

Third Quarter 2025 Earnings

November 10, 2025

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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 \$51.4M OF REVENUE, 39.9% GAAP GROSS MARGIN, 44.8% CASH GM¹, AND \$9.1M OF CASH FLOW FROM OPERATIONS

3Q 2025 Summary

- Delivered \$51.4M of Revenue vs. guidance of \$44.0M to \$47.0M; YoY revenue growth of 116%
 - Security Solutions (“SS”) up 154% YoY; Results exceeded guidance assumptions due to better than forecasted performance within Telos ID
 - Secure Networks (“SN”) down 9% YoY; Results exceeded guidance assumptions primarily due to better than forecasted performance on a program that ended in 3Q
- Delivered 39.9% GAAP Gross Margin (“GM”) vs. ~34.0% - 35.5% assumed in guidance
 - Cash Gross Margin¹ was 44.8% and exceeded the assumed guidance range primarily due to better than forecasted performance in all lines of business
- Adjusted Operating Expenses¹ approximately \$0.5M better than guidance assumptions due to lower than forecasted costs across several areas
- Adjusted EBITDA¹ above top end of guidance range (YoY growth of \$14.2M) primarily due to revenue outperformance in Telos ID, higher than forecasted Cash Gross Margins¹ in every line of business, and lower Adjusted Operating Expenses¹
- Cash Flow from Operations was \$9.1M; Free Cash Flow¹ was \$6.6M, YoY growth of \$16.5M
- Continued share repurchases, deploying approximately \$3.6M to repurchase 584,213 shares at a weighted average price of \$6.23 per share

	3Q 2025 Actual	3Q 2025 Guidance / Assumptions
Revenue	\$51.4M	\$44.0M to \$47.0M
Revenue Growth	+116% YoY	+85% to +98% YoY
GAAP Gross Profit	\$20.5M <i>39.9% GAAP GM 44.8% Cash GM¹</i>	<i>~34.0% to 35.5% GAAP GM ~40.0% to 41.0% Cash GM¹</i>
Adjusted EBITDA ¹	\$10.1M <i>19.6% Margin</i>	\$4.0M to \$5.7M <i>~9.1% to 12.1% Margin</i>
Adjusted EPS ¹	\$0.09	
Cash Flow	\$9.1M Cash Flow From Ops \$6.6M Free Cash Flow ¹	

116.3% Revenue Growth, 51.5% Incremental Adjusted EBITDA Margin¹, and 12.8% FCF Margin¹ in 3Q 2025

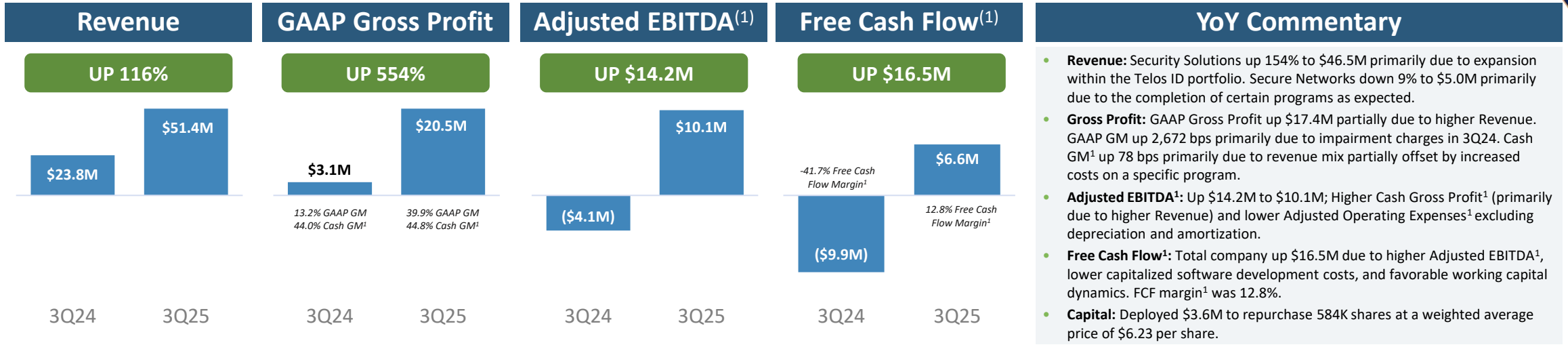


Notes:

