

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

August 9, 2022
Date of Report (Date of earliest event reported)

TELOS CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

001-08443
(Commission File Number)

52-0880974
(IRS Employer Identification No.)

19886 Ashburn Road,
Ashburn, Virginia
(Address of principal executive offices)

20147-2358
(Zip Code)

(703) 724-3800
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address, and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|----------------|---|
| Common stock, \$0.001 par value per share | TLS | The Nasdaq Stock Market LLC |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On Tuesday, August 9, 2022, Telos Corporation (the “Company”) issued a press release reporting certain financial results of the Company for the quarter ended June 30, 2022. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The Company’s press release contains non-GAAP financial measures. Pursuant to the requirements of Regulation G, the Company has provided reconciliations within the press release of the non-GAAP financial measures to the most directly comparable GAAP financial measures. Disclosure regarding definitions of these measures used by the Company and why the Company’s management believes the measures provide useful information to investors is also included in the press release.

The Company will conduct a conference call to discuss its financial results on Tuesday, August 9, 2022, at 8:30 a.m., Eastern Time.

The information in this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 2.02 of this Current Report on Form 8-K. Such information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

[99.1](#) [Press Release, issued August 9, 2022](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TELOS CORPORATION

By: /s/ Mark Bendza
Mark Bendza
Chief Financial Officer

Date: August 9, 2022

Telos Corporation Announces Second Quarter Results:**Delivers \$55.8 Million of Revenue, 37.5% Gross Margin, and \$7.9 Million of Cash Flow from Operations; Begins Stock Repurchases**

- *Delivered \$55.8 Million of Revenue, Above High End of Guidance Range*
- *Generated 37.5% Gross Margin, Above High End of Guidance Range; Expanded Gross Margin 374 Basis Points Year-over-Year in the First Half of 2022*
- *Generated \$7.9 Million of Cash Flow from Operations and \$5.4 Million of Free Cash Flow; Repurchased \$3.0 Million of Stock*
- *Updates 2022 Full Year Guidance*

Ashburn, Va. – August 9, 2022 – Telos Corporation (NASDAQ: TLS), a leading provider of cyber, cloud and enterprise security solutions for the world’s most security-conscious organizations, today announced financial results for the second quarter 2022.

“We executed well in the second quarter, delivering \$55.8 million of revenue, above the high end of our guidance range,” said John B. Wood, chairman and CEO, Telos. “We expanded gross margin 374 basis points in the first half compared to the same period last year and generated \$7.9 million of positive cash flow from operations in the second quarter. We formed a strategic partnership with IBM. And, we announced and initiated a share buyback program to return capital to shareholders. I am pleased with our performance given the current environment and look forward to continued success.”

Second Quarter 2022 Financial Highlights (in millions, except per share data)

| | 2Q 2022 | 2Q 2021 |
|--|----------------|----------------|
| Revenue | \$55.8 | \$53.6 |
| Gross Profit | \$20.9 | \$22.5 |
| Gross Margin | 37.5% | 42.0% |
| GAAP Net Loss | \$(12.3) | \$(17.6) |
| Adjusted Net Income ¹ | \$2.8 | \$3.7 |
| Enterprise EBITDA ¹ | \$(10.7) | \$(16.1) |
| Adjusted EBITDA ¹ | \$4.5 | \$5.2 |
| GAAP Net Loss per Share, Diluted | \$(0.18) | \$(0.26) |
| Adjusted EPS ¹ | \$0.04 | \$0.06 |
| Weighted-average Shares of Common Stock Outstanding, Diluted | 67.9 | 66.6 |
| Cash Flow from Operations | \$7.9 | \$3.5 |
| Free Cash Flow ¹ | \$5.4 | \$1.4 |

¹ Adjusted EBITDA, Enterprise EBITDA, Adjusted Net Income, Adjusted EPS, and Free Cash Flow are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" below.

Selected Second Quarter Business Highlights:*IBM Partnership*

- Telos is the launch partner for the new Active Governance Services (AGS) offering with IBM Security[®].
- Telos and IBM are 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' approach to cybersecurity risk management in today's increasingly challenging cyber environment.
- Target customers include large enterprise organizations in global markets such as financial services, healthcare, telecommunications, and energy.

