



Second Quarter 2022 Earnings

August 9, 2022



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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

2Q 2022 Summary

- Delivered revenue above high end of guidance range
 - Security Solutions down 4% YoY (vs. guidance of down low to high teens); Up 15% sequentially.
 - Outperformed guidance due to favorable timing on preexisting programs
 - Secure Networks up 17% YoY (vs. guidance of up MSD to mid teens); Up 7% sequentially
 - Outperformed guidance due to favorable supply chain timing/risk management
- Gross margin also above guidance range at 37.5% (vs. guidance of 33% to 35%)
 - Total revenues weighted 55% to higher margin Security Solutions (vs. guidance of low to mid 50%)
 - Security Solutions margin flat YoY (vs. guidance of mixing lower) due to better than expected sales timing in higher margin preexisting programs
 - Secure Networks margins down as expected (vs. guidance of mixing lower)
- Below the line (BTL) expenses were lower than projections due to cost management actions
- Delivered \$4.5M of Adjusted EBITDA for the quarter, above high end of guidance range

	2Q 2022 Actual	2Q 2022 Guidance
Revenue	\$55.8M	\$50M to \$54M
Revenue Growth	+4% YoY +11% Sequentially	-7% to +1% YoY 0% to +8% Sequentially
Gross Profit <i>(bps are YoY)</i>	\$20.9M 37.5% margin -449 bps	33% to 35% margin -900 to -700 bps
Adjusted EBITDA ⁽¹⁾	\$4.5M	-\$2M to \$2M
Adjusted EPS ⁽¹⁾	\$0.04	

Overdelivered on Key Financial Metrics in 2Q



Notes:

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



RECENT BUSINESS HIGHLIGHTS

IBM PARTNERSHIP

- Telos is the launch partner for the new **Active Governance Services (AGS)** offering from **IBM Security®**.
- **Teaming to provide capabilities** to address organizations' significant **cybersecurity risk and compliance challenges**.
- AGS is a unique and comprehensive offering **coupling the Xacta® suite of tools with IBM services and security expertise** to significantly improve the **efficacy and efficiency of clients' cybersecurity risk management**.
- Target customers include large enterprise organizations in global markets such as Financial Services, Healthcare, Telecom and Energy.