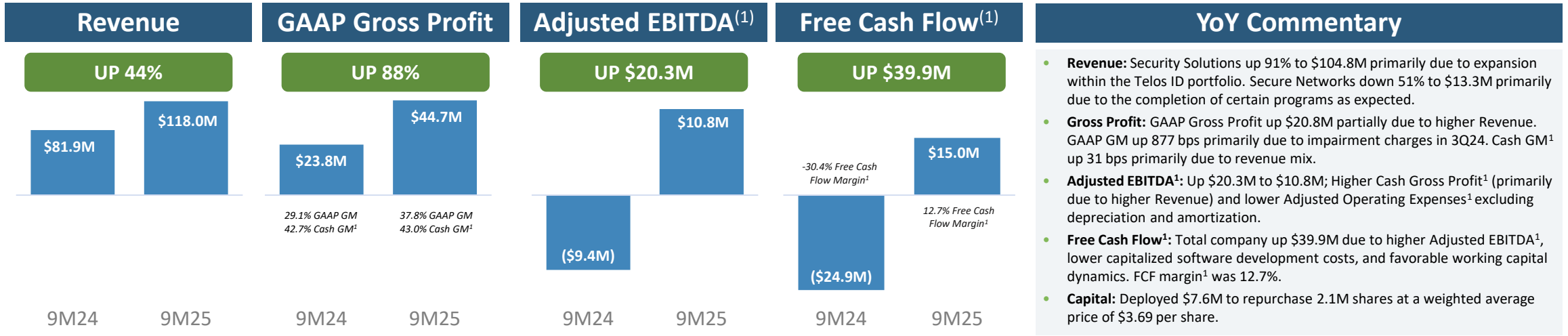
1. Cash Gross Margin, Adjusted Operating Expenses, Free Cash Flow, Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted EPS, and FCF Margin are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.

SIGNIFICANT YEAR-OVER-YEAR BUSINESS EXPANSION CONTINUES

3Q YoY



9M YoY



44.1% Revenue Growth, 56.1% Incremental Adjusted EBITDA Margin¹, and 12.7% FCF Margin¹ in 9M 2025



Notes:

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

RECENT BUSINESS UPDATES

XACTA.AI LAUNCH

- Telos releases Xacta.ai™: An enterprise AI software capability added to the Xacta® platform, already the proven solution for cyber risk management compliance for the world's most security conscious organizations.
- Significantly enhances the power of the Xacta platform by embedding over 25 years of cybersecurity expertise within our AI capability.
- Solution is completely customizable to an organization's environment, resulting in faster, more informed decisions and the acceleration of GRC initiatives.
- **Smart Insights:** Comprehensive, context-driven analyses of potential gaps with AI-powered insights.
- **Time Savings:** Can achieve up to 93% time savings when implementing controls via Xacta.ai, over and above savings already realized from previous Xacta versions.
- **Effortless Compliance:** Enhance decision-making with actionable data that accelerates compliance initiatives.
- Future capability expected to include expanded AI capability with agentic automations to further increase the power of Xacta.ai.
- With Xacta.ai, fast and accurate compliance is within reach.

XACTA.ai



TSA PRECHECK EXPANSION

- Expanded network of TSA PreCheck® enrollment centers to 504 locations.
- Locations distributed across key markets in 41 states and Puerto Rico.
- Achieved target of 500 enrollment locations in 2025.
- Continue to process enrollments and renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



FORECASTING 67% To 76% YEAR-OVER-YEAR REVENUE GROWTH IN 4Q

	Guidance	
	4Q 2025 Low End	4Q 2025 High End
Revenue	\$44.0M <i>+67% YoY</i>	\$46.3M <i>+76% YoY</i>
Adjusted EBITDA ¹	\$4.0M <i>9.1% Margin</i>	\$5.7M <i>12.3% Margin</i>
	FY 2025 Low End	FY 2025 High End
Revenue	\$162.0M <i>+50% YoY</i>	\$164.3M <i>+52% YoY</i>
Adjusted EBITDA ¹	\$14.8M <i>9.2% Margin</i>	\$16.5M <i>10.1% Margin</i>

