Fourth Quarter 2021 Earnings and 2022 Outlook

March 16, 2022

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2021 PERFORMANCE SUMMARY

4Q 2021 Highlights

- Delivered 43% revenue growth (guidance midpoint), driven by 37% growth in Security Solutions and 49% growth in Secure Networks
- Expanded gross margin 196 bps to 37.7%, primarily due to Telos ID
- Reported record Adj. EBITDA and 13.8% Adj. EBITDA margin, exceeding high end of guidance range

Full Year 2021 Highlights

- Delivered 35% reported revenue growth, 59% adjusted for the wind-down of the 2020 Census program[2]
- Invested in long-term growth opportunities through Sales and Marketing and the Diamond Fortress Technologies acquisition while also delivering margin expansion
    - Expanded gross margin 79 bps to 35.5%
    - Reported $24.4 million Adj. EBITDA and 10.1% margin

	FY 2021 Actual	4Q 2021 Actual	4Q 2021 Guidance
Revenue	$242.4M	$64.1M	$61.6M to $66.6M
Revenue Growth	*34.7%*	*42.7%*	*37.3% to 48.4%*
Gross Profit	$86.0M *35.5% margin* *+79 bps*	$24.1M *37.7% margin* *+196 bps*	
Adjusted EBITDA[1]	$24.4M *10.1% margin* *+373 bps*	$8.8M *13.8% margin* *+1,965 bps*	$3.9M to $4.9M
Adjusted EPS[1]	$0.27	$0.11	

Significant 4Q and 2021 Revenue Growth and Margin Expansion; Delivered on 4Q Guidance

Notes:
1. Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.
2. Program with the U.S. Census Bureau generated $31.0 million of revenue in 2020 and $5.4 million in 2021.

SENIOR MANAGEMENT / BOARD LEADERSHIP ANNOUNCEMENTS

Senior Management

HUTCH ROBBINS

EVP, General Counsel

- Oversees the legal team, advising the company on a variety of legal matters
- Brings over 28 years of experience providing counsel to publicly traded companies on business and corporate matters, dispute resolution and avoidance, and litigation

TROY BERTRAM

SVP, Sales

- Oversees sales, leading our sales channel and direct federal and commercial sales efforts
- Brings over 25 years of experience from government and transformative technology companies

Board of Directors

BRAD JACOBS

Director

- Serves on the Audit Committee
- Brings financial leadership experience with a background at technology and defense organizations such as BAE Systems and Lockheed Martin

DERRICK DOCKERY

Director

- Serves on the Management Development and Compensation Committee, and the Nominating Committee
- Brings extensive background experience in government relations and federal technology policy

Four New Accomplished Leaders

NEW REPORTING SEGMENT STRUCTURE

Security Solutions

Mark Griffin

EVP

XACTA
- Governance risk and compliance solution that facilitates cloud migration

TELOS GHOST
- Virtual obfuscation solution that protects user information and location

IDTrust360
- Trusted identity solutions

AMHS
- Secure message and archive system for classified government communications