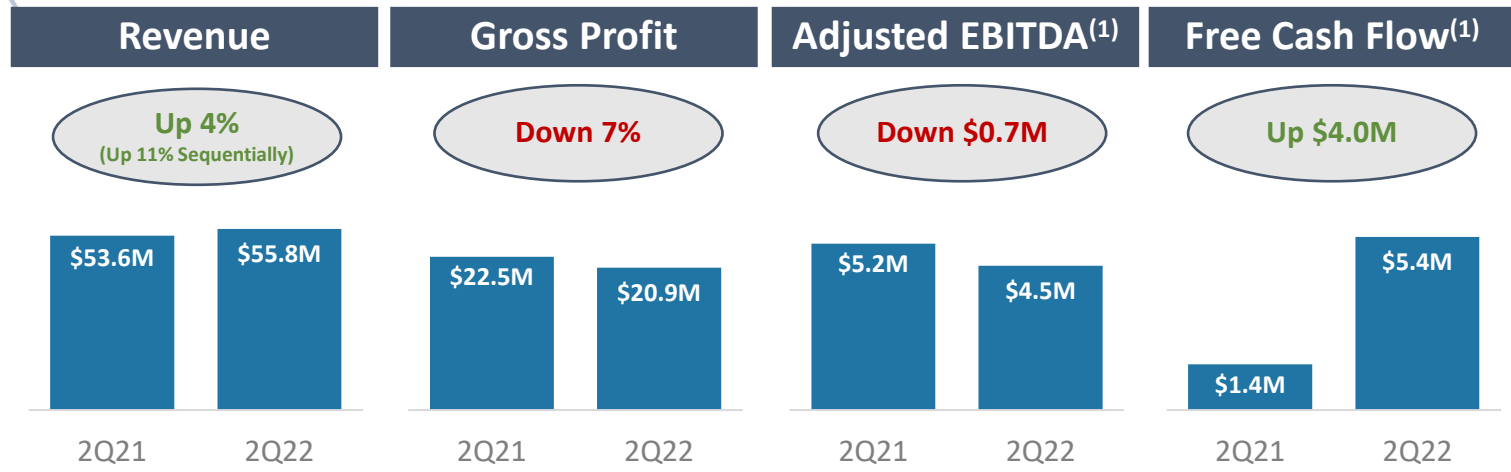
NOTABLE SUCCESSES

- Security Solutions
 - Received **Xacta®** renewals with several key customers including the **Central Intelligence Agency, the U.S. Department of the Interior, the U.S. Environmental Protection Agency, Salesforce** and others.
 - Received an award from a foreign government customer to implement and utilize **Xacta®**.
 - Received a **Ghost renewal** with a classified customer for continued support.
 - Awarded up to a **10-year contract** to continue and expand the **aviation security practice with TSA**.
 - Telos **ONYX® technology won first place** in Mobile Fingerprint Information Challenge (**mFIT**) hosted by National Institute of Standards and Technology (**NIST**).
- Secure Networks - Awarded several new contracts including support for the **U.S. Air Force SIPRNet Enterprise Modernization** effort.

Continued Adoption and Recognition of Our Solutions

2Q AND 1H 2022 YEAR OVER YEAR COMPARISON

2Q YoY

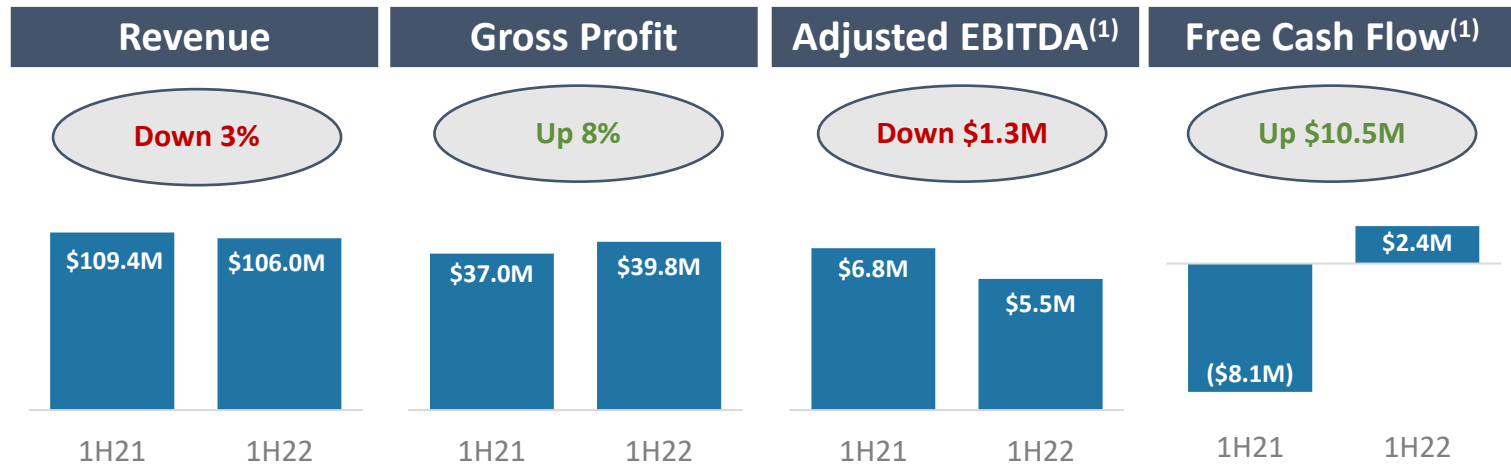


2Q

Pull forward of a large delivery on a lower margin Secure Networks program from 2Q21 to 1Q21 skews 2Q22 revenue and gross margin YoY comparisons.

