

Fourth Quarter and Full Year 2024 Earnings

March 10, 2025

DISCLAIMERS

The information contained in this presentation does not constitute or form part of, and should not be construed as, any offer, sale or subscription of, or any invitation to offer, buy or subscribe for, any securities, nor shall there be any offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful. Telos Corporation (the “Company”) will only make such an offer or sale pursuant to an effective registration statement with the Securities and Exchange Commission (the “SEC”) and related prospectus. Before you invest, you should read the Company's filings with the SEC, and in particular the “Risk Factors” contained or incorporated by reference therein, for more complete information about the Company. You may obtain those filings are available at <https://investors.telos.com> and on the SEC’s website at www.sec.gov.

Other than statements of historical fact, all information contained in this presentation, including statements regarding the Company’s future operating results and financial position, its business strategy and plans, product, service, and technology offerings, market growth and trends, and objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “plan,” “predict,” “expect,” “estimate,” “anticipate,” “intend,” “goal,” “strategy,” “believe,” and similar expressions and variations thereof. The Company has based these forward-looking statements largely on its current expectations and projections about future events and trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading “Risk Factors” in the Company’s periodic filings with the SEC. Moreover, the Company operates in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for the Company to predict all risks, nor can it assess the effect of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements it may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements speak only as of the date of this presentation and the Company undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof.

This presentation contains statistical data, estimates, and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on the Company’s internal sources. While the Company believes the industry and market data included in this presentation are reliable and are based on reasonable assumptions, these data involve many assumptions and limitations, and you are cautioned not to give undue weight to these data, estimates and forecasts. The Company has not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information.

The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as the Company’s endorsement of the products or services of the trademark owner, nor as an endorsement by the trademark owner of the Company’s products or services.

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 \$26.4M OF REVENUE, 40.3% GAAP GROSS MARGIN, AND 47.0% CASH GROSS MARGIN¹

4Q 2024 Summary

- Delivered \$26.4M of revenue vs. guidance of \$24.5M to \$26.5M
 - Security Solutions (“SS”) up 20% sequentially (vs. guidance of up low-teens % to low-20 %); Up 6% YoY; Results near top end of guidance
 - Secure Networks (“SN”) down 18% sequentially (vs. guidance of down low-20 % to high-teens %); Down 78% YoY; Results at top end of guidance
- Delivered 40.3% GAAP gross margin (“GM”) vs. ~36.0% - 37.6% assumed in guidance
 - Cash gross margin¹ was 47.0% and above the top end assumed in guidance
 - SS and SN results higher than expected due to lower than forecasted costs across portfolio
 - Revenue mix was 83% SS and in line with guidance assumptions
- Adjusted operating expenses¹ approximately \$2.3M better than guidance assumptions primarily due to lower than expected labor and fringe costs
- Adjusted EBITDA¹ above top end of guidance range due to higher than expected cash gross profit¹ and lower than forecasted adjusted operating expenses¹
- Cash flow from operations was (\$10.5M) and FCF¹ was (\$14.8M), reflecting a short-term buildup in working capital associated with high-growth programs and one-time capex investments in IT infrastructure expansion

	FY 2024 Actual	4Q 2024 Actual	4Q 2024 Guidance / Assumptions
Revenue	\$108.3M	\$26.4M	\$24.5M to \$26.5M
Revenue Growth	-26% YoY	-36% YoY +11% Sequential	-40% to -35% YoY +3% to +11% Sequential
GAAP Gross Profit	\$34.4M 31.8% GAAP GM 43.7% Cash GM ¹	\$10.6M 40.3% GAAP GM 47.0% Cash GM ¹	~36.0% to 37.6% GAAP GM ~42.7% to 43.8% Cash GM ¹
Adjusted EBITDA ¹	(\$9.6M)	(\$0.2M)	(\$4.5M) to (\$3.5M)
Adjusted EPS ¹	(\$0.31)	(\$0.04)	

Revenue at Top End of Guidance; Adjusted EBITDA¹ Exceeded Guidance; Highest FY Cash GM¹ Since 2000



Notes:

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

RECENT BUSINESS UPDATES

TSA PreCheck® EXPANSION

- Expanded network of enrollment centers to 218 locations.
- Locations distributed across key markets in 30 states including AZ, CA, CO, FL, GA, HI, IA, IL, IN, KS, KY, LA, MD, MI, MN, MO, MS, NC, NV, OH, OK, OR, PA, SC, TN, TX, UT, VA, WA, WV.
- Targeting 500 enrollment locations in 2025.
- Continue to process renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



OTHER UPDATES

- Program with the Defense Manpower Data Center (DMDC) successfully transitioned during 4Q24 and is now generating revenue.
- Stop-work order on program with the Department of Homeland Security (DHS) was lifted during 1Q25. We currently expect to start generating revenue on this program later in 2025.
- New Xacta® orders include the Office of Naval Intelligence, U.S. Department of Energy, and a U.S. federal government agency, as well as a renewal from a U.S. federal government customer in the intelligence community.
- Cyber services new orders include a Fortune 100 company in the technology sector.
- Telos AMHS™ renewals include a U.K. government department and a U.S. federal government customer in the intelligence community.
- Received new contract awards in Secure Networks with the U.S. Air Force Academy and the U.S. Air Force.



2025 OUTLOOK

1Q 2025

	Guidance	
	1Q 2025 Low End	1Q 2025 High End
Revenue	\$28.2M <i>+7% Sequential</i>	\$30.2M <i>+15% Sequential</i>
Adjusted EBITDA ¹	(\$1.8M)	(\$0.8M)

Assumptions

- SS revenue assumptions:
 - Up HSD % to mid-teens % sequentially (up high 20% to mid 30% YoY)
 - Primarily driven by the successful transition of the DMDC program in 4Q 2024 and ongoing growth in TSA PreCheck® enrollments
- SN revenue assumptions:
 - Down LSD % to up MSD % sequentially (down low 60% to mid 50% YoY)
- GAAP gross margin up ~150 bps to ~215 bps YoY
- Cash gross margin¹ up ~260 bps to ~285 bps YoY:
 - SS down due to mix and some higher costs on specific programs
 - SN down primarily due to revenue mix
 - More favorable mix overall between SS and SN YoY
 - SS to contribute approximately 84% (vs. 63% in 1Q 2024)
- Cash operating expenses¹ approximately \$1.0M lower YoY primarily due to lower labor costs, reduced headcount, and lower spend associated with discontinued development of selected solutions associated with the restructuring plan
- Positive cash flow

7% to 15% Sequential Revenue Growth and Positive Cash Flow in 1Q 2025

Notes:

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

SUMMARY

4Q Revenue at Top End of Guidance Range with 11% Sequential Growth; Adjusted EBITDA Exceeded Guidance

Highest Cash Gross Margin for Full Year 2024 Since 2000

Successfully Transitioned DMDC Program, a Key Source of Revenue Growth in 2025

Expanded Network of TSA PreCheck® Enrollment Centers to 218 Locations; Targeting 500 Locations in 2025

Forecasting 7% to 15% Sequential Revenue Growth and Positive Cash Flow in 1Q 2025

Forecasting Significant Improvements in Revenue, Adjusted EBITDA, and Cash Flow in 2025