Secure Networks

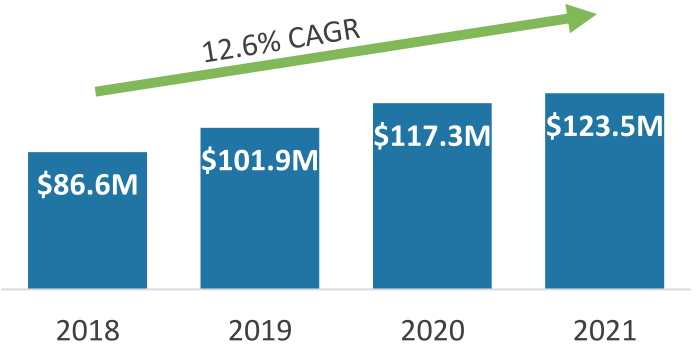
Brendan Malloy

EVP

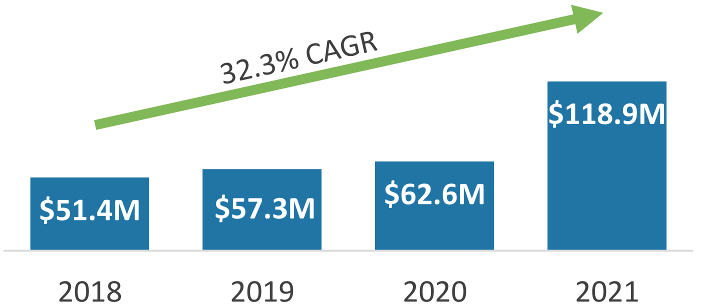
Telos Secure Networks
- Operation and defense of networks and cyber operations

Revenue by Segment by Year

Security Solutions



Secure Networks



Each Reporting Segment Separately Managed as an Integrated Portfolio

SINCE GOING PUBLIC…

Bolstered Financial Flexibility And Improved Cash Flow

- Repaid all debt and preferred stock
- Highly liquid and well funded; $127 million cash balance
- Approaching positive cash flow

Invested For Long Term Growth And Also Expanded Margins

- Doubled investments in Sales and Marketing
- Built direct federal, enterprise, and channel sales teams
- Acquired full ownership in Telos ID and Diamond Fortress Technologies
- Expanded gross margin, adj. EBITDA margin

Launched Channel Ecosystem

- Launched the Telos CyberProtect Partner Program
- Recruited and added partners across the ecosystem to generate new revenue streams and to drive accelerated growth
- Signed two large distributors

Expanded Customer Base

- Added more than two dozen new marquee customers
- Maintained and expanded a strong customer base with 300+ customers through new wins and renewals

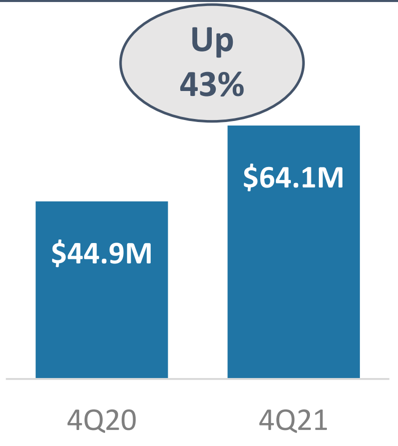
Cultivated Our Team

- Seven new placements on Senior Leadership team and Board of Directors
- Consistent recipient of Top Workplace awards from notable organizations
- U.S.-based employees include ~75% with a technical background and ~62% holding security clearances

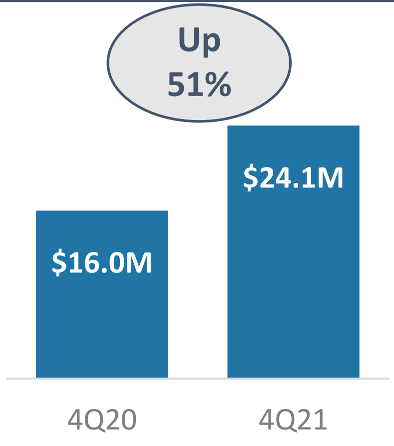
Positioned to Capture Long Term Opportunities