- Revenue:** TLS up 4%. SN up 17% due to favorable supply chain performance and higher revenue on major programs. SS down 4% due to completion of U.S. Census program and lower revenues on a classified program.
- Gross Margin:** TLS down 449 bps to 37.5%. Higher weighting of revenues to lower margin SN in 2Q22 (45%) compared to 2Q21 (40%). SN GM down 697 bps to 18.0% due to higher revenue recognition on lower margin programs. SS GM unchanged at 53.3%.
- Adj. EBITDA:** Down \$0.7M primarily due to \$1.6M lower gross profit, partially offset by lower below the line expenses.
- Free Cash Flow:** Up \$4.0M due to favorable working capital dynamics.
- Capital Deployment:** Repurchased \$3M of stock. Daily repurchases have continued into 3Q.

1H YoY



1H

1H YoY comparison normalizes for the pull forward of a large delivery on a lower margin Secure Networks program from 2Q21 to 1Q21.

- Revenue:** TLS down 3%. SN down 11% as expected due to headwind on wind-down of two large programs in 2022. SS up 5% primarily due to the ramp of a confidential program.
- Gross Margin:** TLS up 374 bps to 37.6%. Higher weighting of revenues to higher margin SS in 1H22 (54%) compared to 1H21 (50%). SN GM down 206 bps to 17.2% due to lower margins on major programs. SS GM up 638 bps to 54.5% due to growth in high margin programs.
- Adj. EBITDA:** Down \$1.3M due to higher SG&A offsetting \$2.8M higher gross profit.
- Free Cash Flow:** Up \$10.5M due to favorable working capital dynamics.
- Capital Deployment:** Deployed more than 100% of free cash flow to share repurchases. Repurchases continue in 3Q.

Outperformed Forecast in 2Q and 1H; Deploying FCF Strength to Share Repurchases



Notes:

- Adjusted EBITDA, Adjusted EPS, and Free Cash Flow are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.
- "SN" = Secure Networks reporting segment. "SS" = Security Solutions reporting segment.



3Q 2022 GUIDANCE

	3Q 2022 Low End	3Q 2022 High End
Revenue	\$58M -16% YoY <i>+4% Sequentially</i>	\$62M -10% YoY <i>+11% Sequentially</i>
Adjusted EBITDA ⁽¹⁾	\$3.5M <i>6% Margin</i>	\$5.0M <i>8% Margin</i>

Assumptions

- Security Solutions (SS) revenue and growth assumptions:
 - Down mid to high teens YoY
 - Completion of U.S. Census program, lower revenues on some preexisting programs, lumpiness of Xacta® perpetual license sales
 - TSA PreCheck ATO process progressing well, but 3Q revenues, if any, are expected to be de minimis
- Secure Networks (SN) revenue and growth assumptions:
 - Down MSD to mid teens YoY
 - Ongoing wind-down of two large programs coming to successful completion as expected
- Gross margin down 350 – 500 basis points YoY
 - Slight YoY change in revenue mix between SS and SN. SS weighted mid to high 40% of total revenues compared to 50% during 3Q21.
 - Revenue within both SS and SN mixing lower YoY
- BTL expenses excluding stock based compensation ~\$1M higher YoY due to ramp of R&D and G&A investments during 2021

Sequential Sales Growth Expected to Continue into 3Q



Notes:

1. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. The Company has not provided 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, reconciliations of forward-looking Adjusted EBITDA and Adjusted EBITDA Margin are not available without unreasonable effort.



