

Second Quarter 2024 Earnings

August 9, 2024

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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

DELIVERED \$28.5M OF REVENUE, 34.1% GAAP GROSS MARGIN, AND 42.0% CASH GROSS MARGIN¹

2Q 2024 Summary

- Delivered \$28.5M of revenue vs. guidance of \$25M to \$28M
 - Security Solutions (“SS”) up 4% YoY (vs. guidance of down HSD % to up MSD %); Down 4% sequentially; Results in line with top end of guidance
 - Secure Networks (“SN”) down 32% YoY (vs. guidance of down low-40% to mid-30%); Down 3% sequentially; Results exceeded guidance primarily due to better than forecasted performance on a program that ended as scheduled in 2Q
- Delivered 34.1% GAAP gross margin (“GM”) vs. guidance of ~30.0% - 33.3%
 - SS results in line with guidance; Cash GM¹ higher than expected primarily due to revenue mix
 - Outperformance in SN primarily due to strong performance on multiple programs
 - Revenue mix was 63% SS, slightly lower than guidance due to the revenue dynamics described above
- Below the line (“BTL”) expenses, net of stock based compensation (“SBC”) and depreciation & amortization approximately \$2.0M better than guidance primarily due to lower spending, including timing of spending in some areas, and higher than forecasted capitalization of software development
- Adjusted EBITDA¹ above high end of guidance range primarily due to better than forecasted cash gross profit¹ and lower than forecasted BTL expenses

	2Q 2024 Actual	2Q 2024 Guidance
Revenue	\$28.5M	\$25M to \$28M
Revenue Growth	-13% YoY -4% Sequential	-24% to -15% YoY -16% to -5% Sequential
GAAP Gross Profit	\$9.7M 34.1% GAAP GM 42.0% Cash GM ¹	~30.0% to 33.3% GAAP GM
Adjusted EBITDA ¹	(\$2.9M)	(\$8.0M) to (\$6.0M)
Adjusted EPS ¹	(\$0.09)	

Exceeded High End of Guidance Range on Key Financial Metrics



Notes:

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

RECENT BUSINESS UPDATES

TSA PreCheck® EXPANSION

- Expanded network of enrollment centers from 28 locations to 83 locations over the past three months.
- Locations distributed across key markets in 23 states including AZ, CA, CO, FL, GA, IA, IL, IN, LA, MD, MI, MN, MO, NC, NV, OH, OR, PA, SC, TN, TX, VA, WA.
- Expect to reach 500 enrollment locations in 2025.
- Continue to process renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



PROGRAM AWARD PROTESTS

- Two program awards worth up to \$525M to Telos over five years are under protest.
- Program #1:
 - As expected, the Government Accountability Office (“GAO”) resolved the protest by the end of June. The award was re-evaluated and re-awarded to our prime partner.
 - An incumbent has since submitted a subsequent protest on the re-award. The subsequent protest is expected to be resolved by GAO at the end of September based on their process timetable (100 days).
- Program #2:
 - Program remains under protest with customer. Resolution expected in 4Q.
- Minimal impact on 2025 revenue potential if both protests are favorably resolved by end of 2024.

OTHER UPDATES

- Xacta® new orders include the New Zealand Government, Five9, and a Fortune 100 technology company as well as renewals from the Government Publishing Office, National Endowment for the Arts, National Archives, several other U.S. federal government customers, and a Fortune 100 company in the technology sector.
- Cyber services new orders include a commercial space technology company and a U.S. federal government customer.
- AMHS new orders include the New Zealand Defence Force as well as renewals from the Federal Aviation Administration, several other U.S. government customers and a foreign government customer.



2024 OUTLOOK

3Q 2024

	Guidance	
	3Q 2024 Low End	3Q 2024 High End
Revenue	\$22M -39% YoY	\$24M -34% YoY
Adjusted EBITDA ¹	(\$8.0M)	(\$6.5M)

Assumptions

- SS revenue assumptions:
 - Down mid-teens % to HSD % YoY (down MSD % to up LSD % sequentially)
 - Primarily driven by a short-term customer program in 2H 2023 that is not recurring in 2024 and revenue fluctuations in various Telos ID programs, partially offset by growth in TSA PreCheck
- SN revenue assumptions:
 - Down high-60% to mid-60% YoY (down low-50% to high-40 % sequentially)
 - Primarily driven by successful completion of programs
- GAAP gross margin down ~475 bps to ~275 bps YoY (down ~280 bps to ~75 bps sequentially)
- Cash gross margin¹ down ~75 bps to up ~50 bps YoY:
 - SS GM down primarily due to revenue mix
 - SN GM down primarily due to mix and higher impact of fixed costs on lower revenue
 - More favorable mix between SS and SN YoY
 - SS to contribute approximately 76% (vs. 55% in 3Q 2023)
- Cash BTL expenses (i.e. adjusted for capitalized software, stock based compensation, restructuring costs, and D&A) approximately \$0.2M to \$0.6M lower YoY
- Expect 4Q to be similar to 3Q with potential for modest sequential growth if protests are favorably resolved early in 4Q