4Q 2021 FINANCIAL PERFORMANCE

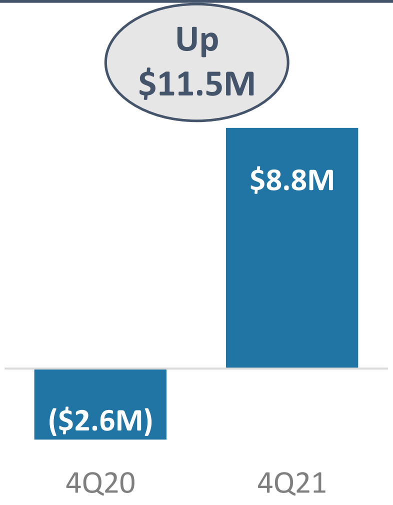
Revenue



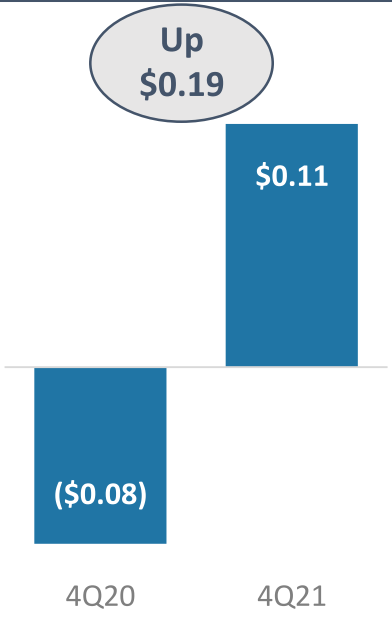
Gross Profit



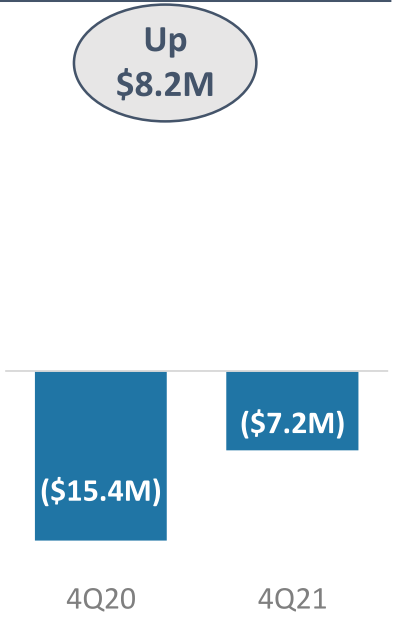
Adjusted EBITDA[1]



Adjusted EPS[1]



Free Cash Flow[1]



- Security Solutions up 37%, driven by Telos ID, partially offset by Information Assurance and Secure Communications
- Secure Networks up 49%, driven by major programs, partly offset by supply chain constraints

- Gross profit up 51% due to 43% revenue growth and 196 bps gross margin expansion to 37.7%
- Security Solutions gross margins up 827 bps to 55.7%; Secure Networks down 399 bps to 17.5%
- Adjusted EBITDA up due to higher gross profit and lower incentive compensation, partially offset by higher investments in sales and marketing; Delivered 13.8% margin

- Higher sales, gross profit and Adjusted EBITDA
- Simplified capital structure
- Higher share count

- $11.7 million higher cash flow from operations
- $8.2 million higher free cash flow
- Improved working capital
- Higher capex

A Strong Finish to a Challenging Year: Revenue Growth, Margin Expansion, Improved Cash Flow