FULL YEAR 2022 GUIDANCE

	Updated Guidance	
	FY 2022 Low End	FY 2022 High End
Revenue	\$226M <i>-7% YoY</i>	\$242M <i>0% YoY</i>
Adjusted EBITDA ⁽¹⁾	\$18M <i>8% Margin</i>	\$24M <i>10% Margin</i>

	Prior Guidance	
	FY 2022 Low End	FY 2022 High End
Revenue	\$226M <i>-7% YoY</i>	\$257M <i>+6% YoY</i>
Adjusted EBITDA ⁽¹⁾	\$21M <i>9% Margin</i>	\$28M <i>11% Margin</i>

Updated Guidance Assumptions

- Security Solutions (SS) growth assumptions:
 - +/- MSD YoY
- Secure Networks (SN) growth assumptions:
 - Down MSD to DD YoY due to ongoing wind-down of two large programs coming to successful completion as expected
- Total company 1H revenues represent 44% - 47% of full year revenues
- Gross margin likely slightly up to down YoY
 - Security Solutions flat to slightly lower; Secure Networks lower
 - Security Solutions revenues weighted low 50% of total
- BTL expenses excluding stock comp >\$5M higher YoY
- Notable updates from prior guidance: lower assumptions on TSA PreCheck revenues and new business in 2H, lower gross margin on SN, lower BTL expenses in 2H largely buffer impact on Adjusted EBITDA margins

Core Business Performing Well; Sequential Sales Growth Expected to Continue into 3Q and 4Q

Notes:

1. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. The Company has not provided 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, reconciliations of forward-looking Adjusted EBITDA and Adjusted EBITDA Margin are not available without unreasonable effort.



SUMMARY

Delivered a solid 2Q and outperformed on key financial metrics

Strong first half gross margin expansion and free cash flow generation

Formed a new strategic partnership with IBM Security®

Returning free cash flow to shareholders through share repurchases

Core business expected to continue performing well during the second half; taking a slightly more cautious approach to new business in the second half; managing forecast and expenses accordingly

Appendix



NON-GAAP FINANCIAL MEASURES

In addition to its results determined in accordance with GAAP, the Company believes the non-GAAP financial measures of Enterprise EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow are useful in evaluating its operating performance. The Company believes that this non-GAAP financial information, when taken collectively with the Company's GAAP results, may be helpful to readers of its financial statements because that information provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each of these non-GAAP financial measures to the most directly comparable financial measure stated in accordance with GAAP.

The Company uses these non-GAAP financial measures to understand and evaluate its core operating performance and trends, to prepare and approve its annual budget, to develop short-term and long-term operating plans, and to evaluate the performance of certain management personnel when determining incentive compensation. The Company believes these non-GAAP financial measures facilitate comparison of its operating performance on a consistent basis between periods by excluding certain items that may, or could, have a disproportionately positive or negative impact on its results of operations in any particular period. When viewed in combination with the Company's results prepared in accordance with GAAP, these non-GAAP financial measures help provide a broader picture of factors and trends affecting the Company's results of operations.



2022 ADDITIONAL MODELING INPUTS

	2021 Full Year	2022E Full Year	2022E 3Q	2022E Full Year YoY Commentary
Gross Margin	35.5%	34% to 36%	31% to 32.5%	<ul style="list-style-type: none"> Slightly up to down gross margins primarily due to lower SN margins
Stock Comp	\$60.2M	\$63M to \$66M	\$16M to \$18M	<ul style="list-style-type: none"> ~\$4M included in COS for FY, Up to ~\$1M in COS for 3Q
Depreciation & Amortization	\$5.6M	\$7M to \$9M	\$2M to \$3M	<ul style="list-style-type: none"> Higher amortization on previously capitalized development costs
Share Count	66.8M	67M to 68M	~67.5M	
Tax Rate	0.1%	-	-	<ul style="list-style-type: none"> Not meaningful
Capex & Capitalized Software	\$13.2M	\$12M to \$14M	\$2.5M to \$3.5M	
Below The Line Expenses ⁽¹⁾	\$69.9M	\$75M to \$77M	\$18.5M to \$20M	<ul style="list-style-type: none"> Higher D&A, TSA readiness, BD/sales/channel, and other G&A operational capability that ramped throughout last year



Notes:

1. Below the line expenses exclude stock compensation.



2021 GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands)

	2021																				
	Q1				Q2				Q3				Q4				FY				
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	
Revenue																					
Security Solutions	22,830	-	-	22,830	32,236	-	-	32,236	34,559	-	-	34,559	33,910	-	-	33,910	123,534	-	-	123,534	
Secure Networks	32,928	-	-	32,928	21,408	-	-	21,408	34,423	-	-	34,423	30,140	-	-	30,140	118,899	-	-	118,899	
Total	55,758	-	-	55,758	53,644	-	-	53,644	68,982	-	-	68,982	64,050	-	-	64,050	242,433	-	-	242,433	
Gross Profit																					
Security Solutions	9,327	548	-	9,875	17,188	525	-	17,713	19,517	633	-	20,150	18,873	583	-	19,456	64,904	2,289	-	67,193	
Secure Networks	5,143	77	-	5,220	5,346	106	-	5,452	5,360	85	-	5,445	5,276	83	-	5,359	21,125	351	-	21,476	
Total	14,470	625	-	15,095	22,534	631	-	23,165	24,877	718	-	25,595	24,149	666	-	24,815	86,029	2,640	-	88,669	
Gross Margin																					
Security Solutions	40.9%	2.4%	0.0%	43.3%	53.3%	1.6%	0.0%	54.9%	56.5%	1.8%	0.0%	58.3%	55.7%	1.7%	0.0%	57.4%	52.5%	1.9%	0.0%	54.4%	
Secure Networks	15.6%	0.2%	0.0%	15.9%	25.0%	0.5%	0.0%	25.5%	15.6%	0.2%	0.0%	15.8%	17.5%	0.3%	0.0%	17.8%	17.8%	0.3%	0.0%	18.1%	
Total	26.0%	1.1%	0.0%	27.1%	42.0%	1.2%	0.0%	43.2%	36.1%	1.0%	0.0%	37.1%	37.7%	1.0%	0.0%	38.7%	35.5%	1.1%	0.0%	36.6%	
SG&A																					
Sales and Marketing	3,826	1,547	-	2,279	5,043	2,233	-	2,810	5,363	1,536	-	3,827	5,423	1,873	-	3,550	19,655	7,189	-	12,466	
Research and Development	4,061	461	-	3,600	5,327	648	-	4,679	4,863	970	-	3,893	4,845	1,189	-	3,656	19,096	3,268	-	15,828	
General and Administrative	20,077	11,037	-	9,040	29,635	17,824	-	11,811	19,739	9,148	-	10,591	19,292	9,125	-	10,167	88,742	47,134	-	41,608	
Total	27,964	13,045	-	14,919	40,005	20,705	-	19,300	29,965	11,654	-	18,311	29,560	12,187	-	17,373	127,493	57,591	-	69,902	
EBIT / Operating Income (Loss)	(13,494)	13,670	-	176	(17,471)	21,336	-	3,865	(5,088)	12,372	-	7,284	(5,411)	12,853	-	7,442	(41,464)	60,231	-	18,767	
Interest Expense	(196)	-	-	(196)	(192)	-	-	(192)	(195)	-	-	(195)	(194)	-	-	(194)	(777)	-	-	(777)	
Other Income (Expense)	(1,054)	-	1,054	-	32	-	(32)	-	20	-	(20)	-	81	-	(81)	-	(921)	-	921	-	
Earnings Before Taxes (EBT)	(14,744)	13,670	1,054	(20)	(17,631)	21,336	(32)	3,673	(5,263)	12,372	(20)	7,089	(5,524)	12,853	(81)	7,248	(43,162)	60,231	921	17,990	
Tax Provision	(34)	-	-	(34)	(13)	-	-	(13)	41	-	-	41	34	-	-	34	28	-	-	28	
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(5,222)	12,372	(20)	7,130	(5,490)	12,853	(81)	7,282	(43,134)	60,231	921	18,018	
Share Count	64,625	64,625	64,625	64,625	66,616	66,616	66,616	66,616	66,755	66,755	66,755	66,755	66,756	66,756	66,756	66,756	66,374	66,374	66,374	66,374	
EPS	(0.23)	0.21	0.02	(0.00)	(0.26)	0.32	(0.00)	0.05	(0.08)	0.19	(0.00)	0.11	(0.08)	0.19	(0.00)	0.11	(0.65)	0.91	0.01	0.27	
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(5,222)	12,372	(20)	7,130	(5,490)	12,853	(81)	7,282	(43,134)	60,231	921	18,018	
Other Income (Expense)	1,054	-	(1,054)	-	(32)	-	32	-	(20)	-	20	-	(81)	-	81	-	921	-	(921)	-	
Interest Expense	196	-	-	196	192	-	-	192	195	-	-	195	194	-	-	194	777	-	-	777	
Tax Provision	34	-	-	34	13	-	-	13	(41)	-	-	(41)	(34)	-	-	(34)	(28)	-	-	(28)	
Depreciation & Amortization	1,360	-	-	1,360	1,404	-	-	1,404	1,459	-	-	1,459	1,401	-	-	1,401	5,624	-	-	5,624	
EBITDA	(12,134)	13,670	-	1,536	(16,067)	21,336	-	5,269	(3,629)	12,372	-	8,743	(4,010)	12,853	-	8,843	(35,840)	60,231	-	24,391	
Actuals																					
Cash Flow from Operations	(6,882)				3,528				12,991				(2,375)				7,262				
Capitalized Software	(2,165)				(1,498)				(3,009)				(3,296)				(9,968)				
PPE	(480)				(590)				(575)				(1,556)				(3,201)				
CAPEX	(2,645)				(2,088)				(3,584)				(4,852)				(13,169)				
Free Cash Flow	(9,527)				1,440				9,407				(7,227)				(5,907)				