Potential for Modest Sequential Revenue Growth in 4Q if Protests are Favorably Resolved Early in 4Q

Notes:

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

SUMMARY

Exceeded high end of guidance range on key financial metrics in the second quarter of 2024.

Expanded network of TSA PreCheck enrollment locations to 83. Expect to reach 500 locations in 2025.

Two program awards worth up to \$525M to Telos over five years are under protest.

Minimal impact on 2025 revenue potential if both protests are favorably resolved by end of 2024.

Appendix

NON-GAAP FINANCIAL MEASURES

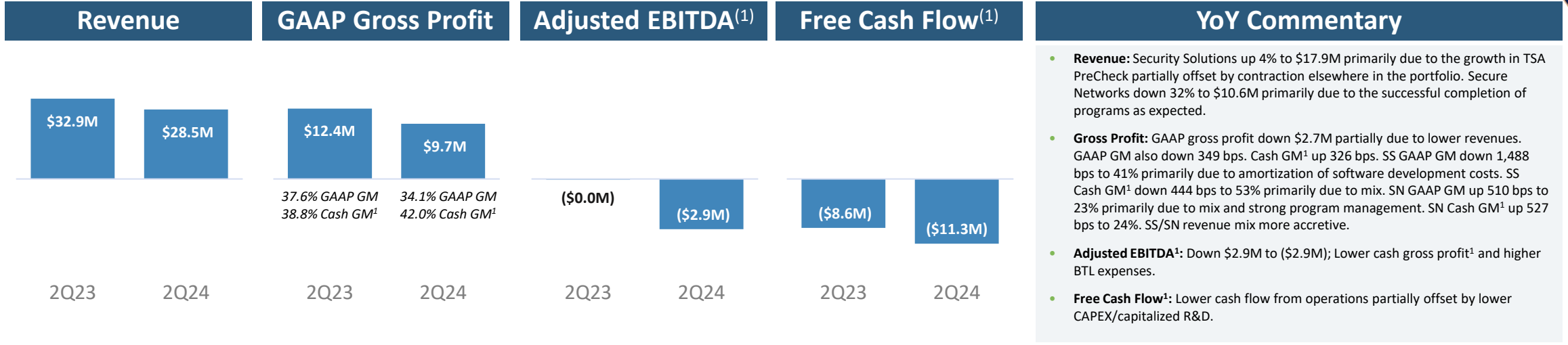
In addition to Telos' results determined in accordance with U.S. GAAP, Telos believes the non-GAAP financial measures of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted Earnings Per Share ("EPS"), Cash Gross Profit, Cash Gross Margin, and Free Cash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

Telos believes that EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net(Loss)/Income and Adjusted EPS provide the Board, management and investors with a clear representation of the Company's core operating performance and trends, provide greater visibility into the long-term financial performance of the Company, and eliminate the impact of items that do not relate to the ongoing operating performance of the business. Further, Adjusted EBITDA and Adjusted EBITDA Margin are used by the Board and management to prepare and approve the Company's annual budget and to evaluate the performance of certain management personnel when determining incentive compensation. Cash Gross Profit and Cash Gross Margin provide management and investors a clear representation of the core economics of gross profit and gross margin without the impact of non-cash expenses and sunk costs expended. Telos uses Free Cash Flow to understand the cash flows that directly correspond with our operations and the investments the Company must make in those operations, using a methodology that combines operating cash flows and capital expenditures. Further, Free Cash Flow may be useful to management and investors in evaluating the Company's operating performance and liquidity, and to the Board to evaluate the performance of certain management personnel when determining incentive compensation. Telos believes these non-GAAP financial measures facilitate the comparison of the Company's operating performance on a consistent basis between periods by excluding certain items that may, or could, have a disproportionately positive or negative impact on the Company's results of operations in any particular period. When viewed in combination with the Company's results prepared in accordance with GAAP, these non-GAAP financial measures help provide a broader picture of factors and trends affecting the Company's results of operations.