4Q Guidance Assumptions

- Revenue forecasted to grow 67% to 76%, primarily due to rapidly scaling programs in Telos ID
- GAAP Gross Margin approximately 34.0% – 34.5%
- Cash Gross Margin¹ approximately 40.0% – 41.0%
 - More favorable revenue mix overall between SS and SN YoY
 - SS to contribute approximately 95% – 96% of Revenue (vs. 83% in 4Q24)
 - SS Cash GM¹ down YoY due to mix and significantly higher non-cash infrastructure costs
 - SN Cash GM¹ up YoY primarily due to mix
- Adjusted Operating Expenses¹ approximately \$0.6M to \$1.3M higher YoY primarily as a result of higher depreciation and amortization, potentially lower software capitalization and potential cash expense increases
- Adjusted EBITDA¹ improves from a \$0.2M loss in 4Q24
- 2H outlook improved vs. 2Q earnings call
 - Revenue improved from approximately \$91.0M at the midpoint to \$96.6M
 - Adjusted EBITDA¹ improved from approximately \$9.7M at the midpoint to \$14.9M
 - Adjusted EBITDA Margin¹ improved from approximately 10.7% to 15.4%

Raising 2H Outlook

Notes:

- Cash Gross Margin, Adjusted Operating Expenses, 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 Cash Gross Margin, Adjusted Operating Expenses, Adjusted EBITDA, and Adjusted EBITDA Margin are not available without unreasonable effort.

SUMMARY

116% Year-Over-Year Revenue Growth in 3Q; Significantly Exceeded 3Q Revenue and Adjusted EBITDA Guidance

Robust Cash Flow Funded Continued Share Repurchases in 3Q

Launched Xacta.ai with Enhanced Capability to Dramatically Improve Efficiency and Effectiveness of Customer Compliance Activities

Forecasting 67% To 76% Year-Over-Year Revenue Growth In 4Q; Raised 2H Outlook

Strong Revenue Base Supporting Continued Growth into 2026

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, 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, Cash Operating Expenses, Adjusted Operating Expenses, Free Cash Flow and Free Cash Flow Margin are useful in evaluating operating and cash flow 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, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted EPS, Cash Operating Expenses, and Adjusted Operating Expenses 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 is 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. 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 performance and liquidity, and to the Board 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.

2025 OUTLOOK

2025 4Q ADDITIONAL MODELING ASSUMPTIONS

	2024 Full Year	2024 4Q	2025E 4Q	2025E 4Q Commentary
GAAP Gross Margin	31.8%	40.3%	~34.0% – 34.5%	<ul style="list-style-type: none"> See Cash GM commentary below
Cash Gross Margin ¹	43.7%	47.0%	~40.0% – 41.0%	<ul style="list-style-type: none"> SS down YoY due to mix and non-cash infrastructure costs; SN up YoY More favorable revenue mix between SS and SN
Stock Based Compensation (SBC)	\$21.4M	\$7.4M	~\$6.4M	<ul style="list-style-type: none"> ~\$0.2M in COS in 4Q25
Depreciation & Amortization	\$11.9M	\$2.5M	~\$3.7M	<ul style="list-style-type: none"> ~30% is included in Adjusted Operating Expenses in 4Q25
Basic Weighted Average Share Count	71.9M	72.4M	~73.5M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> Not meaningful
CAPEX & Capitalized Software	\$13.8M	\$4.3M	~\$2.1M - \$2.4M	
Cash Operating Expenses ¹	\$68.2M	\$15.0M	~\$15.1M - ~\$16.2M	<ul style="list-style-type: none"> Up YoY due to potential increases in expense across several areas
Adjusted Operating Expenses ¹	\$62.4M	\$13.5M	~\$14.1M - ~\$14.8M	<ul style="list-style-type: none"> Up YoY due to higher potential spend as indicated above as well as higher depreciation and amortization and potentially lower capitalization of software development

Notes:

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

2024 RESULTS

GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2024																										
	Three Months Ended March 31, 2024					Three Months Ended June 30, 2024					Three Months Ended September 30, 2024					Three Months Ended December 31, 2024					Twelve Months Ended December 31, 2024						
	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Impairment	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Impairment	Restructure	Adjusted	
Revenue																											
Security Solutions	\$ 18,640	\$ -	\$ -	\$ -	\$ 18,640	\$ 17,867	\$ -	\$ -	\$ 17,867	\$ 18,332	\$ -	\$ -	\$ -	\$ -	\$ 18,332	\$ 21,921	\$ -	\$ -	\$ -	\$ 21,921	\$ 76,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,760
Secure Networks	10,979	-	-	-	10,979	10,631	-	-	10,631	5,451	-	-	-	-	5,451	4,451	-	-	-	4,451	31,512	-	-	-	-	-	31,512
Total	29,619	-	-	-	29,619	28,498	-	-	28,498	23,783	-	-	-	-	23,783	26,372	-	-	-	26,372	108,272	-	-	-	-	-	108,272
Gross Profit																											
Security Solutions	8,626	176	-	-	8,802	7,265	162	-	7,427	2,310	117	-	5,333	272	8,032	9,478	212	-	(21)	9,669	27,679	667	-	5,333	251	33,930	
Secure Networks	2,335	81	-	-	2,416	2,442	66	-	2,508	833	(2)	-	-	121	952	1,140	16	-	(31)	1,125	6,750	161	-	-	90	7,001	
Total	10,961	257	-	-	11,218	9,707	228	-	9,935	3,143	115	-	5,333	393	8,984	10,618	228	-	(52)	10,794	34,429	828	-	5,333	341	40,931	
Gross Margin																											
Security Solutions	46.3%	0.9%	0.0%	0.0%	47.2%	40.7%	0.9%	0.0%	41.6%	12.6%	0.6%	0.0%	29.1%	1.5%	43.8%	43.2%	1.0%	0.0%	-0.1%	44.1%	36.1%	0.9%	0.0%	6.9%	0.3%	44.2%	
Secure Networks	21.3%	0.7%	0.0%	0.0%	22.0%	23.0%	0.6%	0.0%	23.6%	15.3%	0.0%	0.0%	0.0%	2.2%	17.5%	25.6%	0.4%	0.0%	-0.7%	25.3%	21.4%	0.5%	0.0%	0.0%	0.3%	22.2%	
Total	37.0%	0.9%	0.0%	0.0%	37.9%	34.1%	0.8%	0.0%	34.9%	13.2%	0.5%	0.0%	22.4%	1.7%	37.8%	40.3%	0.9%	0.0%	-0.2%	40.9%	31.8%	0.8%	0.0%	4.9%	0.3%	37.8%	
Operating Expenses																											
Research and Development	3,170	428	-	-	2,742	1,459	(877)	-	2,336	2,409	188	-	-	164	2,057	1,404	140	-	(26)	1,290	8,442	(121)	-	-	138	8,425	
Selling, General and Administrative	16,229	2,299	-	(10)	13,940	16,892	2,868	-	14,024	23,225	8,511	-	-	890	13,824	19,141	7,026	-	(89)	12,204	75,487	20,704	-	-	791	53,992	
Impairment loss on intangible assets	-	-	-	-	-	-	-	-	-	6,373	-	-	6,373	-	-	-	-	-	-	-	6,373	-	-	6,373	-	-	
Total	19,399	2,727	-	(10)	16,682	18,351	1,991	-	16,360	32,007	8,699	-	6,373	1,054	15,881	20,545	7,166	-	(115)	13,494	90,302	20,583	-	6,373	929	62,417	
EBIT / Operating (Loss)/Income	(8,438)	2,984	-	(10)	(5,464)	(8,644)	2,219	-	(6,425)	(28,864)	8,814	-	11,706	1,447	(6,897)	(9,927)	7,394	-	(167)	(2,700)	(55,873)	21,411	-	11,706	1,270	(21,486)	