Other Notable Successes

- Within the Security Solutions business:
 - Telos 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, a U.S. Federal Reserve Bank, the U.S. Department of Energy and Salesforce. The Company was also awarded new contracts with a foreign government customer, the U.S. Army Space and Missile Defense Command, the U.S. Department of Homeland Security, Palantir Technologies, Inc., and OmniHealth to provide cybersecurity services.
 - The Company received a Ghost renewal from a classified customer for continued support.

- The Company received a renewal for a one-year contract from a confidential healthcare customer for expanded support.
- Additionally, Telos was awarded a 10-year contract to continue and expand the aviation security practice with the U.S. Transportation Security Administration, airports, airlines, and air carriers.
- Finally, the Company's ONYX® technology won first place in the overall competition of the Mobile Fingerprinting Information Technology (mFIT) Challenge hosted by the National Institute of Standards and Technology (NIST).
- The Secure Networks business received several new awards including new contracts for the U.S. Air Force SIPRNet Enterprise Modernization effort and Fiber Optic Installation at Mountain Home Air Force Base.

Financial Outlook:

| | 3Q 2022 | Full Year 2022 | |
|------------------------------|-----------------------|-----------------------|-----------------------|
| | | Prior | Updated |
| Revenue | \$58 - \$62 Million | \$226 - \$257 Million | \$226 - \$242 Million |
| YoY Growth | (16%) – (10%) | (7%) – 6% | (7%) – 0% |
| Adjusted EBITDA ¹ | \$3.5 - \$5.0 Million | \$21 - \$28 Million | \$18 - \$24 Million |

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" below.

This guidance consists of forward-looking statements and actual results may differ materially. Refer to the Forward-Looking Statements section below for information on the factors that could cause the Company's actual results to differ materially from these forward-looking statements. 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, a reconciliation for forward-looking Adjusted EBITDA is not available without unreasonable effort.

Webcast Information

Telos will host a live webcast to discuss its second quarter 2022 financial results at 8:30 a.m. Eastern Time today, August 9, 2022. To access the webcast, visit <https://edge.media-server.com/mmc/p/62cebf9k>. Related presentation materials will be made available on the Investors section of the Company's website at <https://investors.telos.com>. In addition, an archived webcast will be available approximately two hours after the conclusion of the live event on the Investors section of the Company's website.

Forward-Looking Statements

This press release contains forward-looking statements which are made under the safe harbor provisions of the federal securities laws. These statements are based on the Company's management's current beliefs, expectations and assumptions about future events, conditions, and results and on information currently available to them. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company believes that these risks and uncertainties include, but are not limited to, those described under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth from time to time in the Company's filings and reports with the U.S. Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2021 and its Quarterly Reports on Form 10-Q, as well as future filings and reports by the Company, copies of which are available at <https://investors.telos.com> and on the SEC's website at www.sec.gov.

Although the Company bases these forward-looking statements on assumptions that its management believes are reasonable when made, the Company cautions the reader that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this release. Given these risks, uncertainties, and other factors, many of which are beyond its control, the Company cautions the reader not to place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date of such statement and, except as required by law, the Company undertakes no obligation to update any forward-looking statement publicly, or to revise any forward-looking statement to reflect events or developments occurring after the date of the statement, even if new information becomes available in the future. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Non-GAAP Financial Measures

In addition to Telos' results determined in accordance with U.S. GAAP, Telos believes the non-GAAP financial measures of Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Earnings Per Share ("EPS") and Free Cash Flow are useful in evaluating operating 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.

The Company used the following non-GAAP financial measures were used to understand and evaluate Telos' core operating performance and trends, to prepare and approve the Company's annual budget, to develop short-term and long-term operating plans, and 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.

Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow are supplemental measures of operating performance that are not made under GAAP and do not represent, and should not be considered as an alternative to, net income (loss), earnings per share or net cash flows provided by operating activities, as determined by GAAP.

The Company defines Enterprise EBITDA as net (loss) income, adjusted for non-operating (income) expense, interest expense, provision for (benefit from) income taxes, and depreciation and amortization. The Company defines Adjusted EBITDA as Enterprise EBITDA, adjusted for stock-based compensation expense. The Company defines Adjusted Net Income (Loss) as net income (loss), adjusted for non-operating expense (income), and stock-based compensation expense. The Company defines Adjusted EPS as Adjusted Net Income (Loss) divided by the weighted-average number of common shares outstanding for the period. Free Cash Flow is defined as net cash provided by or used in operating activities, less purchases of property and equipment and capitalized software development costs.

