



Fourth Quarter 2022 Earnings and 2023 Outlook

March 16, 2023



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, 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 an endorsement of such 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 \$47.3M OF REVENUE, 38.6% GROSS MARGIN AND \$5.4M OF ADJUSTED EBITDA IN 4Q

4Q 2022 Summary

- Delivered \$47.3M of revenue
 - Security Solutions (“SS”) down 11% YoY (vs. guidance of down HSD to high teens); Down 7% sequentially; Results in line with guidance
 - Secure Networks (“SN”) down 43% YoY (vs. guidance of down mid to high 40% YoY); Down 45% sequentially; Results slightly exceeded guidance due to favorable timing on pre-existing programs
- Delivered 38.6% gross margin
 - 38.6% vs guidance of 33% to 34.5%
 - Primarily due to favorable revenue mix within SS
 - Revenue mix between SS and SN in line with expectations
- Below the line (BTL) expenses managed lower than projections
- Delivered \$5.4M of Adjusted EBITDA and 11.4% Adjusted EBITDA margin, above high end of guidance range, due to better than expected gross profit and lower BTL expenses

	FY 2022 Actual	4Q 2022 Actual	4Q 2022 Guidance
Revenue	\$216.9M	\$47.3M	\$43M to \$47M
Revenue Growth	-11% YoY	-26% YoY -26% Sequentially	-33% to -27% YoY -32% to -26% Sequentially
Gross Profit <i>(bps are YoY)</i>	\$79.0M 36.4% margin +96 bps	\$18.3M 38.6% margin +95 bps	33% to 34.5% margin -470 to -320 bps
Adjusted EBITDA ⁽¹⁾	\$19.5M 9.0% Margin	\$5.4M 11.4% Margin	\$0M to \$2.0M 0% to 4% Margin
Adjusted EPS ⁽¹⁾	\$0.19	\$0.05	

Exceeded High End of Guidance Range on Key Financial Metrics



Notes:

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



SENIOR LEADERSHIP ANNOUNCEMENTS

Josh Salmanson

SVP, Technology Solutions

- Leading newly established Technology Solutions organization
- Responsible for driving development of innovative technology solutions for our customers
- Nearly 30 years of experience as a senior cyber and information technology executive
- Record of success leading technology and solutions for companies serving commercial and government customers



Lee Canterbury

VP, Corporate Growth

- Leading newly consolidated Growth organization
- Oversees all business generation activities across company
- Over 35 years of experience successfully implementing business development strategies for companies serving commercial and government customers



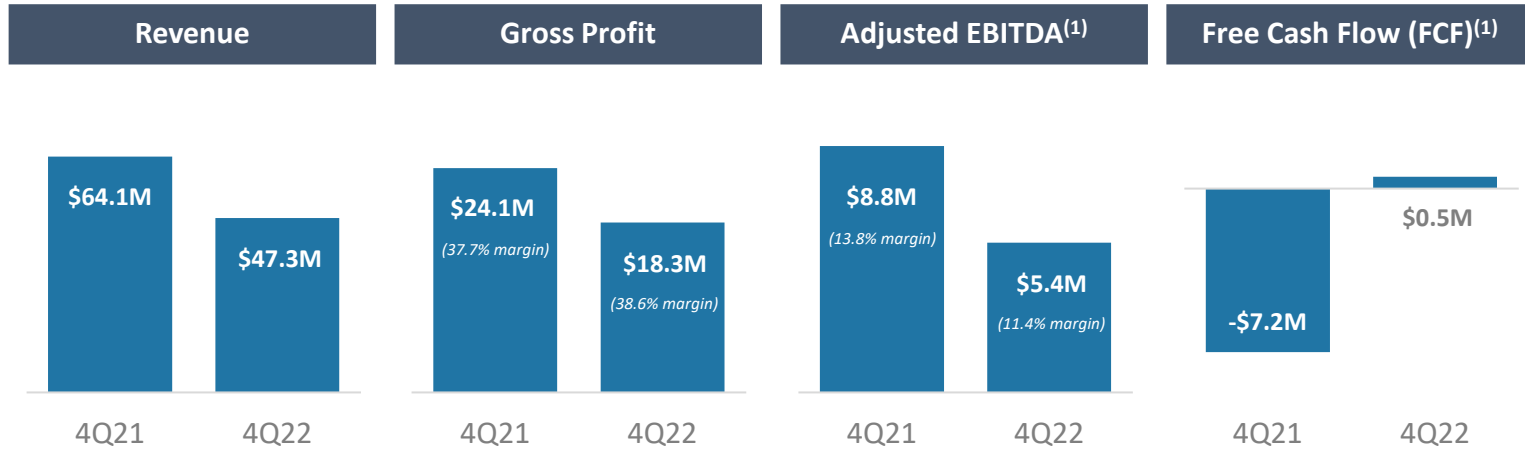
Successful Track Record of Driving Growth for Technology Companies



