAP)	77.6	72.7
Cash Flow from Operations	\$ 8.7	\$ 6.1
Free Cash Flow ¹	\$ 6.4	\$ 3.8
Free Cash Flow Margin ¹	13.4%	12.3%

¹ Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Net Income (Loss), EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Free Cash Flow and Free Cash Flow Margin are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" below.

² This line is labeled "diluted/basic" because for a period of net loss, potentially dilutive shares are not included in the calculation of diluted earnings (loss) per share, because to do so would be anti-dilutive. For the first quarter of 2025, the basic and diluted weighted-average share of common stock outstanding are the same due to a net loss position. For the first quarter of 2026, the basic and diluted weighted-average share of common stock outstanding are different due to a net income position.

Forward-Looking Statements

This summary 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, 2025, 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.

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 summary. 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 our results determined in accordance with U.S. GAAP, we believe the non-GAAP financial measures of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted Earnings Per Share ("EPS"), Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow and Free Cash Flow Margin are useful in evaluating our operating and cash flow performance. We believe that this non-GAAP financial information, when taken collectively with our GAAP results, may be helpful to readers of our 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, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Cash Operating Expenses, and Adjusted Operating Expenses provide the Board of Directors, 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 is used by the Board of Directors and management to prepare and approve the Company's annual budget, and to evaluate the performance of certain management personnel when determining incentive compensation. Adjusted Gross Profit, Cash Gross Profit, Adjusted Gross Margin 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 and Free Cash Flow Margin 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 and cash flow performance and liquidity, and the Board of Directors uses this measure 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 and cash 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, EBITDA Margin, Adjusted EBITDA Margin, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow and Free Cash Flow Margin are supplemental measures of operating and cash flow performance that are not made under GAAP and do not represent, and should not be considered as an alternative to gross profit, gross margin, net (loss) income, earnings per share, operating expenses or net cash flows (used in) provided by operating activities, as determined by GAAP.

The Company defines EBITDA as net income (loss), adjusted for non-operating (income) expense, interest expense, provision for (benefit from) income taxes, and depreciation and amortization. The Company defines Adjusted EBITDA as EBITDA, adjusted for stock-based compensation expense, impairment loss on goodwill and intangible assets, and restructuring expenses (adjustments). The Company defines EBITDA Margin, as EBITDA as a percentage of total revenue. The Company defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue. The Company defines Incremental Adjusted EBITDA as the net change between current and prior year Adjusted EBITDA. The Company defines Incremental Adjusted EBITDA Margin as Incremental Adjusted EBITDA as a percentage of the net change between current and prior year total revenue. The Company defines Adjusted Net Income (Loss) as net (loss) income, adjusted for non-operating (income) expense, stock-based compensation expense, impairment loss on goodwill and intangible assets, 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. The Company defines Adjusted Gross Profit as gross profit, plus stock-based compensation expense, impairment loss on intangible assets, and restructuring expenses charged under cost of sales. The Company defines Adjusted Gross Margin as Adjusted Gross Profit as a percentage of total revenue. The Company defines Cash Gross Profit as Adjusted Gross Profit, plus depreciation and amortization. The Company defines Cash Gross Margin as Cash Gross Profit as a percentage of total revenue. The Company defines Adjusted Operating Expenses as operating expenses, adjusted for stock-based compensation expenses, impairment loss on goodwill and intangible assets, and restructuring expenses (adjustments). The Company defines Cash Operating Expenses as Adjusted Operating Expenses, adjusted for depreciation and amortization, and capitalized software development costs. Free Cash Flow is defined as net cash (used in) provided by operating activities, less net purchases of property and equipment, and capitalized software development costs. The Company defines Free Cash Flow Margin as Free Cash Flow as a percentage of total revenue.

EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow, and Free Cash Flow Margin 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, each of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow and Free Cash Flow Margin does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments, does not reflect the impact of certain cash and non-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, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow and Free Cash Flow Margin differently than Telos does, which limits its usefulness as a comparative measure. Because of these limitations, neither EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Adjusted Operating Expenses, Cash Operating Expenses, Free Cash Flow, nor Free Cash Flow Margin should be considered as a replacement for gross profit, gross margin, net (loss) income, earnings per share, operating expenses, net cash flows (used in) provided by operating activities, or operating cash flow margin 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 efficient, adaptable, and secure solutions that safeguard people, systems, and information. We deliver advanced capabilities across cyber governance, risk, and compliance (GRC) with Xacta[®]; identity and biometric solutions; secure networks and communications; and TSA PreCheck[®] enrollment services. Serving the U.S. federal government, regulated industries, and global enterprises, Telos helps customers stay ahead of evolving threats, accelerate compliance, and achieve mission success. Driven by purpose and guided by our core values, we build trusted partnerships, deliver superior solutions, and help create a more secure, interconnected world. Learn more at www.telos.com.