Appendix

NON-GAAP FINANCIAL MEASURES

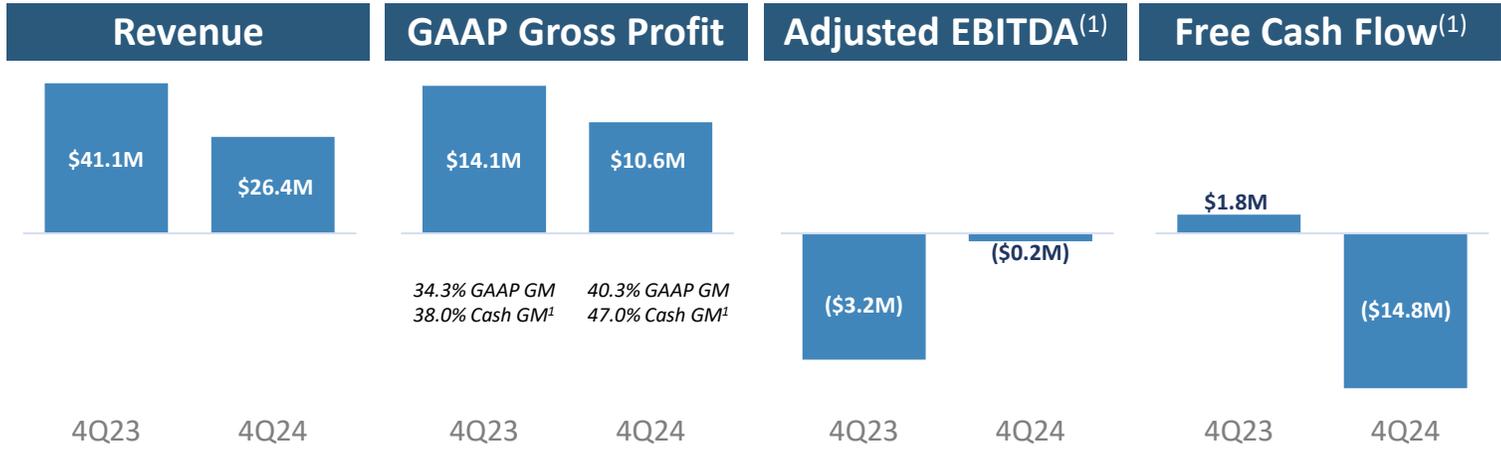
In addition to Telos' results determined in accordance with U.S. GAAP, Telos believes the non-GAAP financial measures of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted Earnings Per Share ("EPS"), Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Cash Operating Expenses, Adjusted Operating Expenses and Free Cash Flow 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, Adjusted Net(Loss)/Income, 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 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. 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 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.