FINANCIAL PERFORMANCE SUMMARY

4Q AND FY 2022 YEAR-OVER-YEAR COMPARISON

4Q YoY

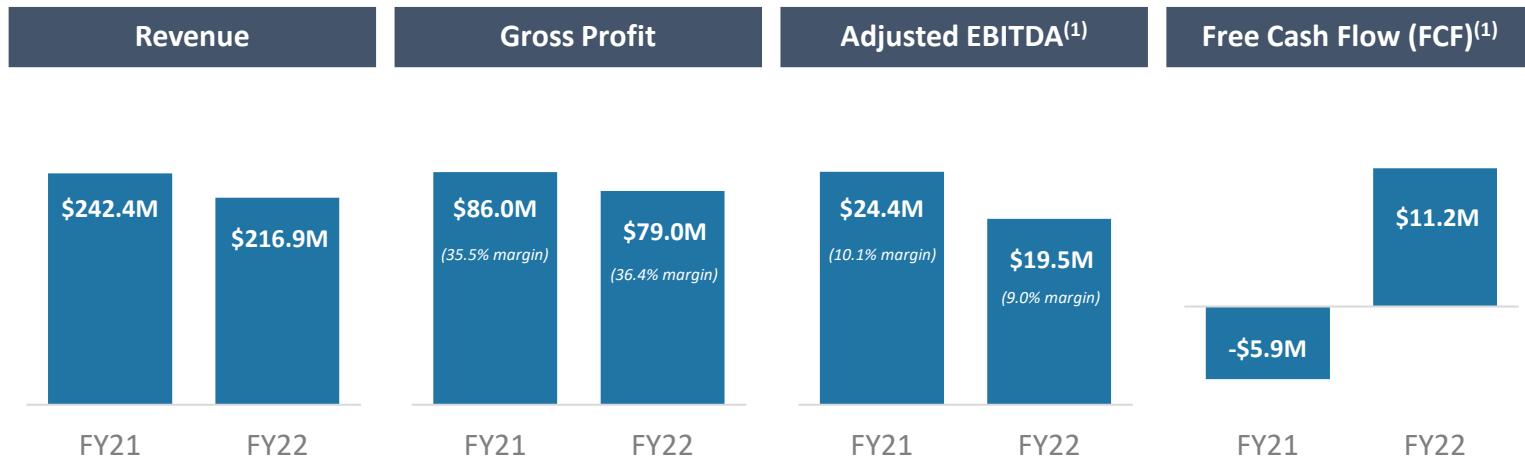


4Q

Results primarily reflect the wind down of large programs in SN as expected, partially offset by cost reduction actions.

- Revenue:** TLS down 26%. SS down 11% due to lower revenues on a single large program and 2021 ramp down of Census program. SN down 43% due to large programs nearing completion.
- Gross Margin:** TLS up 95 bps to 38.6%. Higher weighting of revenues to higher margin SS in 4Q22 (64%) compared to 4Q21 (53%).
- Adj. EBITDA:** Down \$3.4M primarily due to lower revenue, partially offset by lower below the line expenses.
- Free Cash Flow:** Up \$7.7M due to favorable working capital dynamics.
- Capital Deployment:** Deployed \$3.6M to repurchase 691K shares.

FY YoY



FY

Results primarily reflect the wind down of large programs in SN as expected, partially offset by cost reduction actions in 2H. Strong FCF deployed to share repurchases.

- Revenue:** TLS down 11%, primarily due to the wind down of large programs in SN as expected. SN down 19%. SS down 2% primarily due to a single program renewing at a lower level of revenue.
- Gross Margin:** TLS up 96 bps to 36.4%. Higher weighting of revenues to higher margin SS (56%) in 2022 compared to 2021 (51%).
- Adj. EBITDA:** Down \$4.9M primarily due to lower revenue, partially offset by lower BTL expenses.
- Free Cash Flow:** Up \$17.1M due to favorable working capital dynamics.
- Capital Deployment:** Deployed \$11.3M (vs. \$11.2M of FCF) to repurchase 1.6M shares.