Interest Expense	(175)	-	-	-	(175)	(160)	-	-	(160)	(157)	-	-	-	-	(157)	(152)	-	-	-	(152)	(644)	-	-	-	-	(644)	
Other Income	1,252	-	(1,252)	-	-	1,064	-	(1,064)	-	983	-	(983)	-	-	-	724	-	(724)	-	-	4,023	-	(4,023)	-	-	-	
Earnings Before Taxes (EBT)	(7,361)	2,984	(1,252)	(10)	(5,639)	(7,740)	2,219	(1,064)	(6,585)	(28,038)	8,814	(983)	11,706	1,447	(7,054)	(9,355)	7,394	(724)	(167)	(2,852)	(52,494)	21,411	(4,023)	11,706	1,270	(22,130)	
Benefit from (Provision for) Income Taxes	(17)	-	-	-	(17)	(17)	-	-	(17)	(17)	-	-	-	-	(17)	25	-	-	-	25	(26)	-	-	-	-	(26)	
Net (Loss)/Income	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (28,055)	\$ 8,814	\$ (983)	\$ 11,706	\$ 1,447	\$ (7,071)	\$ (9,330)	\$ 7,394	\$ (724)	\$ (167)	\$ (2,827)	\$ (52,520)	\$ 21,411	\$ (4,023)	\$ 11,706	\$ 1,270	\$ (22,156)	
Weighted Average Share Count	70,628	70,628	70,628	70,628	70,628	72,017	72,017	72,017	72,017	72,309	72,309	72,309	72,309	72,309	72,309	72,435	72,435	72,435	72,435	72,435	71,850	71,850	71,850	71,850	71,850	71,850	
EPS	\$ (0.10)	\$ 0.04	\$ (0.02)	\$ -	\$ (0.08)	\$ (0.11)	\$ 0.03	\$ (0.01)	\$ (0.09)	\$ (0.39)	\$ 0.12	\$ (0.01)	\$ 0.16	\$ 0.02	\$ (0.10)	\$ (0.13)	\$ 0.10	\$ (0.01)	\$ -	\$ (0.04)	\$ (0.73)	\$ 0.30	\$ (0.06)	\$ 0.16	\$ 0.02	\$ (0.31)	
Net (Loss)/Income	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (28,055)	\$ 8,814	\$ (983)	\$ 11,706	\$ 1,447	\$ (7,071)	\$ (9,330)	\$ 7,394	\$ (724)	\$ (167)	\$ (2,827)	\$ (52,520)	\$ 21,411	\$ (4,023)	\$ 11,706	\$ 1,270	\$ (22,156)	
Other Income	(1,252)	-	1,252	-	-	(1,064)	-	1,064	-	(983)	-	983	-	-	-	(724)	-	724	-	-	(4,023)	-	4,023	-	-	-	
Interest Expense	175	-	-	-	175	160	-	-	160	157	-	-	-	-	157	152	-	-	-	152	644	-	-	-	-	644	
(Benefit from) Provision for Income Taxes	17	-	-	-	17	17	-	-	17	17	-	-	-	-	17	(25)	-	-	-	(25)	26	-	-	-	-	26	
Depreciation & Amortization	3,129	-	-	-	3,129	3,491	-	-	3,491	2,748	-	-	-	-	2,748	2,499	-	-	-	2,499	11,867	-	-	-	-	11,867	
EBITDA	\$ (5,309)	\$ 2,984	\$ -	\$ (10)	\$ (2,335)	\$ (5,153)	\$ 2,219	\$ -	\$ (2,934)	\$ (26,116)	\$ 8,814	\$ -	\$ 11,706	\$ 1,447	\$ (4,149)	\$ (7,428)	\$ 7,394	\$ -	\$ (167)	\$ (201)	\$ (44,006)	\$ 21,411	\$ -	\$ 11,706	\$ 1,270	\$ (9,619)	
Net cash used in operating activities	\$ (350)					\$ (7,990)				\$ (7,080)					\$ (10,518)					\$ (25,938)							
Capitalized Software Development Costs	(3,202)					(3,113)				(2,789)					(2,401)					(11,505)							
Purchase of Property and Equipment	(97)					(235)				(49)					(1,871)					(2,252)							
Free Cash Flow	\$ (3,649)					\$ (11,338)				\$ (9,918)					\$ (14,790)					\$ (39,695)							