Notes:

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



2021 and 2022 GAAP AND ADJUSTED FIRST HALF RESULTS

(Amounts in thousands)

	2021												2022												
	Q1				Q2				1H				Q1				Q2				1H				
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	
Revenue																									
Security Solutions	22,830	-	-	22,830	32,236	-	-	32,236	55,066	-	-	55,066	26,919	-	-	26,919	30,819	-	-	30,819	57,738	-	-	57,738	
Secure Networks	32,928	-	-	32,928	21,408	-	-	21,408	54,336	-	-	54,336	23,241	-	-	23,241	24,972	-	-	24,972	48,213	-	-	48,213	
Total	55,758	-	-	55,758	53,644	-	-	53,644	109,402	-	-	109,402	50,160	-	-	50,160	55,791	-	-	55,791	105,951	-	-	105,951	
Gross Profit																									
Security Solutions	9,327	548	-	9,875	17,188	525	-	17,713	26,515	1,073	-	27,588	15,051	856	-	15,907	16,433	748	-	17,182	31,485	1,605	-	33,090	
Secure Networks	5,143	77	-	5,220	5,346	106	-	5,452	10,489	183	-	10,672	3,820	150	-	3,970	4,496	115	-	4,611	8,315	265	-	8,580	
Total	14,470	625	-	15,095	22,534	631	-	23,165	37,004	1,256	-	38,260	18,871	1,007	-	19,878	20,929	862	-	21,791	39,800	1,869	-	41,669	
Gross Margin																									
Security Solutions	40.9%	2.4%	0.0%	43.3%	53.3%	1.6%	0.0%	54.9%	48.2%	1.9%	0.0%	50.1%	55.9%	3.2%	0.0%	59.1%	53.3%	2.4%	0.0%	55.8%	54.5%	2.8%	0.0%	57.3%	
Secure Networks	15.6%	0.2%	0.0%	15.9%	25.0%	0.5%	0.0%	25.5%	19.3%	0.3%	0.0%	19.6%	16.4%	0.6%	0.0%	17.1%	18.0%	0.5%	0.0%	18.5%	17.2%	0.6%	0.0%	17.8%	
Total	26.0%	1.1%	0.0%	27.1%	42.0%	1.2%	0.0%	43.2%	33.8%	1.1%	0.0%	35.0%	37.6%	2.0%	0.0%	39.6%	37.5%	1.5%	0.0%	39.1%	37.6%	1.8%	0.0%	39.3%	
SG&A																									
Sales and Marketing	3,826	1,547	-	2,279	5,043	2,233	-	2,810	8,869	3,780	-	5,089	5,252	1,668	-	3,584	4,741	1,420	-	3,321	9,993	3,088	-	6,905	
Research and Development	4,061	461	-	3,600	5,327	648	-	4,679	9,388	1,109	-	8,279	5,430	1,295	-	4,135	4,489	692	-	3,797	9,919	1,987	-	7,932	
General and Administrative	20,077	11,037	-	9,040	29,635	17,824	-	11,811	49,712	28,861	-	20,851	22,923	10,328	-	12,595	23,865	12,232	-	11,633	46,788	22,560	-	24,228	
Total	27,963	13,045	-	14,919	40,005	20,705	-	19,300	67,969	33,750	-	34,219	33,605	13,291	-	20,314	33,095	14,344	-	18,751	66,700	27,635	-	39,065	