Strong FCF in 2022; Revenues Primarily Impacted by Wind-Down of Large Programs Nearing Completion



Notes:

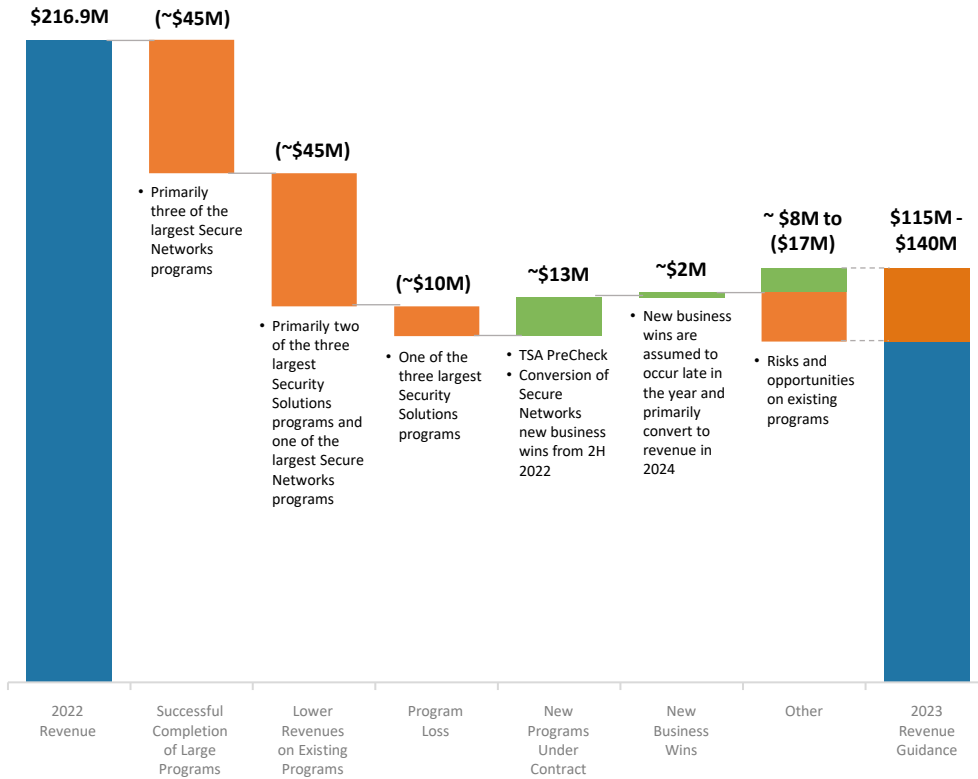
1. Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.



2023 OUTLOOK

2022 to 2023 REVENUE BRIDGE

Bridge to 2023 Revenue Guidance



2023 Preliminary Outlook on 3Q Earnings Call

"...there are a number of moving pieces that will become more visible before we provide 2023 guidance on our fourth quarter earnings call in March. In the meantime, the range of potential outcomes is quite wide. But from where we sit today, it's possible revenues could be down approximately mid-teens year over year in 2023."



Program-Specific Headwinds and Insufficient New Business Wins in 2022 Will Impact 2023 Revenue



2023 OUTLOOK FULL YEAR 2023

	Guidance	
	FY 2023 Low End	FY 2023 High End
Revenue	\$115M -47% YoY	\$140M -35% YoY
Adjusted EBITDA ⁽¹⁾	(\$27M)	(\$17M)

Assumptions

- SS revenue assumptions:
 - Down low-30% to high-40% YoY
 - Expected lower revenues on two ongoing programs (~\$40M) and the loss of another program (~\$10M), partially offset by initial ramp of TSA PreCheck
 - Range primarily driven by risks and opportunities on pre-existing programs
- SN revenue assumptions:
 - Down low-to-high 40% YoY
 - Successful completion of large programs in 2022 and 2023 (~\$45M), and expected lower revenues on some ongoing programs (~\$5M)
- Assume new business wins in 2023 will primarily occur late in year and convert to revenue beginning in 2024
- Total company 1H revenues represent approximately half of full year revenue (vs. 49% in 2022)
- Gross margin flat to down 500 bps YoY
 - Both SS and SN down YoY primarily due to revenue pressure on higher margin programs
 - SS revenues weighted mid 50% to low 60% of total (vs. 56% in 2022)
- Cash BTL expenses excluding stock based compensation, restructuring costs, and D&A approximately \$4.5M lower excluding management reserve and approximately \$2.5M lower to \$2.5M higher including management reserve