FINANCIAL PERFORMANCE SUMMARY

4Q AND FY 2024 YEAR-OVER-YEAR COMPARISON

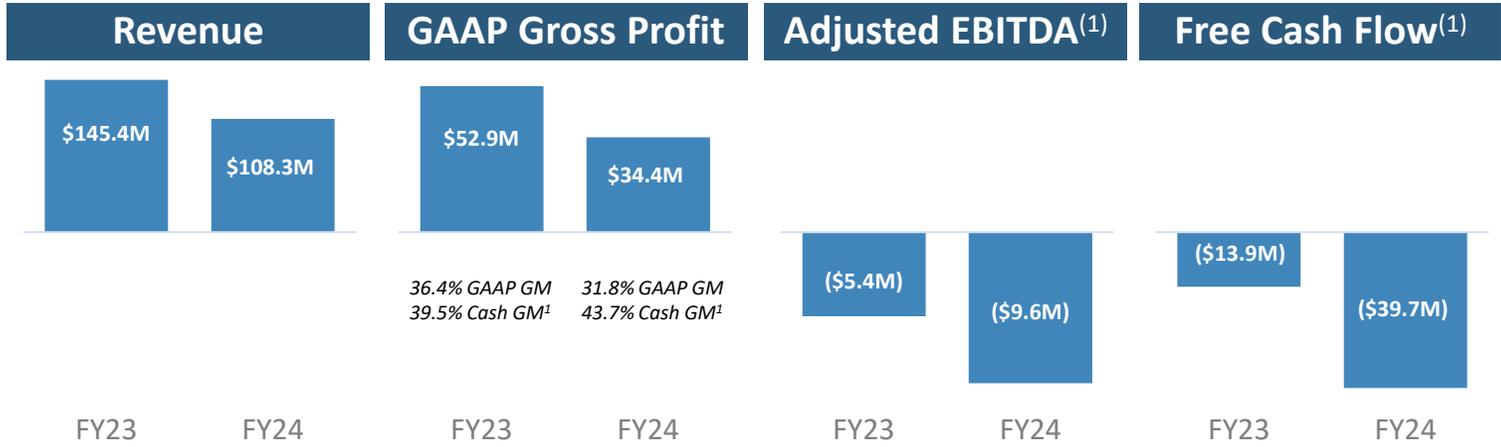
4Q YoY



4Q YoY Commentary

- **Revenue:** Security Solutions up 6% to \$21.9M due to the successful transition of the DMDC program and growth in TSA PreCheck® enrollments, partially offset by lower revenues on an ongoing program and the completion of a short-term program in 2023. Secure Networks down 78% to \$4.5M due to the successful completion and ramp down of certain programs.
- **Gross Profit:** GAAP gross profit down \$3.5M due to lower revenue. GAAP GM up 595 bps primarily due to mix, and partially offset by increased amortization of software development costs. Cash GM¹ up 895 bps. SS GAAP GM down 729 bps to 43% primarily due to mix. SS Cash GM¹ down 608 bps to 51%. SN GAAP GM up 770 bps to 26% due to mix and program management. SN Cash GM¹ up 692 bps to 25%. SS/SN revenue mix more accretive.
- **Adjusted EBITDA¹:** Up \$3.0M to (\$0.2M); Lower cash operating expenses¹ partially offset by lower cash gross profit¹ (due to lower revenue partially offset by higher Cash GM¹).
- **Free Cash Flow¹:** Short-term buildup in working capital associated with high-growth programs and one-time capex investments in IT infrastructure expansion.

FY YoY



FY YoY Commentary

- **Revenue:** Security Solutions down 1% to \$76.8M due to the reduction in revenue of a long-term program, the completion of a short-term program in 2023, and the sale of a non-recurring perpetual license in 2023, partially offset by growth in TSA PreCheck® and other portions of the portfolio. Secure Networks down 54% to \$31.5M primarily due to the successful completion and ramp down of programs.
- **Gross Profit:** GAAP gross profit down \$18.5M primarily due to lower revenue. GAAP GM also down 462 bps due to impairment charges and amortization of software development costs, partially offset by mix. Cash GM¹ up 424 bps. SS GAAP GM down 1,511 bps to 36% primarily due to impairment and amortization expenses. SS Cash GM¹ down 406 bps to 53% due to mix. SN GAAP GM up 181 bps to 21% due to mix and program management. SN Cash GM¹ up 227 bps to 22%. SS/SN revenue mix more accretive.
- **Adjusted EBITDA¹:** Down \$4.3M to (\$9.6M); Lower cash gross profit¹ due to lower revenue, partially offset by higher Cash GM¹ and lower adjusted opex¹.
- **Free Cash Flow¹:** Lower cash flow from operations partially offset by lower capitalized R&D.

4Q Cash Gross Margin¹ Up 895 Basis Points and FY Up 424 Basis Points Year-Over-Year



Notes:

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

2025 OUTLOOK

2025 1Q ADDITIONAL MODELING ASSUMPTIONS

	2024 Full Year	2024 1Q	2025E 1Q	2025E 1Q Commentary
GAAP Gross Margin	31.8%	37.0%	~38.5% - 39.2%	<ul style="list-style-type: none"> SS and SN down YoY More favorable revenue mix between SS and SN Cash gross margin¹ up YoY
Stock Based Compensation (SBC)	\$21.4M	\$3.0M	~\$7.5M - \$8.0M	<ul style="list-style-type: none"> ~\$0.2M in COS in 1Q 2025
Depreciation & Amortization	\$11.9M	\$3.1M	~\$2.4 - \$2.9M	<ul style="list-style-type: none"> ~33% is included in adjusted operating expenses¹ in 1Q 2025
Weighted Average Share Count	71.9M	70.6M	~72.5 - 73.0M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> Not meaningful
CAPEX & Capitalized Software	\$13.8M	\$3.3M	~\$2.5M - \$3.0M	<ul style="list-style-type: none"> Minimal CAPEX in 1Q 2025
Cash Operating Expenses ¹	\$68.2M	\$17.9M	~\$16.9M	<ul style="list-style-type: none"> Down YoY due to lower labor expenses, reduced headcount, and lower spend associated with discontinued development of selected solutions associated with the restructuring plan
Adjusted Operating Expenses ¹	\$62.4M	\$16.7M	~\$15.2M	<ul style="list-style-type: none"> Down YoY due to lower spend as indicated above and reduced depreciation and amortization, partially offset by 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)	
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	
Provision for Income Taxes	3,129	-	-	-	3,129	3,491	-	-	3,491	2,748	-	-	-	-	2,748	2,499	-	-	-	2,499	11,867	-	-	-	-	11,867	
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)	
Cash Flow from Operations	\$ (350)					\$ (7,990)					\$ (7,080)					\$ (10,518)					\$ (25,938)						
Capitalized Software	(3,202)	-	-	-	-	(3,113)	-	-	-	(2,789)	-	-	-	-	(2,401)	-	-	-	-	(11,505)	-	-	-	-	-		
PPE	(97)	-	-	-	-	(235)	-	-	-	(49)	-	-	-	-	(1,871)	-	-	-	-	(2,252)	-	-	-	-	-		
CAPEX	(3,299)					(3,348)				(2,838)					(4,272)					(13,757)							
Free Cash Flow	\$ (3,649)					\$ (11,338)				\$ (9,918)					\$ (14,790)					\$ (39,695)							