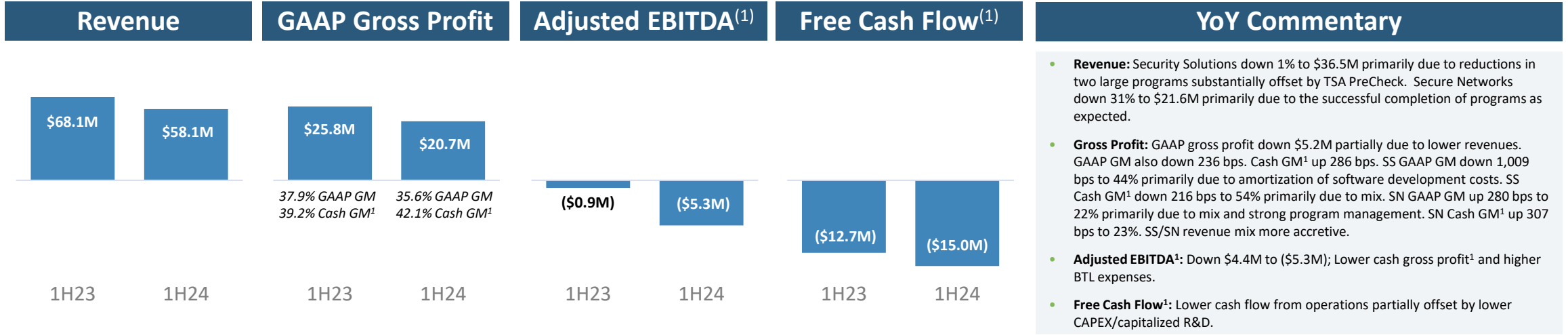
FINANCIAL PERFORMANCE SUMMARY

2Q AND 1H 2024 YEAR-OVER-YEAR COMPARISON

2Q YoY



1H YoY



2Q Cash Gross Margin¹ Up 326 Basis Points and 1H Up 286 Basis Points Year-Over-Year



Notes:

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

2024 3Q ADDITIONAL MODELING ASSUMPTIONS

	2023 Full Year	2023 3Q	2024E 3Q	2024E 3Q Commentary
GAAP Gross Margin	36.4%	36.0%	~31.3% - 33.3%	<ul style="list-style-type: none"> SS and SN down YoY More favorable revenue mix between SS and SN Cash gross margin¹ slightly down to slightly up YoY
Stock Based Compensation (SBC)	\$24.4M	\$5.2M	~\$8.0M - \$8.5M	<ul style="list-style-type: none"> ~\$0.1M in COS in 3Q 2024
Depreciation & Amortization	\$9.4M	\$3.2M	~\$3.5M	<ul style="list-style-type: none"> Slightly higher amortization YoY due to development initiatives achieving key milestones ~45% is included in BTL expenses in 3Q 2024
Weighted Average Share Count	69.3M	69.6M	~72.0 - 72.5M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> Not meaningful
CAPEX & Capitalized Software	\$15.5M	\$3.8M	~\$3.0M - \$3.5M	<ul style="list-style-type: none"> ~\$0.5M of CAPEX in 3Q 2024
Cash Below The Line Expenses ²	\$77.5M	\$19.7M	~\$19.1M - ~\$19.5M	<ul style="list-style-type: none"> Slightly down YoY
Adjusted Below The Line Expenses ³	\$68.6M	\$17.6M	~\$18.1M - ~\$18.5M	<ul style="list-style-type: none"> YoY higher primarily due to lower capitalization of SW development

Notes:

- Cash Gross Margin is a non-GAAP financial measure. The Company has not provided a reconciliation to 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, reconciliation of forward-looking Cash Gross Margin is not available without unreasonable effort.
- Cash below the line expenses (adjusted for capitalized software, restructuring costs, stock based compensation and D&A).
- GAAP 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).