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TELOS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	March 31, 2026	March 31, 2025
	<i>(in thousands, except per share amounts)</i>	
Revenue – Security Solutions	\$ 45,970	\$ 25,818
Revenue – Secure Networks	1,772	4,798
Total revenue	47,742	30,616
Cost of sales – Security Solutions (excluding depreciation and amortization)	26,514	13,257
Cost of sales – Secure Networks (excluding depreciation and amortization)	1,257	3,674
Depreciation and amortization	2,596	1,503
Total cost of sales	30,367	18,434
Gross profit	17,375	12,182
Operating expenses		
Research and development expenses	1,357	1,571
Selling, general and administrative expenses	14,563	19,633
Total operating expenses	15,920	21,204
Operating income (loss)	1,455	(9,022)
Other income	697	561
Interest expense	(111)	(147)
Income (loss) before income taxes	2,041	(8,608)
(Provision for) benefit from income taxes	(18)	4
Net income (loss)	\$ 2,023	\$ (8,604)
Net income (loss) per share:		
Basic	\$ 0.03	\$ (0.12)
Diluted	\$ 0.03	\$ (0.12)
Weighted-average number of shares outstanding:		
Basic	73,822	72,715
Diluted	77,615	72,715

TELOS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2026	December 31, 2025
	<i>(in thousands, except per share amount and share data)</i>	
Assets:		
Cash and cash equivalents	\$ 50,230	\$ 53,180
Accounts receivable, net	16,425	17,000
Prepaid expenses	10,963	10,565
Deferred program expenses	14,326	10,006
Other current assets	3,681	3,662
Total current assets	<u>95,625</u>	<u>94,413</u>
Property and equipment, net	2,694	3,071
Finance lease right-of-use assets, net	3,865	4,170
Operating lease right-of-use assets, net	354	410
Goodwill, net	3,006	3,006
Intangible assets, net	29,808	30,281
Other assets	4,543	4,513
Total assets	<u>\$ 139,895</u>	<u>\$ 139,864</u>
Liabilities and Stockholders' Equity:		
Liabilities:		
Accounts payable	\$ 2,583	\$ 4,087
Accrued liabilities	6,614	6,900
Accrued compensation and benefits	7,363	12,309
Contract liabilities – current portion	18,096	11,223
Finance lease obligations – current portion	2,072	2,033
Operating lease obligations – current portion	254	232
Total current liabilities	<u>36,982</u>	<u>36,784</u>
Contract liabilities – non-current portion	951	1,124
Finance lease obligations – non-current portion	5,078	5,608
Operating lease obligations – non-current portion	125	186
Deferred income taxes	55	53
Other liabilities	173	159
Total liabilities	<u>43,364</u>	<u>43,914</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value, 250,000,000 shares authorized, 74,819,175 shares and 72,773,272 shares issued and outstanding as of March 31, 2026, and December 31, 2025, respectively	113	111
Additional paid-in capital	458,392	459,828
Accumulated other comprehensive loss	(104)	(96)
Accumulated deficit	(361,870)	(363,893)
Total stockholders' equity	<u>96,531</u>	<u>95,950</u>
Total liabilities and stockholders' equity	<u>\$ 139,895</u>	<u>\$ 139,864</u>

TELOS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	March 31, 2026	March 31, 2025
	<i>(in thousands)</i>	
Cash flows from operating activities:		
Net income (loss)	\$ 2,023	\$ (8,604)
Adjustments to reconcile net income (loss) to cash flows from operations:		
Stock-based compensation	2,971	7,048
Depreciation and amortization	3,429	2,336
Loss on disposal of fixed assets	51	—
Amortization of debt issuance costs	8	17
Provision for (benefit from) deferred income tax	2	(4)
Provision for (recovery from) doubtful accounts	1	(5)
Changes in other operating assets and liabilities:		
Accounts receivable	575	427
Prepaid expenses, deferred program expenses, other current assets and other assets	(3,749)	3,016
Accounts payable	(1,564)	(88)
Accrued compensation and benefits	(533)	375
Contract liabilities	6,699	(93)
Accrued liabilities and other liabilities	(1,257)	1,681
Net cash provided by operating activities	8,656	6,106
Cash flows from investing activities:		
Capitalized software development costs	(2,132)	(2,214)
Purchases of property and equipment	(145)	(123)
Net cash used in investing activities	(2,277)	(2,337)
Cash flows from financing activities:		
Payments under finance lease obligations	(491)	(452)
Payment of tax withholding related to net share settlement of equity awards	(6,619)	(104)
Repurchases of common stock	(2,198)	—
Payments for debt issuance costs	(21)	—
Net cash used in financing activities	(9,329)	(556)
Net change in cash, cash equivalents, and restricted cash	(2,950)	3,213
Cash, cash equivalents, and restricted cash, beginning of period	53,320	54,717
Cash, cash equivalents, and restricted cash, end of period	\$ 50,370	\$ 57,930

NON-GAAP FINANCIAL MEASURES

(Unaudited)

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA; Net Income (Loss) Margin to EBITDA Margin and Adjusted EBITDA Margin; Incremental Net Income (Loss) and Net Income (Loss) Margin to Incremental Adjusted EBITDA and Incremental Adjusted EBITDA Margin