2023 RESULTS

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	
Revenue																										
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
Total	35,222	-	-	-	35,222	32,911	-	-	-	32,911	36,186	-	-	-	36,186	41,059	-	-	-	41,059	145,378	-	-	-	-	145,378
Gross Profit																										
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
Total	13,482	326	-	-	13,808	12,359	225	-	-	12,584	13,013	73	-	-	13,086	14,088	276	-	-	14,364	52,942	900	-	-	-	53,842
Gross Margin																										
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%	
Total	38.3%	0.9%	0.0%	0.0%	39.2%	37.6%	0.7%	0.0%	0.0%	38.2%	36.0%	0.2%	0.0%	0.0%	36.2%	34.3%	0.7%	0.0%	0.0%	35.0%	36.4%	0.6%	0.0%	0.0%	37.0%	
Operating Expenses																										
Research and Development ⁽¹⁾	2,833	770	-	-	2,063	2,646	847	-	-	1,799	3,154	328	-	-	2,826	3,614	44	-	-	3,570	12,247	1,989	-	-	-	6,934
Selling, General and Administrative	23,619	8,403	-	1,200	14,016	19,180	6,673	-	(3)	12,510	19,552	4,817	-	-	14,735	18,659	1,614	-	(65)	17,110	81,010	21,507	-	1,132	-	58,371
Total	26,452	9,173	-	1,200	16,079	21,826	7,520	-	(3)	14,309	22,706	5,145	-	-	17,561	22,273	1,658	-	(65)	20,680	93,257	23,496	-	1,132	-	68,629
EBIT / Operating (Loss)/Income	(12,970)	9,499	-	1,200	(2,271)	(9,467)	7,745	-	(3)	(1,725)	(9,693)	5,218	-	-	(4,475)	(8,185)	1,934	-	(65)	(6,316)	(40,315)	24,396	-	1,132	(14,787)	
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)	-	-	
Earnings Before Taxes (EBT)	(10,723)	9,499	(2,496)	1,200	(2,520)	(8,002)	7,745	(1,649)	(3)	(1,909)	(8,649)	5,218	(1,222)	-	(4,653)	(7,012)	1,934	(1,348)	(65)	(6,491)	(34,386)	24,396	(6,715)	1,132	(15,573)	
Provision for Income Taxes	(23)	-	-	-	(23)	(22)	-	-	-	(22)	(23)	-	-	-	(23)	32	-	-	-	32	(36)	-	-	-	-	(36)
Net (Loss)/Income	\$ (10,746)	\$ 9,499	\$ (2,496)	\$ 1,200	\$ (2,543)	\$ (8,024)	\$ 7,745	\$ (1,649)	\$ (3)	\$ (1,931)	\$ (8,672)	\$ 5,218	\$ (1,222)	\$ -	\$ (4,676)	\$ (6,980)	\$ 1,934	\$ (1,348)	\$ (65)	\$ (6,459)	\$ (34,422)	\$ 24,396	\$ (6,715)	\$ 1,132	\$ (15,609)	
Weighted Average 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	
EPS	\$ (0.16)	\$ 0.14	\$ (0.04)	\$ 0.02	\$ (0.04)	\$ (0.12)	\$ 0.11	\$ (0.02)	\$ (0.00)	\$ (0.03)	\$ (0.12)	\$ 0.08	\$ (0.02)	\$ -	\$ (0.07)	\$ (0.10)	\$ 0.03	\$ (0.02)	\$ -	\$ (0.09)	\$ (0.50)	\$ 0.35	\$ (0.10)	\$ 0.02	\$ (0.23)	
Net (Loss)/Income	\$ (10,746)	\$ 9,499	\$ (2,496)	\$ 1,200	\$ (2,543)	\$ (8,024)	\$ 7,745	\$ (1,649)	\$ (3)	\$ (1,931)	\$ (8,672)	\$ 5,218	\$ (1,222)	\$ -	\$ (4,676)	\$ (6,980)	\$ 1,934	\$ (1,348)	\$ (65)	\$ (6,459)	\$ (34,422)	\$ 24,396	\$ (6,715)	\$ 1,132	\$ (15,609)	
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⁾	1,425	-	-	-	1,425	1,696	-	-	-	1,696	3,215	-	-	-	3,215	3,093	-	-	-	3,093	9,429	-	-	-	9,429	
EBITDA	\$ (11,545)	\$ 9,499	\$ -	\$ 1,200	\$ (846)	\$ (7,771)	\$ 7,745	\$ -	\$ (3)	\$ (29)	\$ (6,478)	\$ 5,218	\$ -	\$ -	\$ (1,260)	\$ (5,092)	\$ 1,934	\$ -	\$ (65)	\$ (3,223)	\$ (30,886)	\$ 24,396	\$ -	\$ 1,132	\$ (5,358)	
Cash Flow from Operations	\$ (100)					\$ (4,113)					\$ 846					\$ 4,954					\$ 1,587					
Capitalized Software	(3,800)					(4,398)					(3,762)					(2,592)					(14,552)					
PPE	(223)					(47)					(80)					(576)					(926)					
CAPEX	(4,023)					(4,445)					(3,842)					(3,168)					(15,478)					
Free Cash Flow	\$ (4,123)					\$ (8,558)					\$ (2,996)					\$ 1,786					\$ (13,891)					