2023 RESULTS

GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2023																									
	Three Months Ended March 31, 2023					Three Months Ended June 30, 2023					Three Months Ended September 30, 2023					Three Months Ended December 31, 2023					Twelve Months Ended December 31, 2023					
	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	
Revenue																										
Security Solutions	\$ 19,773	\$ -	\$ -	\$ -	\$ 19,773	\$ 17,196	\$ -	\$ -	\$ -	\$ 17,196	\$ 19,795	\$ -	\$ -	\$ -	\$ 19,795	\$ 20,652	\$ -	\$ -	\$ -	\$ 20,652	\$ 77,416	\$ -	\$ -	\$ -	\$ -	\$ 77,416
Secure Networks	15,449	-	-	-	15,449	15,715	-	-	-	15,715	16,391	-	-	-	16,391	20,407	-	-	-	20,407	67,962	-	-	-	-	67,962
Total	35,222	-	-	-	35,222	32,911	-	-	-	32,911	36,186	-	-	-	36,186	41,059	-	-	-	41,059	145,378	-	-	-	-	145,378
Gross Profit																										
Security Solutions	10,274	272	-	-	10,546	9,551	153	-	-	9,704	9,354	63	-	-	9,417	10,435	180	-	-	10,615	39,614	668	-	-	-	40,282
Secure Networks	3,208	54	-	-	3,262	2,808	72	-	-	2,880	3,659	10	-	-	3,669	3,653	96	-	-	3,749	13,328	232	-	-	-	13,560
Total	13,482	326	-	-	13,808	12,359	225	-	-	12,584	13,013	73	-	-	13,086	14,088	276	-	-	14,364	52,942	900	-	-	-	53,842
Gross Margin																										
Security Solutions	52.0%	1.4%	0.0%	0.0%	53.3%	55.5%	0.9%	0.0%	0.0%	56.4%	47.3%	0.3%	0.0%	0.0%	47.6%	50.5%	0.9%	0.0%	0.0%	51.4%	51.2%	0.9%	0.0%	0.0%	52.0%	
Secure Networks	20.8%	0.3%	0.0%	0.0%	21.3%	17.9%	0.5%	0.0%	0.0%	18.3%	22.3%	0.1%	0.0%	0.0%	22.4%	17.9%	0.5%	0.0%	0.0%	18.4%	19.6%	0.3%	0.0%	0.0%	20.0%	
Total	38.3%	0.9%	0.0%	0.0%	39.2%	37.6%	0.7%	0.0%	0.0%	38.2%	36.0%	0.2%	0.0%	0.0%	36.2%	34.3%	0.7%	0.0%	0.0%	35.0%	36.4%	0.6%	0.0%	0.0%	37.0%	
SG&A																										
Research and Development	2,833	770	-	-	2,063	2,646	847	-	-	1,799	3,154	328	-	-	2,826	3,614	44	-	-	3,570	12,247	1,989	-	-	-	10,258
Selling, General and Administrative	23,619	8,403	-	1,200	14,016	19,180	6,673	-	(3)	12,510	19,552	4,817	-	-	14,735	18,659	1,614	-	(65)	17,110	81,010	21,507	-	1,132	58,371	
Total	26,452	9,173	-	1,200	16,079	21,826	7,520	-	(3)	14,309	22,706	5,145	-	-	17,561	22,273	1,658	-	(65)	20,680	93,257	23,496	-	1,132	68,629	
EBIT / Operating (Loss)/Income																										
	(12,970)	9,499	-	1,200	(2,271)	(9,467)	7,745	-	(3)	(1,725)	(9,693)	5,218	-	-	(4,475)	(8,185)	1,934	-	(65)	(6,316)	(40,315)	24,396	-	1,132	(14,787)	
Interest Expense	(249)	-	-	-	(249)	(184)	-	-	-	(184)	(178)	-	-	-	(178)	(175)	-	-	-	(175)	(786)	-	-	-	(786)	