2023 Will Be A Transition Year Focused on New Business Wins for 2024 and Beyond



Notes:

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



2023 OUTLOOK

1Q 2023

	Guidance	
	1Q 2023 Low End	1Q 2023 High End
Revenue	\$30M -40% YoY	\$33M -34% YoY
Adjusted EBITDA ⁽¹⁾	(\$6.5M)	(\$4.5M)

Assumptions

- SS revenue assumptions:
 - Down mid-20% to mid-30% YoY (down mid-30% to low-40% sequentially)
 - Expected lower revenues (~\$5M+) on two programs and the loss of another program (~\$2M)
- SN revenue assumptions:
 - Down mid-40% to high-40% YoY (down low-20% to high-20% sequentially)
 - Successful completion of large programs
- Gross margin down ~300 to ~400 bps YoY
 - SS lower primarily due to revenue pressure on high margin programs
 - SN lower primarily due to lower expected margins on a pre-existing major program
 - SS to contribute approximately 55% - 60% of total revenues (vs. 54% in 2022)
- Cash BTL expenses excluding stock based compensation, restructuring costs, and D&A approximately \$1M - \$2M lower

Program-Specific Headwinds and Insufficient New Business Wins in 2022 Will Impact 1Q



Notes:

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



2023 BUSINESS DEVELOPMENT PRIORITIES



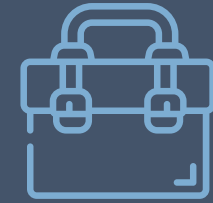
Reorganize internally to eliminate business development stovepipes



Add new talent to drive execution of solution development and business generation



Maximize existing strategic partnerships for market expansion



Increase opportunity portfolio and quality of contract vehicles

Replenish the Pipeline to Rebuild and Grow the Revenue Base



SUMMARY

Delivered \$216.9M of revenue, 96 basis points of gross margin expansion, a 9.0% adjusted EBITDA margin, and \$11.2M of Free Cash Flow in 2022; Deployed \$11.3M to share repurchases

With \$119M of cash and no debt, our balance sheet is well positioned to support the company through a wide range of operating conditions

Our end markets remain strong, our customer base is well-funded, and our solutions address critical and growing customer needs

2023 will be a transition year focused on generating new business wins for 2024 and beyond

Appendix



NON-GAAP FINANCIAL MEASURES

In addition to its results determined in accordance with GAAP, the Company believes the non-GAAP financial measures of 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.



2023 ADDITIONAL MODELING INPUTS

	2022 Full Year	2023E Full Year	2023E 1Q	2023E Full Year YoY Commentary
Gross Margin	36.4%	31.5% to 36.5%	33.5% to 34.5%	<ul style="list-style-type: none"> Both SS and SN down YoY due to revenue pressure on high margin programs, partially offset by favorable mix shift between SS and SN
Stock Based Compensation (SBC)	\$64.7M	\$35M - \$40M	\$9M - \$11M	<ul style="list-style-type: none"> Final vesting/amortization of IPO related grants through end of 2022 ~\$1M included in COS for FY, up to ~\$0.5M in COS for 1Q
Depreciation & Amortization	\$5.9M	\$11M to \$13M	\$2.5M to \$3.5M	<ul style="list-style-type: none"> Higher amortization and less capitalization due to development initiatives achieving key milestones. ~90% is included in Below The Line Expenses
Share Count	67.6M	69M to 70M	~68M	
Tax Rate	(0.01%)	-	-	<ul style="list-style-type: none"> Not meaningful
Capex & Capitalized Software	\$13.7M	\$10.5M to \$11.5M	\$4.5M to \$5.5M	<ul style="list-style-type: none"> Higher amortization and less capitalization due to development initiatives achieving key milestones. 2022 includes \$1M of CAPEX; 2023 includes ~\$1M - \$2M of CAPEX
Cash Below The Line Expenses ⁽¹⁾	\$77.6M	\$75M - \$80M	\$20M to \$21M	<ul style="list-style-type: none"> YoY expected to be lower due to \$6.5M of labor savings, partially offset by \$2M of misc. higher costs. Range includes management reserve of \$2M to \$7M.
Below The Line Expenses ⁽²⁾	\$69.5M	\$76M - \$81M	\$19M to \$20M	<ul style="list-style-type: none"> YoY driven by cost savings and management reserve described above in addition to ~\$5.5M higher depreciation and ~\$3.5M lower R&D capitalization