⁽¹⁾ Due to its immaterial amount, the impairment loss on intangible assets of \$0.1 million and \$0.3 million for the three months ended December 31, 2023 and September 30, 2023, respectively, and \$0.5 million for the twelve months ended December 31, 2023 was reported as part of depreciation and amortization within research and development expenses in 2023.

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%	

2023 RESULTS

CASH GROSS PROFIT & 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
Revenue					
Security Solutions	\$ 19,773	\$ 17,196	\$ 19,795	\$ 20,652	\$ 77,416
Secure Networks	15,449	15,715	16,391	20,407	67,962
Total	\$ 35,222	\$ 32,911	\$ 36,186	\$ 41,059	\$ 145,378
GAAP Gross Profit					
Security Solutions	\$ 10,274	\$ 9,551	\$ 9,354	\$ 10,435	\$ 39,614
Secure Networks	3,208	2,808	3,659	3,653	13,328
Total	\$ 13,482	\$ 12,359	\$ 13,013	\$ 14,088	\$ 52,942
GAAP Gross Margin					
Security Solutions	52.0%	55.5%	47.3%	50.5%	51.2%
Secure Networks	20.8%	17.9%	22.3%	17.9%	19.6%
Total	38.3%	37.6%	36.0%	34.3%	36.4%
Stock Based Compensation - Cost of Sales					
Security Solutions	\$ 272	\$ 153	\$ 63	\$ 180	\$ 668
Secure Networks	54	72	10	96	232
Total	\$ 326	\$ 225	\$ 73	\$ 276	\$ 900
Adjusted Gross Profit					
Security Solutions	\$ 10,546	\$ 9,704	\$ 9,417	\$ 10,615	\$ 40,282
Secure Networks	3,262	2,880	3,669	3,749	13,560
Total	\$ 13,808	\$ 12,584	\$ 13,086	\$ 14,364	\$ 53,842
Adjusted Gross Margin					
Security Solutions	53.3%	56.4%	47.6%	51.4%	52.0%
Secure Networks	21.1%	18.3%	22.4%	18.4%	20.0%
Total	39.2%	38.2%	36.2%	35.0%	37.0%
Depreciation & Amortization - Cost of Sales					
Security Solutions	\$ 170	\$ 168	\$ 1,943	\$ 1,251	\$ 3,532
Secure Networks	6	2	2	2	12
Total	\$ 176	\$ 170	\$ 1,945	\$ 1,253	\$ 3,544
Cash Gross Profit					
Security Solutions	\$ 10,716	\$ 9,872	\$ 11,360	\$ 11,866	\$ 43,814
Secure Networks	3,268	2,882	3,671	3,751	13,572
Total	\$ 13,984	\$ 12,754	\$ 15,031	\$ 15,617	\$ 57,386
Cash Gross Margin					
Security Solutions	54.2%	57.4%	57.4%	57.5%	56.6%
Secure Networks	21.2%	18.3%	22.4%	18.4%	20.0%
Total	39.7%	38.8%	41.5%	38.0%	39.5%