Each of Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow has limitations as an analytical tool, and you should not consider any of them in isolation, or as a substitute for analysis of results as reported under GAAP. Among other limitations, each of Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments, does not reflect the impact of certain cash charges resulting from matters considered not to be indicative of ongoing operations, and does not reflect income tax expense or benefit. Other companies in the Company's industry may calculate Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS and Free Cash Flow differently than Telos does, which limits its usefulness as a comparative measure. Because of these limitations, neither Enterprise EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted EPS nor Free Cash Flow should be considered as a replacement for net income (loss), earnings per share, or net cash flows provided by operating activities, as determined by GAAP, or as a measure of profitability. Telos compensates for these limitations by relying primarily on the Company's GAAP results and using non-GAAP measures only for supplemental purposes.

About Telos Corporation

[Telos Corporation](#) (NASDAQ: TLS) empowers and protects the world's most security-conscious organizations with solutions for continuous security assurance of individuals, systems, and information. Telos' offerings include cybersecurity solutions for IT risk management and information security; cloud security solutions to protect cloud-based assets and enable continuous compliance with industry and government security standards; and enterprise security solutions for identity and access management, secure mobility, organizational messaging, and network management and defense. The Company serves commercial enterprises, regulated industries and government customers around the world.

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Media:

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Investors:

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Telos Corporation
Consolidated Statements of Operations
(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, except per share amounts)</i> | | | |
| Revenue - services | \$ 50,270 | \$ 49,003 | \$ 98,378 | \$ 101,061 |
| Revenue - products | 5,521 | 4,641 | 7,573 | 8,341 |
| Total revenue | 55,791 | 53,644 | 105,951 | 109,402 |
| Cost of sales - services | 31,436 | 28,609 | 61,167 | 68,099 |
| Cost of sales - products | 3,426 | 2,501 | 4,984 | 4,299 |
| Total cost of sales | 34,862 | 31,110 | 66,151 | 72,398 |
| Gross profit | 20,929 | 22,534 | 39,800 | 37,004 |
| Selling, general and administrative expenses: | | | | |
| Sales and marketing | 4,741 | 5,043 | 9,993 | 8,869 |
| Research and development | 4,489 | 5,327 | 9,919 | 9,388 |
| General and administrative | 23,865 | 29,635 | 46,788 | 49,712 |
| Total selling, general and administrative expenses | 33,095 | 40,005 | 66,700 | 67,969 |
| Operating loss | (12,166) | (17,471) | (26,900) | (30,965) |
| Other income (expense) | 118 | 32 | 130 | (1,022) |
| Interest expense | (187) | (192) | (377) | (388) |
| Loss before income taxes | (12,235) | (17,631) | (27,147) | (32,375) |
| Provision for income taxes | (54) | (13) | (125) | (47) |
| Net loss | \$ (12,289) | \$ (17,644) | \$ (27,272) | \$ (32,422) |
| Net loss per share: | | | | |
| Basic | \$ (0.18) | \$ (0.26) | \$ (0.40) | \$ (0.49) |
| Diluted | \$ (0.18) | \$ (0.26) | \$ (0.40) | \$ (0.49) |
| Weighted average shares outstanding: | | | | |
| Basic | 67,876 | 66,616 | 67,717 | 65,621 |
| Diluted | 67,876 | 66,616 | 67,717 | 65,621 |

Telos Corporation
Consolidated Balance Sheets
(Unaudited)