Other Income	2,496	-	(2,496)	-	-	1,649	-	(1,649)	-	-	1,222	-	(1,222)	-	-	1,348	-	(1,348)	-	-	6,715	-	(6,715)	-	-	
Earnings Before Taxes (EBT)	(10,723)	9,499	(2,496)	1,200	(2,520)	(8,002)	7,745	(1,649)	(3)	(1,909)	(8,649)	5,218	(1,222)	-	(4,653)	(7,012)	1,934	(1,348)	(65)	(6,491)	(34,386)	24,396	(6,715)	1,132	(15,573)	
Provision for Income Taxes	(23)	-	-	-	(23)	(22)	-	-	-	(22)	(23)	-	-	-	(23)	32	-	-	-	32	(36)	-	-	-	(36)	
Net (Loss)/Income	\$ (10,746)	\$ 9,499	\$ (2,496)	\$ 1,200	\$ (2,543)	\$ (8,024)	\$ 7,745	\$ (1,649)	\$ (3)	\$ (1,931)	\$ (8,672)	\$ 5,218	\$ (1,222)	\$ -	\$ (4,676)	\$ (6,980)	\$ 1,934	\$ (1,348)	\$ (65)	\$ (6,459)	\$ (34,422)	\$ 24,396	\$ (6,715)	\$ 1,132	\$ (15,609)	
Share Count	68,176	68,176	68,176	68,176	68,176	69,424	69,424	69,424	69,424	69,424	69,571	69,571	69,571	69,571	69,571	69,832	69,832	69,832	69,832	69,832	69,256	69,256	69,256	69,256	69,256	
EPS	\$ (0.16)	\$ 0.14	\$ (0.04)	\$ 0.02	\$ (0.04)	\$ (0.12)	\$ 0.11	\$ (0.02)	\$ -	\$ (0.03)	\$ (0.12)	\$ 0.08	\$ (0.02)	\$ -	\$ (0.07)	\$ (0.10)	\$ 0.03	\$ (0.02)	\$ -	\$ (0.09)	\$ (0.50)	\$ 0.35	\$ (0.10)	\$ 0.02	\$ (0.23)	
Net (Loss)/Income	\$ (10,746)	\$ 9,499	\$ (2,496)	\$ 1,200	\$ (2,543)	\$ (8,024)	\$ 7,745	\$ (1,649)	\$ (3)	\$ (1,931)	\$ (8,672)	\$ 5,218	\$ (1,222)	\$ -	\$ (4,676)	\$ (6,980)	\$ 1,934	\$ (1,348)	\$ (65)	\$ (6,459)	\$ (34,422)	\$ 24,396	\$ (6,715)	\$ 1,132	\$ (15,609)	
Other Income	(2,496)	-	2,496	-	-	(1,649)	-	1,649	-	-	(1,222)	-	1,222	-	-	(1,348)	-	1,348	-	-	(6,715)	-	6,715	-	-	
Interest Expense	249	-	-	-	249	184	-	-	-	184	178	-	-	-	178	175	-	-	-	175	786	-	-	-	786	
Provision for Income Taxes	23	-	-	-	23	22	-	-	-	22	23	-	-	-	23	(32)	-	-	-	(32)	36	-	-	-	36	
Depreciation & Amortization	1,425	-	-	-	1,425	1,696	-	-	-	1,696	3,215	-	-	-	3,215	3,093	-	-	-	3,093	9,429	-	-	-	9,429	
EBITDA	\$ (11,545)	\$ 9,499	\$ -	\$ 1,200	\$ (846)	\$ (7,771)	\$ 7,745	\$ -	\$ (3)	\$ (29)	\$ (6,478)	\$ 5,218	\$ -	\$ -	\$ (1,260)	\$ (5,092)	\$ 1,934	\$ -	\$ (65)	\$ (3,223)	\$ (30,886)	\$ 24,396	\$ -	\$ 1,132	\$ (5,358)	
Cash Flow from Operations	\$ (100)					\$ (4,113)					\$ 846					\$ 4,954					\$ 1,587					
Capitalized Software	(3,800)	-	-	-	-	(4,398)	-	-	-	-	(3,762)	-	-	-	-	(2,592)	-	-	-	-	(14,552)	-	-	-	-	
PPE	(223)	-	-	-	-	(47)	-	-	-	-	(80)	-	-	-	-	(576)	-	-	-	-	(926)	-	-	-	-	
CAPEX	(4,023)					(4,445)					(3,842)					(3,168)					(15,478)					
Free Cash Flow	\$ (4,123)					\$ (8,558)					\$ (2,996)					\$ 1,786					\$ (13,891)					