Notes:

1. Cash below the line expenses excluding restructuring costs, stock based compensation and D&A
2. P&L below the line expenses excluding stock based compensation and restructuring costs (Cash below the line expenses above plus D&A, net of R&D capitalization))



2021 GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	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	22,829	-	-	22,829	32,236	-	-	32,236	34,558	-	-	34,558	33,911	-	-	33,911	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	55,757	-	-	55,757	53,644	-	-	53,644	68,981	-	-	68,981	64,051	-	-	64,051	242,433	-	-	242,433
Gross Profit																				
Security Solutions	9,326	548	-	9,874	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	14,469	625	-	15,094	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	20,076	11,037	-	9,039	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	27,963	13,045	-	14,918	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) Benefit	(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 (Benefit)	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				Actuals				Actuals				Actuals				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.

2022 REVISED GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

NOTE: Quarterly financial data reflects immaterial adjustments to previously reported share based compensation for each of the first three quarters of 2022. Detailed adjustments shown on slide 16.

	2022																						
	Q1				Q2				Q3				Q4				FY						
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	
Revenue																							
Security Solutions	26,919	-	-	26,919	30,819	-	-	30,819	32,440	-	-	32,440	30,276	-	-	-	30,276	120,454	-	-	-	-	120,454
Secure Networks	23,241	-	-	23,241	24,972	-	-	24,972	31,153	-	-	31,153	17,067	-	-	-	17,067	96,433	-	-	-	-	96,433
Total	50,160	-	-	50,160	55,791	-	-	55,791	63,593	-	-	63,593	47,343	-	-	-	47,343	216,887	-	-	-	-	216,887
Gross Profit																							
Security Solutions	15,051	857	-	15,908	16,433	747	-	17,180	15,577	823	-	16,400	14,887	579	-	355	15,821	61,948	3,007	-	355	-	65,310
Secure Networks	3,820	150	-	3,970	4,496	115	-	4,611	5,368	106	-	5,474	3,411	120	-	223	3,754	17,095	491	-	223	-	17,809
Total	18,871	1,007	-	19,878	20,929	862	-	21,791	20,945	929	-	21,874	18,298	700	-	578	19,576	79,043	3,498	-	578	-	83,119
Gross Margin																							
Security Solutions	55.9%	3.2%	0.0%	59.1%	53.3%	2.4%	0.0%	55.7%	48.0%	2.5%	0.0%	50.6%	49.2%	1.9%	0.0%	1.2%	52.3%	51.4%	2.5%	0.0%	0.3%	-	54.2%
Secure Networks	16.4%	0.6%	0.0%	17.1%	18.0%	0.5%	0.0%	18.5%	17.2%	0.3%	0.0%	17.6%	20.0%	0.7%	0.0%	1.3%	22.0%	17.7%	0.5%	0.0%	0.2%	-	18.5%
Total	37.6%	2.0%	0.0%	39.6%	37.5%	1.5%	0.0%	39.1%	32.9%	1.5%	0.0%	34.4%	38.6%	1.5%	0.0%	1.2%	41.3%	36.4%	1.6%	0.0%	0.3%	-	38.3%
SG&A																							
Sales and Marketing	5,252	1,668	-	3,584	4,741	1,420	-	3,321	3,042	611	-	2,431	3,547	969	-	187	2,391	16,582	4,668	-	187	-	11,727
Research and Development	5,430	1,295	-	4,135	4,489	692	-	3,797	3,981	897	-	3,084	3,018	922	-	221	1,875	16,918	3,805	-	221	-	12,891
General and Administrative	24,556	11,961	-	12,595	25,735	14,102	-	11,633	22,706	13,400	-	9,307	26,396	13,226	-	1,781	11,389	99,393	52,689	-	1,781	-	44,923