2025 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN 9M RESULTS

(Amounts in thousands, unaudited)

	2025				2024			
	Three Months Ended			Nine Months Ended	Three Months Ended		Nine Months Ended	
	March 31, 2025	June 30, 2025	September 30, 2025	September 30, 2025	September 30, 2024	September 30, 2024	September 30, 2024	
Revenue								
Security Solutions	\$ 25,818	\$ 32,474	\$ 46,478	\$ 104,770	\$ 18,332	\$ 54,839		
Secure Networks	4,798	3,494	4,966	13,258	5,451	27,061		
Total	\$ 30,616	\$ 35,968	\$ 51,444	\$ 118,028	\$ 23,783	\$ 81,900		
GAAP Gross Profit								
Security Solutions	\$ 11,060	\$ 11,298	\$ 19,286	\$ 41,644	\$ 2,310	\$ 18,201		
Secure Networks	1,122	634	1,260	3,016	833	5,610		
Total	\$ 12,182	\$ 11,932	\$ 20,546	\$ 44,660	\$ 3,143	\$ 23,811		
GAAP Gross Margin								
Security Solutions	42.8%	34.8%	41.5%	39.7%	12.6%	33.2%		
Secure Networks	23.4%	18.1%	25.4%	22.7%	15.3%	20.7%		
Total	39.8%	33.2%	39.9%	37.8%	13.2%	29.1%		
Stock Based Compensation - Cost of Sales								
Security Solutions	\$ 169	\$ 139	\$ 142	\$ 450	\$ 117	\$ 455		
Secure Networks	21	10	12	43	(2)	145		
Total	\$ 190	\$ 149	\$ 154	\$ 493	\$ 115	\$ 600		
Impairment - Cost of Sales								
Security Solutions	\$ -	\$ -	\$ -	\$ -	\$ 5,333	\$ 5,333		
Secure Networks	-	-	-	-	-	-		
Total	\$ -	\$ -	\$ -	\$ -	\$ 5,333	\$ 5,333		
Restructuring Costs - Cost of Sales								
Security Solutions	\$ -	\$ -	\$ -	\$ -	\$ 272	\$ 272		
Secure Networks	-	-	-	-	121	121		
Total	\$ -	\$ -	\$ -	\$ -	\$ 393	\$ 393		
Adjusted Gross Profit								
Security Solutions	\$ 11,229	\$ 11,437	\$ 19,428	\$ 42,094	\$ 8,032	\$ 24,261		
Secure Networks	1,143	644	1,272	3,059	952	5,876		
Total	\$ 12,372	\$ 12,081	\$ 20,700	\$ 45,153	\$ 8,984	\$ 30,137		
Adjusted Gross Margin								
Security Solutions	43.5%	35.2%	41.8%	40.2%	43.8%	44.2%		
Secure Networks	23.8%	18.4%	25.6%	23.1%	17.5%	21.7%		
Total	40.4%	33.6%	40.2%	38.3%	37.8%	36.8%		
Depreciation & Amortization - Cost of Sales								
Security Solutions	\$ 1,501	\$ 1,714	\$ 2,354	\$ 5,569	\$ 1,488	\$ 4,800		
Secure Networks	2	1	2	5	2	7		
Total	\$ 1,503	\$ 1,715	\$ 2,356	\$ 5,574	\$ 1,490	\$ 4,807		
Cash Gross Profit								
Security Solutions	\$ 12,730	\$ 13,151	\$ 21,782	\$ 47,663	\$ 9,520	\$ 29,061		
Secure Networks	1,145	645	1,274	3,064	954	5,883		
Total	\$ 13,875	\$ 13,796	\$ 23,056	\$ 50,727	\$ 10,474	\$ 34,944		
Cash Gross Margin								
Security Solutions	49.3%	40.5%	46.9%	45.5%	51.9%	53.0%		
Secure Networks	23.9%	18.5%	25.7%	23.1%	17.5%	21.7%		
Total	45.3%	38.4%	44.8%	43.0%	44.0%	42.7%		

2024 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2024					
	Three Months Ended				Twelve Months Ended	
	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	December 31, 2024	
Revenue						
Security Solutions	\$ 18,640	\$ 17,867	\$ 18,332	\$ 21,921	\$ 76,760	
Secure Networks	10,979	10,631	5,451	4,451	31,512	
Total	\$ 29,619	\$ 28,498	\$ 23,783	\$ 26,372	\$ 108,272	
GAAP Gross Profit						
Security Solutions	\$ 8,626	\$ 7,265	\$ 2,310	\$ 9,478	\$ 27,679	
Secure Networks	2,335	2,442	833	1,140	6,750	
Total	\$ 10,961	\$ 9,707	\$ 3,143	\$ 10,618	\$ 34,429	
GAAP Gross Margin						
Security Solutions	46.3%	40.7%	12.6%	43.2%	36.1%	
Secure Networks	21.3%	23.0%	15.3%	25.6%	21.4%	
Total	37.0%	34.1%	13.2%	40.3%	31.8%	
Stock Based Compensation - Cost of Sales						
Security Solutions	\$ 176	\$ 162	\$ 117	\$ 212	\$ 667	
Secure Networks	81	66	(2)	16	161	
Total	\$ 257	\$ 228	\$ 115	\$ 228	\$ 828	
Impairment - Cost of Sales						
Security Solutions	\$ -	\$ -	\$ 5,333	\$ -	\$ 5,333	
Secure Networks	-	-	-	-	-	
Total	\$ -	\$ -	\$ 5,333	\$ -	\$ 5,333	
Restructuring Costs - Cost of Sales						
Security Solutions	\$ -	\$ -	\$ 272	\$ (21)	\$ 251	
Secure Networks	-	-	121	(31)	90	
Total	\$ -	\$ -	\$ 393	\$ (52)	\$ 341	
Adjusted Gross Profit						
Security Solutions	\$ 8,802	\$ 7,427	\$ 8,032	\$ 9,669	\$ 33,930	
Secure Networks	2,416	2,508	952	1,125	7,001	
Total	\$ 11,218	\$ 9,935	\$ 8,984	\$ 10,794	\$ 40,931	
Adjusted Gross Margin						
Security Solutions	47.2%	41.6%	43.8%	44.1%	44.2%	
Secure Networks	22.0%	23.6%	17.5%	25.3%	22.2%	
Total	37.9%	34.9%	37.8%	40.9%	37.8%	
Depreciation & Amortization - Cost of Sales						
Security Solutions	\$ 1,275	\$ 2,037	\$ 1,488	\$ 1,596	\$ 6,396	
Secure Networks	3	2	2	1	8	
Total	\$ 1,278	\$ 2,039	\$ 1,490	\$ 1,597	\$ 6,404	
Cash Gross Profit						
Security Solutions	\$ 10,077	\$ 9,464	\$ 9,520	\$ 11,265	\$ 40,326	
Secure Networks	2,419	2,510	954	1,126	7,009	
Total	\$ 12,496	\$ 11,974	\$ 10,474	\$ 12,391	\$ 47,335	
Cash Gross Margin						
Security Solutions	54.1%	53.0%	51.9%	51.4%	52.5%	
Secure Networks	22.0%	23.6%	17.5%	25.3%	22.2%	
Total	42.2%	42.0%	44.0%	47.0%	43.7%	