EBIT / Operating Income (Loss)	(13,494)	13,670	-	176	(17,471)	21,336	-	3,865	(30,965)	35,006	-	4,041	(14,734)	14,298	-	(436)	(12,166)	15,206	-	3,040	(26,900)	29,504	-	2,604	
Interest Expense	(196)	-	-	(196)	(192)	-	-	(192)	(388)	-	-	(388)	(190)	-	-	(190)	(187)	-	-	(187)	(377)	-	-	(377)	
Other Income (Expense)	(1,054)	-	1,054	-	32	-	(32)	-	(1,022)	-	1,022	-	12	-	(12)	-	118	-	(118)	-	130	-	(130)	-	
Earnings Before Taxes (EBT)	(14,744)	13,670	1,054	(20)	(17,631)	21,336	(32)	3,673	(32,375)	35,006	1,022	3,653	(14,912)	14,298	(12)	(626)	(12,235)	15,206	(118)	2,853	(27,147)	29,504	(130)	2,227	
Tax Provision	(34)	-	-	(34)	(13)	-	-	(13)	(47)	-	-	(47)	(71)	-	-	(71)	(54)	-	-	(54)	(125)	-	-	(125)	
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(32,422)	35,006	1,022	3,606	(14,983)	14,298	(12)	(697)	(12,289)	15,206	(118)	2,799	(27,272)	29,504	(130)	2,102	
Share Count	64,625	64,625	64,625	64,625	66,616	66,616	66,616	66,616	65,621	65,621	65,621	65,621	67,559	67,559	67,559	67,559	67,876	67,876	67,876	67,876	67,717	67,717	67,717	67,717	
EPS	(0.23)	0.21	0.02	(0.00)	(0.26)	0.32	(0.00)	0.05	(0.49)	0.53	0.02	0.05	(0.22)	0.21	(0.00)	(0.01)	(0.18)	0.22	(0.00)	0.04	(0.40)	0.44	(0.00)	0.03	
Net Income (Loss)	(14,778)	13,670	1,054	(54)	(17,644)	21,336	(32)	3,660	(32,422)	35,006	1,022	3,606	(14,983)	14,298	(12)	(697)	(12,289)	15,206	(118)	2,799	(27,272)	29,504	(130)	2,102	
Other Income (Expense)	1,054	-	(1,054)	-	(32)	-	32	-	1,022	-	(1,022)	-	(12)	-	12	-	(118)	-	118	-	(130)	-	130	-	
Interest Expense	196	-	-	196	192	-	-	192	388	-	-	388	190	-	-	190	187	-	-	187	377	-	-	377	
Tax Provision	34	-	-	34	13	-	-	13	47	-	-	47	71	-	-	71	54	-	-	54	125	-	-	125	
Depreciation & Amortization	1,360	-	-	1,360	1,404	-	-	1,404	2,764	-	-	2,764	1,405	-	-	1,405	1,505	-	-	1,505	2,910	-	-	2,910	
EBITDA	(12,134)	13,670	-	1,536	(16,067)	21,336	-	5,269	(28,201)	35,006	-	6,805	(13,329)	14,298	-	969	(10,661)	15,206	-	4,545	(23,990)	29,504	-	5,514	
Actuals					Actuals				Actuals				Actuals				Actuals								
Cash Flow from Operations	(6,882)					3,528					(3,354)					249					7,883				
Capitalized Software	(2,165)					(1,498)					(3,663)					(2,795)					(2,339)				
PPE	(480)					(590)					(1,070)					(546)					(95)				
CAPEX	(2,645)					(2,088)					(4,733)					(3,341)					(2,434)				
Free Cash Flow	(9,527)					1,440					(8,087)					(3,092)					5,449				