Total	35,238	14,924	-	20,314	34,965	16,214	-	18,751	29,729	14,907	-	14,822	32,961	15,117	-	2,189	15,655	132,893	61,162	-	2,189	-	69,541
EBIT / Operating Income (Loss)	(16,367)	15,931	-	(436)	(14,036)	17,076	-	3,040	(8,784)	15,836	-	7,052	(14,663)	15,817	-	2,767	3,921	(53,850)	64,660	-	2,767	-	13,578
Interest Expense	(190)	-	-	(190)	(187)	-	-	(187)	(181)	-	-	(181)	(316)	-	-	-	(316)	(874)	-	-	-	-	(874)
Other Income (Expense)	12	-	(12)	-	118	-	(118)	-	518	-	(518)	-	702	-	(702)	-	-	1,350	-	(1,350)	-	-	-
Earnings Before Taxes (EBT)	(16,545)	15,931	(12)	(626)	(14,105)	17,076	(118)	2,853	(8,447)	15,836	(518)	6,871	(14,277)	15,817	(702)	2,767	3,605	(53,374)	64,660	(1,350)	2,767	-	12,704
Tax Provision	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	79	-	-	-	79	(54)	-	-	-	-	(54)
Net Income (Loss)	(16,616)	15,931	(12)	(697)	(14,159)	17,076	(118)	2,799	(8,455)	15,836	(518)	6,863	(14,198)	15,817	(702)	2,767	3,684	(53,428)	64,660	(1,350)	2,767	-	12,649
Share Count	67,559	67,559	67,559	67,559	67,876	67,876	67,876	67,876	67,493	67,493	67,493	67,493	67,313	67,313	67,313	67,313	67,313	67,559	67,559	67,559	67,559	67,559	67,559
EPS	(0.25)	0.24	(0.00)	(0.01)	(0.21)	0.25	(0.00)	0.04	(0.13)	0.23	(0.01)	0.10	(0.21)	0.23	(0.01)	0.04	0.05	(0.79)	0.96	(0.02)	0.04	-	0.19
Net Income (Loss)	(16,616)	15,931	(12)	(697)	(14,159)	17,076	(118)	2,799	(8,455)	15,836	(518)	6,863	(14,198)	15,817	(702)	2,767	3,684	(53,428)	64,660	(1,350)	2,767	-	12,649
Other Income (Expense)	(12)	-	12	-	(118)	-	118	-	(518)	-	518	-	(702)	-	702	-	-	(1,350)	-	1,350	-	-	-
Interest Expense	190	-	-	190	187	-	-	187	181	-	-	181	316	-	-	-	316	874	-	-	-	-	874
Tax Provision	71	-	-	71	54	-	-	54	8	-	-	8	(79)	-	-	-	(79)	54	-	-	-	-	54
Depreciation & Amortization	1,405	-	-	1,405	1,505	-	-	1,505	1,517	-	-	1,517	1,463	-	-	-	1,463	5,890	-	-	-	-	5,890
EBITDA	(14,962)	15,931	-	969	(12,531)	17,076	-	4,545	(7,267)	15,836	-	8,569	(13,200)	15,817	-	2,767	5,384	(47,960)	64,660	-	2,767	-	19,467
Actuals																							
Cash Flow from Operations	249				7,883				11,986				(3,610)					16,508					
Capitalized Software	(2,795)				(2,339)				(3,446)				(4,128)					(12,708)					
PPE	(546)				(95)				(174)				(194)					(1,009)					
CAPEX	(3,341)				(2,434)				(3,620)				(4,322)					(13,717)					
Net cash - software presale	-				-				-				8,457					8,457					
Free Cash Flow	(3,092)				5,449				8,366				525					11,248					



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



2022 STOCK BASED COMPENSATION ADJUSTMENTS

(Amounts in thousands, unaudited)

	2022										
	Q1			Q2			Q3			Q4	FY
	Prior SBC	ADJ	Revised SBC	Prior SBC	ADJ	Revised SBC	Prior SBC	ADJ	Revised SBC	SBC	SBC
Cost of Sales											
Security Solutions	857	-	857	747	-	747	823	-	823	579	3,007
Secure Networks	150	-	150	115	-	115	106	-	106	120	491
Total	1,007	-	1,007	862	-	862	929	-	929	700	3,498
SG&A											
Sales and Marketing	1,668	-	1,668	1,420	-	1,420	611	-	611	969	4,668
Research and Development	1,295	-	1,295	692	-	692	897	-	897	922	3,805
General and Administrative	10,328	1,633	11,961	12,232	1,870	14,102	12,284	1,116	13,400	13,226	52,689
Total	13,291	1,633	14,924	14,344	1,870	16,214	13,791	1,116	14,907	15,117	61,162
Total Share Based Compensation	14,298	1,633	15,931	15,206	1,870	17,076	14,721	1,116	15,837	15,817	64,660