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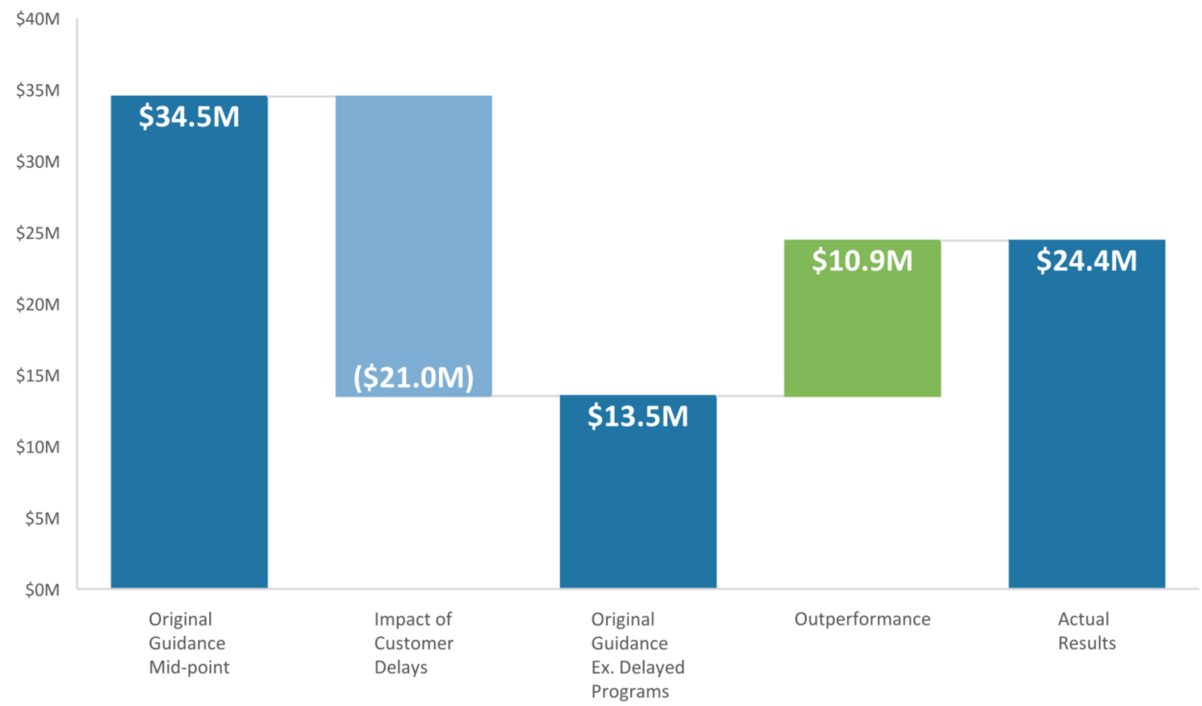
Notes:
1. Adjusted EBITDA, Adjusted EPS, and Free Cash Flow are non-GAAP financial measures. Reconciliations to GAAP financial measures are provided in the appendix.

2021 BRIDGE: ADJ. EBITDA ORIGINAL GUIDANCE TO ACTUAL RESULTS

Adjusted EBITDA[1]



Adjusted EBITDA Margin[1]	11.9%	5.7%	10.1%

Commentary

- Excluding the impact of customer delays, outperformed original Adjusted EBITDA guidance by nearly $11 million due to:
  - Telos ID revenue and margin performance
  - Lower below the line costs and actions to re-align expenses to timing of revenues on delayed programs
- Mitigated the deleveraging impact of program delays on margins; delivered double digit Adjusted EBITDA margins even with customer delays driving significantly lower than originally estimated revenue

Outperformed Original Guidance Excl. Impact of Customer Delays; Maintained Double Digit Margins

Notes:

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

TSA PRECHECK ACCOUNTING (GROSS VERSUS NET REVENUE)

We have determined Telos to be an "Agent," as defined by ASC 606, as it relates to the per-applicant fee for service collected by Telos and paid to the TSA and FBI as part of Telos' upcoming TSA PreCheck enrollment services offering. In accordance with ASC 606, Telos is to record revenue from applicants for this service net of the fees paid to the TSA and FBI as part of the arrangement.

	New Enrollments (Per Transaction)			Renewals (Per Transaction)		
	Gross Revenue	Gross to Net Conversion	Net Revenue	Gross Revenue	Gross to Net Conversion	Net Revenue
Revenue	85.00	(54.00)	31.00	70.00	(42.75)	27.25
TSA Fee	(42.75)	42.75	-	(42.75)	42.75	-
FBI Fee	(11.25)	11.25	-	-	-	-
Profit	31.00	-	31.00	27.25	-	27.25
Margin	36%		100%	39%		100%

Commentary

- Illustrative example based on $85.00 per new enrollment and $70.00 per renewal
- Net revenue recognition is 64% lower than gross revenue recognition for new enrollments and 61% lower for renewals
- Profit is unchanged for new enrollments and renewals
- Margin increases for new enrollments and renewals

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FULL YEAR 2022 GUIDANCE

		FY 2022 Low End	FY 2022 High End
	Revenue Excluding TSA	$226M	$245M
	TSA Gross Rev. Equiv.[1]	-	$31M
	Total Gross Rev. Equiv.[1]	$226M *-7% Growth*	$276M *14% Growth*
	Gross to Net Conversion[2]	-	($19M)
Guidance	Revenue	$226M *-7% Growth*	$257M *6% Growth*
Guidance	Adjusted EBITDA[3]	$21M	$28M