RECONCILIATIONS

EBITDA, ADJUSTED EBITDA, EBITDA MARGIN, ADJUSTED EBITDA MARGIN, INCREMENTAL ADJUSTED EBITDA, AND INCREMENTAL ADJUSTED EBITDA MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended						For the Nine Months Ended					
	September 30, 2025		September 30, 2024		Year-over-Year Change		September 30, 2025		September 30, 2024		Year-over-Year Change	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Net loss	\$ (2,114)	(4.1) %	\$ (28,055)	(118.0) %	\$ 25,941	93.8%	\$ (20,235)	(17.2) %	\$ (43,190)	(52.8) %	\$ 22,955	63.5%
Other income	(511)	(1.0) %	(983)	(4.1) %	472	1.7%	(1,625)	(1.4) %	(3,299)	(4.0) %	1,674	4.7%
Interest expense	136	0.3 %	157	0.6 %	(21)	(0.1)%	424	0.4 %	492	0.6 %	(68)	(0.2)%
Provision for income taxes	21	— %	17	0.1 %	4	—%	63	0.1 %	51	0.1 %	12	—%
Depreciation and amortization	3,177	6.2 %	2,748	11.6 %	429	1.6%	8,022	6.8 %	9,368	11.4 %	(1,346)	(3.7)%
EBITDA (Non-GAAP)	709	1.5 %	(26,116)	(109.8) %	26,825	97.0%	(13,351)	(11.3) %	(36,578)	(44.7) %	23,227	64.3%
Stock-based compensation expense ⁽¹⁾	9,388	18.2 %	8,814	37.1 %	574	2.1%	24,193	20.5 %	14,017	17.1 %	10,176	28.2%
Impairment loss on intangible assets	—	— %	11,706	49.2 %	(11,706)	(42.4)%	—	— %	11,706	14.3 %	(11,706)	(32.4)%
Restructuring expenses ⁽²⁾	—	— %	1,447	6.1 %	(1,447)	(5.2)%	—	— %	1,437	1.8 %	(1,437)	(4.0)%
Adjusted EBITDA (Non-GAAP)	\$ 10,097	19.6 %	\$ (4,149)	(17.4) %	\$ 14,246	51.5%	\$ 10,842	9.2 %	\$ (9,418)	(11.5) %	\$ 20,260	56.1%

⁽¹⁾ The stock-based compensation expense to EBITDA is made up of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$7.4 million and \$19.8 million for the three and nine months ended September 30, 2025, respectively, and \$8.4 million and \$12.4 million for the three and nine months ended September 30, 2024, respectively. Stock-based compensation expense from other sources was \$1.9 million and \$4.4 million for the three and nine months ended September 30, 2025, respectively, and \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2024, 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash up until the date at which it is 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