RECONCILIATIONS

EBITDA and Adjusted EBITDA (Unaudited)

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022		2021		2022		2021	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(in thousands)</i>							
Net loss	\$ (14,198)	(30.0)%	\$ (5,490)	(8.6)%	\$ (53,428)	(24.6)%	\$ (43,134)	(17.8)%
Other (income)/expense	(702)	(1.5)%	(81)	(0.1)%	(1,350)	(0.6)%	921	0.4%
Interest expense	316	0.7%	194	0.3%	874	0.4%	777	0.3%
Provision for/(benefit from) income taxes	(79)	(0.2)%	(34)	(0.1)%	54	-%	(28)	-%
Depreciation and amortization	1,463	3.1%	1,401	2.2%	5,890	2.7%	5,624	2.4%
EBITDA	(13,200)	(27.9)%	(4,010)	(6.3)%	(47,960)	(22.1)%	(35,840)	(14.7)%
Restructuring Expenses ⁽¹⁾	2,767	5.9%	-	-%	2,767	1.3%	-	-%
Stock-based compensation expense ⁽²⁾	15,817	33.4%	12,853	20.1%	64,660	29.8%	60,231	24.8%
Adjusted EBITDA	\$ 5,384	11.4%	\$ 8,843	13.8%	\$ 19,467	9.0%	\$ 24,391	10.1%

Notes:

1. The restructuring expenses adjustment to EBITDA includes severance and other related benefit costs (including outplacement services and continuing health insurance coverage) associated with a reduction in workforce.
2. The stock-based compensation adjustment to EBITDA for fiscal year 2022 is made up of \$62.5 million of stock-based compensation expenses for the awarded RSUs and PRSUs, and \$2.1 million of other sources of stock-based compensation expense. The other source of stock-based compensation consists 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 a change in estimate that would add back to Adjusted EBITDA.



RECONCILIATIONS

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

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022		2021		2022		2021	
	Adjusted Net Income /(Loss)	Adjusted Earnings Per Share	Adjusted Net Income /(Loss)	Adjusted Earnings Per Share	Adjusted Net Income /(Loss)	Adjusted Earnings Per Share	Adjusted Net Income /(Loss)	Adjusted Earnings Per Share
	<i>(in thousands, except per share data)</i>							
Reported GAAP measure	\$ (14,198)	\$ (0.21)	\$ (5,490)	\$ (0.08)	\$ (53,428)	\$ (0.79)	\$ (43,134)	\$ (0.65)
Adjustments:								
Other (income)/expense	(702)	(0.01)	(81)	-	(1,350)	(0.02)	921	0.01
Restructuring expenses ⁽¹⁾	2,767	0.04	-	-	2,767	0.04	-	-
Stock-based compensation expense ⁽²⁾	15,817	0.23	12,853	0.19	64,660	0.96	60,231	0.91
Adjusted non-GAAP measure	\$ 3,684	\$ 0.05	\$ 7,282	\$ 0.11	\$ 12,649	\$ 0.19	\$ 18,018	\$ 0.27
Weighted-average shares of common stock outstanding, basic	67,313		66,756		67,559		66,374	

Notes:

- The restructuring expenses adjustment to net loss includes severance and other related benefit costs (including outplacement services and continuing health insurance coverage) associated with a reduction in workforce.
- The stock-based compensation adjustment to net loss for fiscal year 2022 is made up of \$62.5 million of stock-based compensation expenses for the awarded RSUs and PRSUs, and \$2.1 million of other sources of stock-based compensation expense. The other source of stock-based compensation consists 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 a change in estimate that would add back to Adjusted Net Income/(Loss).



RECONCILIATIONS

Free Cash Flow (*Unaudited*)

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Net cash flows provided by operating activities	\$ (3,610)	\$ (2,375)	\$ 16,508	\$ 7,262
Adjustments:				
Purchases of property and equipment	(194)	(1,556)	(1,009)	(3,201)
Capitalized software development costs	(4,128)	(3,296)	(12,708)	(9,968)
Net cash proceeds from resale of software	8,457	-	8,457	-
Free cash flow	<u>\$ 525</u>	<u>\$ (7,227)</u>	<u>\$ 11,248</u>	<u>\$ (5,907)</u>