Assumptions

- Security Solutions growth assumptions:
  - +/- MSD excluding contribution from TSA PreCheck; Mid-teens with TSA PreCheck net revenue on high end (~31% with gross revenue equivalent)
    - Modest growth contribution from higher software sales
    - No TSA PreCheck on low end; ~$12 million net revenue (~$31 million gross revenue equivalent) on high end
- Secure Networks revenue down MSD to HSD due to ~$30 million headwind on wind-down of two large programs
- Security Solutions revenues weighted low to mid 50% of total
- Total company 1H revenues represent low to mid 40% of full year revenues
- Gross margin likely up (Security Solutions slightly down / up; Secure Networks up)
- BTL expenses excluding stock comp ~$3 million - $13 million higher due to higher D&A, TSA readiness, sales, and other G&A expenses
- Upside: faster TSA PreCheck ramp, new opportunities emerging from current threat environment, better than expected salesforce productivity, accelerated/higher Secure Networks new business, and lower BTL expenses (at high end of guidance range)

Monitoring Return on Investment; Managing Costs, Margins, and Cash Flow

Notes:

1. To aid comparison with prior communications, illustrates revenue guidance as if TSA PreCheck program revenue were recognized on a gross basis.
2. Impact of converting TSA PreCheck program from gross revenue recognition to net revenue recognition.
3. 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 of forward-looking Adjusted EBITDA is not available without unreasonable effort.

1Q 2022 GUIDANCE

		FY 2022 Low End	FY 2022 High End
	Revenue Excluding TSA	$44M	$48M
	TSA Gross Rev. Equiv.[1]	-	-
	Total Gross Rev. Equiv.[1]	$44M *-21% Growth*	$48M *-13% Growth*
	Gross to Net Conversion[2]	-	-
Guidance	Revenue	$44M *-21% Growth*	$48M *-13% Growth*
Guidance	Adjusted EBITDA[3]	($2.0M)	$2.0M

Assumptions

- Security Solutions growth assumptions:
  - Up mid-teens
    - Driven by Telos ID
    - No TSA PreCheck contribution
- Secure Networks revenue down low 30% to mid 40% due to $14 million headwind on wind-down of a large program
- Gross margins up to 10 percentage points higher
  - Security Solutions sharply higher, Secure Networks slightly down
  - Favorable year over year change in revenue mix between Security Solutions and Secure Networks. Security Solutions revenues weighted mid to high 50% of total revenues compared to 41% during 1Q 2021
- BTL expenses excluding stock comp up $4 million - $6 million due to ramp of sales, marketing, and G&A investments during 2021

Year-over-Year Revenue Headwind due to Wind-Down of a Large Program

Notes:

1. To aid comparison with prior communications, illustrates revenue guidance as if TSA PreCheck program revenue were recognized on a gross basis.
2. Impact of converting TSA PreCheck program from gross revenue recognition to net revenue recognition.
3. 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 of forward-looking Adjusted EBITDA is not available without unreasonable effort.

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SUMMARY

Developed our leadership team and board of directors

Delivered significant growth and margin expansion

Reported a strong finish to a challenging year; delivered on 4Q guidance

Closely monitoring return on investment; managing costs, margins, and cash flow

Balancing Investments in Long Term Growth With Current Margin and Cash Flow Performance

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 disproportionate 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 1Q	2022E Full Year Commentary
Gross Margin	35.5%	35.5% to 38%	35% to 37%	• Flat to up gross margins due to TSA PreCheck and favorable mix shift between Security Solutions and Secure Networks
Stock Comp	$60.2M	$70M to $75M	$14M to $16M	• ~$4M included in COS for FY, Up to ~$1M in COS for 1Q
Depreciation & Amortization	$5.6M	$7M to $9M	$1M to $2M	• Higher amortization on previously capitalized development costs, primarily in support of TSA PreCheck program
Share Count	66.8M	68M to 69M	~68M	
Tax Rate	0.1%	-	-	• Not meaningful
Capex & Capitalized Software	$13.2M	$11M to $13M	$4M to $5M	
Below The Line Expenses[1]	$69.9M	$74M to $84M	$19M to $21M	• 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.