	For the Three Months Ended					
	March 31, 2026		March 31, 2025		Year-over-Year Change	
	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(dollars in thousands)</i>					
Net income (loss)	\$ 2,023	4.2 %	\$ (8,604)	(28.1) %	\$ 10,627	62.1 %
Other income	(697)	(1.5) %	(561)	(1.8) %	(136)	(0.8) %
Interest expense	111	0.2 %	147	0.5 %	(36)	(0.2) %
Provision for (benefit from) income taxes	18	0.1 %	(4)	— %	22	0.1 %
Depreciation and amortization	3,429	7.2 %	2,336	7.6 %	1,093	6.4 %
EBITDA (Non-GAAP)	4,884	10.2 %	(6,686)	(21.8) %	11,570	67.6 %
Stock-based compensation expense ⁽¹⁾	2,971	6.3 %	7,048	23.0 %	(4,077)	(23.8) %
Adjusted EBITDA (Non-GAAP)	\$ 7,855	16.5 %	\$ 362	1.2 %	\$ 7,493	43.8 %

⁽¹⁾ The stock-based compensation expense to EBITDA as of March 31, 2026, and 2025 is made up of \$1.7 million and \$5.5 million, respectively, of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and \$1.2 million and \$1.5 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash 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.

Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss), and EPS to Adjusted EPS

	For the Three Months Ended	
	March 31, 2026	March 31, 2025
	<i>(in thousands, except per share data)</i>	
Net income (loss)	\$ 2,023	\$ (8,604)
Adjustments:		
Other income	(697)	(561)
Stock-based compensation expense ⁽¹⁾	2,971	7,048
Adjusted net income (loss) (Non-GAAP measure)	\$ 4,297	\$ (2,117)
Earnings (loss) per share, diluted	\$ 0.03	\$ (0.12)
Adjustments:		
Other income	(0.01)	(0.01)
Stock-based compensation expense ⁽¹⁾	0.04	0.10
Adjustment to diluted earnings per share ⁽²⁾	—	—
Adjusted earnings (loss) per share, diluted (non-GAAP)	\$ 0.06	\$ (0.03)
Weighted-average shares to compute GAAP earnings (loss) per share, diluted	77,615	72,715
Weighted-average shares to compute non-GAAP earnings (loss) per share, diluted ⁽²⁾	77,615	72,715

⁽¹⁾ The stock-based compensation expense to EBITDA as of March 31, 2026, and 2025 is made up of \$1.7 million and \$5.5 million, respectively, of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and \$1.2 million and \$1.5 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash 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 Income (Loss).

⁽²⁾ For a period of net loss, potentially dilutive shares are not included in the calculation of diluted earnings (loss) per share, because to do so would be anti-dilutive. This is an adjustment used to reconcile GAAP earnings (loss) per share (excluding potentially dilutive shares) with non-GAAP earnings per share (including potentially dilutive shares).

Reconciliation of Gross Profit to Adjusted Gross Profit and Cash Gross Profit; Gross Margin to Adjusted Gross Margin and Cash Gross Margin

	For the Three Months Ended			
	March 31, 2026		March 31, 2025	
	Amount	Margin	Amount	Margin
	<i>(dollars in thousands)</i>			
Gross profit	\$ 17,375	36.4%	\$ 12,182	39.8%
Adjustments:				
Stock-based compensation expense — cost of sales	216	0.5%	190	0.6%
Adjusted gross profit (Non-GAAP)	17,591	36.9%	12,372	40.4%
Depreciation and amortization — cost of sales	2,596	5.4%	1,503	4.9%
Cash gross profit (Non-GAAP)	<u>\$ 20,187</u>	<u>42.3%</u>	<u>\$ 13,875</u>	<u>45.3%</u>

Reconciliation of Cash Flows from Operations to Free Cash Flow and Free Cash Flow Margin

	For the Three Months Ended			
	March 31, 2026		March 31, 2025	
	<i>(in thousands)</i>			
Net cash provided by operating activities	\$	8,656	\$	6,106
Adjustments:				
Capitalized software development costs		(2,132)		(2,214)
Purchases of property and equipment		(145)		(123)
Free cash flow (Non-GAAP)	<u>\$</u>	<u>6,379</u>	<u>\$</u>	<u>3,769</u>
Revenue	\$	47,742	\$	30,616
Operating cash flow margin		18.1 %		19.9 %
Free cash flow margin (Non-GAAP)		13.4 %		12.3 %

Reconciliation of Operating Expenses to Adjusted Operating Expenses and Cash Operating Expenses

	For the Three Months Ended			
	March 31, 2026		March 31, 2025	
	<i>(in thousands)</i>			
Operating expenses	\$	15,920	\$	21,204
Adjustments:				
Stock-based compensation expense		(2,755)		(6,858)
Adjusted operating expenses (Non-GAAP)		13,165		14,346
Depreciation and amortization		(833)		(833)
Software R&D capitalized costs		2,042		2,270
Cash operating expenses (Non-GAAP)	<u>\$</u>	<u>14,374</u>	<u>\$</u>	<u>15,783</u>