RECONCILIATIONS

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

(Amounts in thousands, unaudited)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2024		2023		2024		2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Net loss	\$ (9,330)	(35.4)%	\$ (6,980)	(17.0)%	\$ (52,520)	(48.5)%	\$ (34,422)	(23.7)%
Other income	(724)	(2.8)%	(1,348)	(3.2)%	(4,023)	(3.7)%	(6,715)	(4.6)%
Interest expense	152	0.6%	175	0.4%	644	0.6%	786	0.5%
Provision for income taxes	(25)	(0.1)%	(32)	(0.1)%	26	—%	36	—%
Depreciation and amortization ⁽²⁾	2,499	9.5%	3,093	7.5%	11,867	11.0%	9,429	6.5%
EBITDA (Non-GAAP)	(7,428)	(28.2)%	(5,092)	(12.4)%	(44,006)	(40.7)%	(30,886)	(21.2)%
Stock-based compensation expense ⁽¹⁾	7,394	28.0%	1,934	4.7%	21,411	19.8%	24,396	16.8%
Impairment loss on intangible assets ⁽²⁾	—	—%	—	—%	11,706	10.8%	—	—
Restructuring expenses ⁽³⁾	(167)	(0.6)%	(65)	(0.1)%	1,270	1.2%	1,132	0.8%
Adjusted EBITDA (Non-GAAP)	\$ (201)	(0.8)%	\$ (3,223)	(7.8)%	\$ (9,619)	(8.9)%	\$ (5,358)	(3.7)%

⁽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 \$6.9 million and \$19.4 million for the three and twelve months ended December 31, 2024, respectively, and \$4.1 million and \$22.9 million for the three and twelve months ended December 31, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$0.5 million and \$2.1 million for the three and twelve months ended December 31, 2024, respectively, and \$(2.1) million and \$1.5 million for the three and twelve months ended December 31, 2023, 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⁾ Due to its immaterial amount, the impairment loss on intangible assets of \$0.1 million and \$0.5 million for the three and twelve months ended December 31, 2023 was reported as part of depreciation and amortization expenses in 2023.

⁽³⁾ 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 LOSS AND ADJUSTED EPS

(Amounts in thousands, unaudited)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2024		2023		2024		2023	
	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share
Net loss	\$ (9,330)	\$ (0.13)	\$ (6,980)	\$ (0.10)	\$ (52,520)	\$ (0.73)	\$ (34,422)	\$ (0.50)
Adjustments:								
Other income	(724)	(0.01)	(1,348)	(0.02)	(4,023)	(0.06)	(6,715)	(0.10)
Stock-based compensation expense ⁽¹⁾	7,394	0.10	1,934	0.03	21,411	0.30	24,396	0.35
Impairment loss on intangible assets ⁽²⁾	—	—	—	—	11,706	0.16	—	—
Restructuring expenses ⁽³⁾	(167)	—	(65)	—	1,270	0.02	1,132	0.02
Adjusted net loss (Non-GAAP)	<u>\$ (2,827)</u>	<u>\$ (0.04)</u>	<u>\$ (6,459)</u>	<u>\$ (0.09)</u>	<u>\$ (22,156)</u>	<u>\$ (0.31)</u>	<u>\$ (15,609)</u>	<u>\$ (0.23)</u>
Weighted-average shares of common stock outstanding, basic	<u>72,435</u>		<u>69,832</u>		<u>71,850</u>		<u>69,256</u>	