| | June 30, 2022 | December 31, 2021 |
|--|---------------|-------------------|
| <i>(in thousands, except per share and share data)</i> | | |
| Assets: | | |
| Cash and cash equivalents | \$ 122,588 | \$ 126,562 |
| Accounts receivable, net | 50,676 | 59,844 |
| Inventories, net | 3,630 | 1,247 |
| Prepaid expenses | 6,778 | 3,329 |
| Other current assets | 947 | 732 |
| Total current assets | 184,619 | 191,714 |
| Property and equipment, net | 5,571 | 6,088 |
| Finance lease right-of-use assets, net | 8,442 | 9,053 |
| Operating lease right-of-use assets | 569 | 852 |
| Goodwill | 17,922 | 17,922 |
| Intangible assets, net | 23,783 | 19,199 |
| Other assets | 1,052 | 1,253 |
| Total assets | \$ 241,958 | \$ 246,081 |
| Liabilities and Stockholders' Equity: | | |
| Liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 35,412 | \$ 34,548 |
| Accrued compensation and benefits | 9,280 | 6,557 |
| Contract liabilities | 4,799 | 6,381 |
| Finance lease obligations – short-term | 1,525 | 1,461 |
| Operating lease obligations – short-term | 450 | 564 |
| Other current liabilities | 2,734 | 1,430 |
| Total current liabilities | 54,200 | 50,941 |
| Finance lease obligations – long-term | 12,066 | 12,840 |
| Operating lease liabilities – long-term | 192 | 388 |
| Deferred income taxes | 748 | 723 |
| Other liabilities | 440 | 935 |
| Total liabilities | 67,646 | 65,827 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$0.001 par value, 250,000,000 shares authorized, 67,594,301 shares and 66,767,450 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively | 106 | 105 |
| Additional paid-in capital | 388,464 | 367,153 |
| Accumulated other comprehensive loss | (9) | (27) |
| Accumulated deficit | (214,249) | (186,977) |
| Total stockholders' equity | 174,312 | 180,254 |
| Total liabilities and stockholders' equity | \$ 241,958 | \$ 246,081 |

Telos Corporation
Consolidated Statements of Cash Flows
(Unaudited)

| | For the Six Months Ended | |
|--|--------------------------|-------------------|
| | June 30, 2022 | June 30, 2021 |
| | <i>(in thousands)</i> | |
| Cash flows from operating activities: | | |
| Net loss | \$ (27,272) | \$ (32,422) |
| Adjustments to reconcile net loss to cash flows provided by/(used in) operating activities: | | |
| Stock-based compensation | 29,504 | 35,006 |
| Depreciation and amortization | 2,910 | 2,764 |
| Deferred income tax provision | 25 | 18 |
| Accretion of discount on acquisition holdback | 23 | — |
| Loss on disposal of fixed assets | 1 | 5 |
| Provision for doubtful account receivable | 66 | 11 |
| (Recovery from)/provision for inventory obsolescence | (108) | 14 |
| Changes in other operating assets and liabilities | | |
| Accounts receivable | 9,102 | (9,595) |
| Inventories | (2,275) | 1,513 |
| Prepaid expenses, other current assets and other assets | (3,324) | (2,417) |
| Accounts payable and other accrued payables | 567 | 1,278 |
| Accrued compensation and benefits | 419 | 632 |
| Contract liabilities | (1,582) | 271 |
| Other current liabilities and other liabilities | 76 | (432) |
| Net cash provided by/(used in) operating activities | 8,132 | (3,354) |
| Cash flows from investing activities: | | |
| Capitalized software development costs | (5,134) | (3,663) |
| Purchases of property and equipment | (641) | (1,070) |
| Net cash used in investing activities | (5,775) | (4,733) |
| Cash flows from financing activities: | | |
| Payments under finance lease obligations | (710) | (650) |
| Payment of tax withholding related to net share settlement of equity awards | (2,886) | — |
| Repurchase of common stock | (2,603) | (1,251) |
| Proceeds from issuance of common stock, net of issuance costs | — | 64,269 |
| Repurchase of outstanding warrants | — | (26,894) |
| Distributions to Telos ID Class B member – non-controlling interest | — | (2,436) |
| Net cash (used in)/provided by financing activities | (6,199) | 33,038 |
| Net change in cash, cash equivalents, and restricted cash | (3,842) | 24,951 |
| Cash, cash equivalents, and restricted cash, beginning of period | 126,562 | 106,045 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 122,720 | \$ 130,996 |

Non-GAAP Financial Measures (Unaudited)

Reconciliation of Net Loss to Enterprise EBITDA and Adjusted EBITDA

| | 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 |

- (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 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 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 as to 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.

Reconciliation of Net Loss to Adjusted Net Income and Adjusted EPS

| | 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)/expenses | (118) | — | (32) | — | (130) | — | 1,022 | \$ 0.02 |
| Stock-based compensation expense ⁽²⁾ | 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 | |

- (2) 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 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 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 as to 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).

Free Cash Flow

| | 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> |