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RECONCILIATIONS

Enterprise EBITDA and Adjusted EBITDA (*Unaudited, amounts in thousands*)

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2021	% to Revenue	2020	% to Revenue	2021	% to Revenue	2020	% to Revenue
Net (loss) income attributable to Telos Corporation	$ (5,490)	(8.6)%	$ 3,865	8.6 %	$ (43,134)	(17.8)%	$ 1,687	0.9 %
Adjustments:								
Net income attributable to non-controlling interest	—	— %	(1,130)	(2.5)%	—	— %	5,154	2.9 %
Non-operating (income) expenses	(80)	(0.1)%	(6)	— %	921	0.4 %	(20)	— %
Interest expense	194	0.3 %	1,233	2.7 %	777	0.3 %	7,259	4.0 %
(Benefit from) provision for income taxes	(34)	(0.1)%	90	0.2 %	(28)	— %	(46)	— %
Depreciation and amortization	1,401	2.2 %	1,335	3.0 %	5,624	2.4 %	5,353	3.0 %
Enterprise EBITDA	(4,009)	(6.3)%	5,387	12.0 %	(35,840)	(14.7)%	19,387	10.8 %
Transaction related gain/losses/expenses	—	— %	(8,007)	(17.8)%	—	— %	(8,007)	(4.5)%
Stock-based compensation expense	12,853	20.1 %	—	— %	60,231	24.8 %	4	— %
Adjusted EBITDA	$ 8,844	13.8 %	$ (2,620)	(5.8)%	$ 24,391	10.1 %	$ 11,384	6.3 %

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RECONCILIATIONS

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

Three Months Ended December 31,	2021		2020	
	Adjusted Net Income (Loss) (in thousands)	Adjusted Earnings Per Share	Adjusted Net Income (Loss) (in thousands)	Adjusted Earnings Per Share
Reported GAAP measure	$ (5,490)	$ (0.08)	$ 3,865	$ 0.08
Adjustments:				
Non-operating income	(80)	—	(6)	—
Transaction related gain/losses/expenses	—	—	(8,007)	(0.16)
Stock-based compensation expense	12,853	0.19	—	
Adjusted non-GAAP measure	$ 7,283	$ 0.11	$ (4,148)	$ (0.08)
Weighted-average shares of common stock outstanding, diluted	66,756		51,302	

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RECONCILIATIONS

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

Twelve Months Ended December 31,	2021		2020	
	Adjusted Net Income (Loss)	Adjusted Earnings Per Share	Adjusted Net Income (Loss)	Adjusted Earnings Per Share
	(in thousands)		(in thousands)	
Reported GAAP measure	$ (43,134)	$ (0.65)	$ 1,687	$ 0.04
Adjustments:				
Non-operating expenses (income)	921	0.01	(20)	—
Transaction related gain/losses/expenses	—	—	(8,007)	(0.19)
Stock-based compensation expense	60,231	0.91	4	—
Adjusted non-GAAP measure	$ 18,018	$ 0.27	$ (6,336)	$ (0.15)
Weighted-average shares of common stock outstanding, diluted	66,374		42,877	

RECONCILIATIONS

Free Cash Flow (*Unaudited*)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Net cash flows (used in) provided by operating activities	$ (2,375)	$ (14,061)	$ 7,262	$ (2,104)
Adjustments:				
Capitalized software development costs	(3,296)	(1,222)	(9,968)	(6,681)
Purchases of property and equipment	(1,556)	(156)	(3,201)	(780)
Free cash flow	$ (7,227)	$ (15,439)	$ (5,907)	$ (9,565)

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