⁽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 \$6.9 million and \$19.4 million for the three and twelve months ended December 31, 2024, respectively, and \$4.1 million and \$22.9 million for the three and twelve months ended December 31, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$0.5 million and \$2.1 million for the three and twelve months ended December 31, 2024, respectively, and \$(2.1) million and \$1.5 million for the three and twelve months ended December 31, 2023, 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.

⁽²⁾ Due to its immaterial amount, the impairment loss on intangible assets of \$0.1 million and \$0.5 million for the three and twelve months ended December 31, 2023 was reported as part of depreciation and amortization expenses in 2023.

⁽³⁾ 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 GROSS PROFIT, CASH GROSS PROFIT, ADJUSTED GROSS MARGIN, AND CASH GROSS MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2024		2023		2024		2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Gross profit	\$ 10,618	40.3%	\$ 14,088	34.3%	\$ 34,429	31.8%	\$ 52,942	36.4%
Adjustments:								
Stock-based compensation expense — cost of sales	228	0.8%	276	0.7%	828	0.8%	900	0.6%
Impairment loss on intangible assets – cost of sales	—	—%	—	—%	5,333	4.9%	—	—%
Restructuring expenses — cost of sales	(52)	(0.2)%	—	—%	341	0.3%	—	—%
Adjusted gross profit (Non-GAAP)	10,794	40.9%	14,364	35.0%	40,931	37.8%	53,842	37.0%
Depreciation and amortization — cost of sales	1,597	6.1%	1,253	3.0%	6,404	5.9%	3,544	2.5%
Cash gross profit (Non-GAAP)	<u>\$ 12,391</u>	<u>47.0%</u>	<u>\$ 15,617</u>	<u>38.0%</u>	<u>\$ 47,335</u>	<u>43.7%</u>	<u>\$ 57,386</u>	<u>39.5%</u>

RECONCILIATIONS FREE CASH FLOW

(Amounts in thousands, unaudited)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2024	2023	2024	2023
Net cash flows (used in) provided by operating activities	\$ (10,518)	\$ 4,954	\$ (25,938)	\$ 1,587
Adjustments:				
Purchases of property and equipment	(1,871)	(576)	(2,252)	(926)
Capitalized software development costs	(2,401)	(2,592)	(11,505)	(14,552)
Free cash flow (Non-GAAP)	<u>\$ (14,790)</u>	<u>\$ 1,786</u>	<u>\$ (39,695)</u>	<u>\$ (13,891)</u>

RECONCILIATIONS

ADJUSTED OPERATING EXPENSES AND CASH OPERATING EXPENSES

(Amounts in thousands, unaudited)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2024	2023	2024	2023
Operating expenses	\$ 20,545	\$ 22,273	\$ 90,302	\$ 93,257
Adjustments:				
Stock-based compensation expense	(7,166)	(1,658)	(20,583)	(23,496)
Impairment loss on intangible assets ⁽¹⁾	—	—	(6,373)	—
Restructuring expenses	115	65	(929)	(1,132)
Adjusted operating expenses (Non-GAAP)	13,494	20,680	62,417	68,629
Depreciation and amortization ⁽¹⁾	(902)	(1,840)	(5,463)	(5,885)
Capitalized software development costs	2,403	2,740	11,262	14,738
Cash operating expenses (Non-GAAP)	\$ 14,995	\$ 21,580	\$ 68,216	\$ 77,482

⁽¹⁾ Due to its immaterial amount, the impairment loss on intangible assets of \$0.1 million and \$0.5 million for the three and twelve months ended December 31, 2023, was reported as part of depreciation and amortization expenses in 2023.



Solutions that **empower**
and **protect** the enterprise.™