2022 RESULTS

GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

NOTE: As previously revised

	2022																					
	Three Months Ended March 31, 2022				Three Months Ended June 30, 2022				Three Months Ended September 30, 2022				Three Months Ended December 31, 2022				Twelve Months Ended December 31, 2022					
	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	3,006	-	355	65,309
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	699	-	578	19,575	79,043	3,497	-	578	83,118
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																						
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	3,806	-	221	12,891
Selling, General and Administrative	29,808	13,629	-	16,179	30,476	15,522	-	14,954	25,748	14,010	-	11,738	29,943	14,196	-	1,968	13,779	115,975	57,357	-	1,968	56,650
Total	35,238	14,924	-	20,314	34,965	16,214	-	18,751	29,729	14,907	-	14,822	32,961	15,118	-	2,189	15,654	132,893	61,163	-	2,189	69,541
EBIT / Operating (Loss)/Income	(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	13,577
Interest Expense	(190)	-	-	(190)	(187)	-	-	(187)	(181)	-	-	(181)	(316)	-	-	-	(316)	(874)	-	-	-	(874)
Other Income	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	12,703
(Provision for)/Benefit From Income Taxes	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	79	-	-	-	79	(54)	-	-	-	(54)
Net (Loss)/Income	\$ (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
EPS	\$ (0.25)	\$ 0.24	\$ -	\$ (0.01)	\$ (0.21)	\$ 0.25	\$ -	\$ 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 (Loss)/Income	\$ (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	(12)	-	12	-	(118)	-	118	-	(518)	-	518	-	(702)	-	702	-	-	(1,350)	-	1,350	-	-
Interest Expense	190	-	-	190	187	-	-	187	181	-	-	181	316	-	-	-	316	874	-	-	-	874
Provision for/(Benefit From) Income Taxes	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	\$ -	\$ 4,454	\$ (7,267)	\$ 15,836	\$ -	\$ 8,569	\$ (13,200)	\$ 15,817	\$ -	\$ 2,767	\$ 5,384	\$ (47,960)	\$ 64,660	\$ -	\$ 2,767	\$ 19,467
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	-				-				-				-				-					
Free Cash Flow	\$ (3,092)				\$ 5,449				\$ 8,366				\$ 525				\$ 11,248					

2024 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN 1H RESULTS

(Amounts in thousands, unaudited)

	2024			2023		
	Three Months Ended	Three Months Ended	Six Months Ended	Three Months Ended	Three Months Ended	Six Months Ended
	March 31, 2024	June 30, 2024	June 30, 2024	March 31, 2023	June 30, 2023	June 30, 2023
Revenue						
Security Solutions	\$ 18,640	\$ 17,867	\$ 36,507	\$ 19,773	\$ 17,196	\$ 36,969
Secure Networks	10,979	10,631	21,610	15,449	15,715	31,164
Total	\$ 29,619	\$ 28,498	\$ 58,117	\$ 35,222	\$ 32,911	\$ 68,133
GAAP Gross Profit						
Security Solutions	\$ 8,626	\$ 7,265	\$ 15,891	\$ 10,274	\$ 9,551	\$ 19,825
Secure Networks	2,335	2,442	4,777	3,208	2,808	6,016
Total	\$ 10,961	\$ 9,707	\$ 20,668	\$ 13,482	\$ 12,359	\$ 25,841
GAAP Gross Margin						
Security Solutions	46.3%	40.7%	43.5%	52.0%	55.5%	53.6%
Secure Networks	21.3%	23.0%	22.1%	20.8%	17.9%	19.3%
Total	37.0%	34.1%	35.6%	38.3%	37.6%	37.9%
Stock Based Compensation - Cost of Sales						
Security Solutions	\$ 176	\$ 162	\$ 338	\$ 272	\$ 153	\$ 425
Secure Networks	81	66	147	54	72	126
Total	\$ 257	\$ 228	\$ 485	\$ 326	\$ 225	\$ 551
Restructuring Costs - Cost of Sales						
Security Solutions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Secure Networks	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization - Cost of Sales						
Security Solutions	\$ 1,275	\$ 2,037	\$ 3,312	\$ 170	\$ 168	\$ 338
Secure Networks	3	2	5	6	2	8
Total	\$ 1,278	\$ 2,039	\$ 3,317	\$ 176	\$ 170	\$ 346
Cash Gross Profit						
Security Solutions	\$ 10,077	\$ 9,464	\$ 19,541	\$ 10,716	\$ 9,872	\$ 20,588
Secure Networks	2,419	2,510	4,929	3,268	2,882	6,150
Total	\$ 12,496	\$ 11,974	\$ 24,470	\$ 13,984	\$ 12,754	\$ 26,738
Cash Gross Margin						
Security Solutions	54.1%	53.0%	53.5%	54.2%	57.4%	55.7%
Secure Networks	22.0%	23.6%	22.8%	21.2%	18.3%	19.7%
Total	42.2%	42.0%	42.1%	39.7%	38.8%	39.2%