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



RECONCILIATIONS

Enterprise EBITDA and Adjusted EBITDA (*Unaudited*)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<i>(in thousands)</i>			
Net loss	\$ (12,289)	\$ (17,644)	\$ (27,272)	\$ (32,422)
Adjustments:				
Non-operating (income)/expense	(118)	(32)	(130)	1,022
Interest expense	187	192	377	388
Provision for income taxes	54	13	125	47
Depreciation and amortization	1,505	1,404	2,910	2,764
Enterprise EBITDA	(10,661)	(16,067)	(23,990)	(28,201)
Stock-based compensation expense ⁽¹⁾	15,206	21,336	29,504	35,006
Adjusted EBITDA	\$ 4,545	\$ 5,269	\$ 5,514	\$ 6,805

Notes:

1. The stock-based compensation adjustment to EBITDA for the three and six months ended June 30, 2022 is made up of \$14.6 million and \$27.2 million of stock-based compensation expense for the awarded RSUs and PRSUs, respectively, and \$0.7 million and \$2.3 million of other sources of stock-based compensation expense, 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.



RECONCILIATIONS

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Adjusted Net Income /(Loss)	Adjusted Per Share	Adjusted Net Income/(Loss)	Adjusted Per Share	Adjusted Net Income/(Loss)	Adjusted Per Share	Adjusted Net Income/(Loss)	Adjusted Per Share
	<i>(in thousands, except per share data)</i>							
Reported GAAP measure	\$ (12,289)	\$ (0.18)	\$ (17,644)	\$ (0.26)	\$ (27,272)	\$ (0.40)	\$ (32,422)	\$ (0.49)
Adjustments:								
Non-operating (income)/expense	(118)	—	(32)	—	(130)	—	1,022	0.02
Stock-based compensation expense ⁽¹⁾	15,206	0.22	21,336	0.32	29,504	0.43	35,006	0.53
Adjusted non-GAAP measure	\$ 2,799	\$ 0.04	\$ 3,660	\$ 0.06	\$ 2,102	\$ 0.03	\$ 3,606	\$ 0.06
Weighted-average shares of common stock outstanding	67,876		66,616		67,717		65,621	

Notes:

- The stock-based compensation adjustment to net loss for the three and six months ended June 30, 2022 is made up of \$14.6 million and \$27.2 million of stock-based compensation expense for the awarded RSUs and PRSUs, respectively, and \$0.7 million and \$2.3 million of other sources of stock-based compensation expense, 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 Income/(Loss).



RECONCILIATIONS

Free Cash Flow (*Unaudited*)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	<i>(in thousands)</i>			
Net cash flows provided by/ (used in) operating activities	\$ 7,883	\$ 3,528	\$ 8,132	\$ (3,354)
Adjustments:				
Purchase of property and equipment	(95)	(590)	(641)	(1,070)
Capitalized software development costs	(2,339)	(1,498)	(5,134)	(3,663)
Free cash flow	<u>\$ 5,449</u>	<u>\$ 1,440</u>	<u>\$ 2,357</u>	<u>\$ (8,087)</u>