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net loss	\$ (2,114)	\$ (28,055)	\$ (20,235)	\$ (43,190)
Adjustments:				
Other income	(511)	(983)	(1,625)	(3,299)
Stock-based compensation expense ⁽¹⁾	9,388	8,814	24,193	14,017
Impairment loss on intangible assets	—	11,706	—	11,706
Restructuring expenses ⁽²⁾	—	1,447	—	1,437
Adjusted net income (loss) (Non-GAAP)	<u>\$ 6,763</u>	<u>\$ (7,071)</u>	<u>\$ 2,333</u>	<u>\$ (19,329)</u>
Earnings (Loss) per share, diluted	\$ (0.03)	\$ (0.39)	\$ (0.28)	\$ (0.60)
Adjustments:				
Other income	(0.01)	(0.01)	(0.02)	(0.05)
Stock-based compensation expense ⁽¹⁾	0.13	0.12	0.33	0.20
Impairment loss on intangible assets	—	0.16	—	0.16
Restructuring expenses ⁽²⁾	—	0.02	—	0.02
Adjustment to diluted earnings per share ⁽³⁾	—	—	—	—
Adjusted earnings (loss) per share, diluted (Non-GAAP)	<u>\$ 0.09</u>	<u>\$ (0.10)</u>	<u>\$ 0.03</u>	<u>\$ (0.27)</u>
Weighted-average shares to compute GAAP earnings (loss) per share, diluted	72,580	72,309	72,819	71,654
Weighted-average shares to compute non-GAAP earnings (loss) per share, diluted ⁽³⁾	75,552	72,309	74,892	71,654

⁽¹⁾ The stock-based compensation expense to EBITDA is made up of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$7.4 million and \$19.8 million for the three and nine months ended September 30, 2025, respectively, and \$8.4 million and \$12.4 million for the three and nine months ended September 30, 2024, respectively. Stock-based compensation expense from other sources was \$1.9 million and \$4.4 million for the three and nine months ended September 30, 2025, respectively, and \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2024, 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash up until the date at which it is 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⁾ 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.

⁽³⁾ 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).

RECONCILIATIONS

ADJUSTED GROSS PROFIT, CASH GROSS PROFIT, ADJUSTED GROSS MARGIN, AND CASH GROSS MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2025		September 30, 2024		September 30, 2025		September 30, 2024	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Gross profit	\$ 20,546	39.9%	\$ 3,143	13.2%	\$ 44,660	37.8%	\$ 23,811	29.1%
Adjustments:								
Stock-based compensation expense – cost of sales	154	0.3%	115	0.5%	493	0.4%	600	0.7%
Impairment loss on intangible assets – cost of sales	—	—%	5,333	22.4%	—	—%	5,333	6.5%
Restructuring expenses – cost of sales	—	—%	393	1.7%	—	—%	393	0.5%
Adjusted gross profit (Non-GAAP)	20,700	40.2%	8,984	37.8%	45,153	38.3%	30,137	36.8%
Depreciation and amortization – cost of sales	2,356	4.5%	1,490	6.2%	5,574	4.7%	4,807	5.9%
Cash gross profit (Non-GAAP)	\$ 23,056	44.8%	\$ 10,474	44.0%	\$ 50,727	43.0%	\$ 34,944	42.7%

RECONCILIATIONS

FREE CASH FLOW AND FREE CASH FLOW MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net cash provided by (used in) operating activities	\$ 9,146	\$ (7,080)	\$ 22,202	\$ (15,420)
Adjustments:				
Purchases of property and equipment, net	(452)	(49)	(709)	(381)
Capitalized software development costs	(2,095)	(2,789)	(6,496)	(9,104)
Free cash flow (Non-GAAP)	<u>\$ 6,599</u>	<u>\$ (9,918)</u>	<u>\$ 14,997</u>	<u>\$ (24,905)</u>
Revenue	\$ 51,444	\$ 23,783	\$ 118,028	\$ 81,900
Operating cash flow margin	17.8%	(29.8)%	18.8%	(18.8)%
Free cash flow margin (Non-GAAP)	12.8%	(41.7)%	12.7%	(30.4)%

RECONCILIATIONS

ADJUSTED OPERATING EXPENSES AND CASH OPERATING EXPENSES

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Operating expenses	\$ 23,014	\$ 32,007	\$ 66,033	\$ 69,757
Adjustments:				
Stock-based compensation expense	(9,234)	(8,699)	(23,700)	(13,417)
Impairment loss on intangible assets	—	(6,373)	—	(6,373)
Restructuring adjustments	—	(1,054)	—	(1,044)
Adjusted operating expenses (Non-GAAP)	13,780	15,881	42,333	48,923
Depreciation and amortization	(821)	(1,258)	(2,448)	(4,561)
Software R&D capitalized costs	2,057	2,719	6,476	8,859
Cash operating expenses (Non-GAAP)	\$ 15,016	\$ 17,342	\$ 46,361	\$ 53,221



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