2023 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2023				
	Three Months Ended				Twelve Months Ended
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	December 31, 2023
Revenue					
Security Solutions	\$ 19,773	\$ 17,196	\$ 19,795	\$ 20,652	\$ 77,416
Secure Networks	15,449	15,715	16,391	20,407	67,962
Total	\$ 35,222	\$ 32,911	\$ 36,186	\$ 41,059	\$ 145,378
GAAP Gross Profit					
Security Solutions	\$ 10,274	\$ 9,551	\$ 9,354	\$ 10,435	\$ 39,614
Secure Networks	3,208	2,808	3,659	3,653	13,328
Total	\$ 13,482	\$ 12,359	\$ 13,013	\$ 14,088	\$ 52,942
GAAP Gross Margin					
Security Solutions	52.0%	55.5%	47.3%	50.5%	51.2%
Secure Networks	20.8%	17.9%	22.3%	17.9%	19.6%
Total	38.3%	37.6%	36.0%	34.3%	36.4%
Stock Based Compensation - Cost of Sales					
Security Solutions	\$ 272	\$ 153	\$ 63	\$ 180	\$ 668
Secure Networks	54	72	10	96	232
Total	\$ 326	\$ 225	\$ 73	\$ 276	\$ 900
Restructuring Costs - Cost of Sales					
Security Solutions	\$ -	\$ -	\$ -	\$ -	\$ -
Secure Networks	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation & Amortization - Cost of Sales					
Security Solutions	\$ 170	\$ 168	\$ 1,943	\$ 1,251	\$ 3,532
Secure Networks	6	2	2	2	12
Total	\$ 176	\$ 170	\$ 1,945	\$ 1,253	\$ 3,544
Cash Gross Profit					
Security Solutions	\$ 10,716	\$ 9,872	\$ 11,360	\$ 11,866	\$ 43,814
Secure Networks	3,268	2,882	3,671	3,751	13,572
Total	\$ 13,984	\$ 12,754	\$ 15,031	\$ 15,617	\$ 57,386
Cash Gross Margin					
Security Solutions	54.2%	57.4%	57.4%	57.5%	56.6%
Secure Networks	21.2%	18.3%	22.4%	18.4%	20.0%
Total	39.7%	38.8%	41.5%	38.0%	39.5%

2022 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2022				
	Three Months Ended				Twelve Months Ended
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2022
Revenue					
Security Solutions	\$ 26,919	\$ 30,819	\$ 32,440	\$ 30,276	\$ 120,454
Secure Networks	23,241	24,972	31,153	17,067	96,433
Total	\$ 50,160	\$ 55,791	\$ 63,593	\$ 47,343	\$ 216,887
GAAP Gross Profit					
Security Solutions	\$ 15,051	\$ 16,433	\$ 15,577	\$ 14,887	\$ 61,948
Secure Networks	3,820	4,496	5,368	3,411	17,095
Total	\$ 18,871	\$ 20,929	\$ 20,945	\$ 18,298	\$ 79,043
GAAP Gross Margin					
Security Solutions	55.9%	53.3%	48.0%	49.2%	51.4%
Secure Networks	16.4%	18.0%	17.2%	20.0%	17.7%
Total	37.6%	37.5%	32.9%	38.6%	36.4%
Stock Based Compensation - Cost of Sales					
Security Solutions	\$ 857	\$ 747	\$ 823	\$ 579	\$ 3,006
Secure Networks	150	115	106	120	491
Total	\$ 1,007	\$ 862	\$ 929	\$ 699	\$ 3,497
Restructuring Costs - Cost of Sales					
Security Solutions	\$ -	\$ -	\$ -	\$ 355	\$ 355
Secure Networks	-	-	-	223	223
Total	\$ -	\$ -	\$ -	\$ 578	\$ 578
Depreciation & Amortization - Cost of Sales					
Security Solutions	\$ 205	\$ 192	\$ 183	\$ 183	\$ 763
Secure Networks	7	7	8	8	30
Total	\$ 212	\$ 199	\$ 191	\$ 191	\$ 793
Cash Gross Profit					
Security Solutions	\$ 16,113	\$ 17,372	\$ 16,583	\$ 16,004	\$ 66,072
Secure Networks	3,977	4,618	5,482	3,762	17,839
Total	\$ 20,090	\$ 21,990	\$ 22,065	\$ 19,766	\$ 83,911
Cash Gross Margin					
Security Solutions	59.9%	56.4%	51.1%	52.9%	54.9%
Secure Networks	17.1%	18.5%	17.6%	22.0%	18.5%
Total	40.1%	39.4%	34.7%	41.8%	38.7%

RECONCILIATIONS

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

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(dollars in thousands)</i>							
Net loss	\$ (7,757)	(27.2) %	\$ (8,024)	(24.4) %	\$ (15,135)	(26.0) %	\$ (18,770)	(27.5) %
Other income	(1,064)	(3.7) %	(1,649)	(5.0) %	(2,316)	(4.0) %	(4,145)	(6.1) %
Interest expense	160	0.5 %	184	0.5 %	335	0.5 %	433	0.6 %
Provision for income taxes	17	0.1 %	22	0.1 %	34	0.1 %	45	0.1 %
Depreciation and amortization	3,491	12.2 %	1,696	5.2 %	6,620	11.4 %	3,121	4.5 %
EBITDA (Non-GAAP)	(5,153)	(18.1) %	(7,771)	(23.6) %	(10,462)	(18.0) %	(19,316)	(28.4) %
Stock-based compensation expense ⁽¹⁾	2,219	7.8 %	7,745	23.5 %	5,203	8.9 %	17,244	25.3 %
Restructuring (adjustments) expenses ⁽²⁾	—	— %	(3)	— %	(10)	— %	1,197	1.8 %
Adjusted EBITDA (Non-GAAP)	\$ (2,934)	(10.3) %	\$ (29)	(0.1) %	\$ (5,269)	(9.1) %	\$ (875)	(1.3) %

⁽¹⁾ The stock-based compensation expense to EBITDA is made up of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$2.4 million and \$4.1 million for the three and six months ended June 30, 2024, respectively, and \$5.7 million and \$13.6 million, for the three and six months ended June 30, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$(0.2) million and \$1.1 million for the three and six months ended June 30, 2024, respectively and \$2.1 million and \$3.7 million for the three and six months ended June 30, 2023, respectively. The other sources of stock-based compensation consist of accrued compensation, which the Company intends to settle in shares of the Company's common stock. However, it is the Company's discretion whether this compensation will ultimately be paid in stock or cash. The Company has the right to dictate the form of these payments up until the date at which they are paid. Any change to the expected payment form would result in out of quarter adjustments to this add back to Adjusted EBITDA.

⁽²⁾ The restructuring (adjustments) expenses include severance and other related benefit costs (including outplacement services and continuing health insurance coverage), external consulting and advisory fees related to implementing the restructuring plan.

RECONCILIATIONS

ADJUSTED NET LOSS AND ADJUSTED EPS

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share
	<i>(in thousands, except per share data)</i>							
Net loss	\$ (7,757)	\$ (0.11)	\$ (8,024)	\$ (0.12)	\$ (15,135)	\$ (0.21)	\$ (18,770)	\$ (0.27)
Adjustments:								
Other income	(1,064)	(0.01)	(1,649)	(0.02)	(2,316)	(0.03)	(4,145)	(0.06)
Stock-based compensation expense ⁽¹⁾	2,219	0.03	7,745	0.11	5,203	0.07	17,244	0.25
Restructuring (adjustments) expenses ⁽²⁾	—	—	(3)	—	(10)	—	1,197	0.01
Adjusted net loss (Non-GAAP measure)	<u>\$ (6,602)</u>	<u>\$ (0.09)</u>	<u>\$ (1,931)</u>	<u>\$ (0.03)</u>	<u>\$ (12,258)</u>	<u>\$ (0.17)</u>	<u>\$ (4,474)</u>	<u>\$ (0.07)</u>
Weighted-average shares of common stock outstanding, basic	72,017		69,424		71,323		68,804	

⁽¹⁾ The stock-based compensation expense to net loss is made up of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and other sources. Stock-based compensation expense for the awarded RSUs, PSUs and stock options was \$2.4 million and \$4.1 million for the three and six months ended June 30, 2024, respectively, and \$5.7 million and \$13.6 million, for the three and six months ended June 30, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$(0.2) million and \$1.1 million for the three and six months ended June 30, 2024, respectively and \$2.1 million and \$3.7 million for the three and six months ended June 30, 2023, respectively. The other sources of stock-based compensation consist of accrued compensation, which the Company intends to settle in shares of the Company's common stock. However, it is the Company's discretion whether this compensation will ultimately be paid in stock or cash. The Company has the right to dictate the form of these payments up until the date at which they are paid. Any change to the expected payment form would result in out of quarter adjustments to this add back to Adjusted Net (Loss) Income.

⁽²⁾ The restructuring (adjustments) expenses include severance and other related benefit costs (including outplacement services and continuing health insurance coverage), external consulting and advisory fees related to implementing the restructuring plan.

RECONCILIATIONS

CASH GROSS PROFIT AND CASH GROSS MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	<i>(dollars in thousands)</i>							
Gross profit	\$ 9,707	34.1%	\$ 12,359	37.6%	\$ 20,668	35.6%	\$ 25,841	37.9%
Adjustments:								
Stock-based compensation expense — cost of sales	228	0.8%	225	0.7%	485	0.8%	551	0.8%
Depreciation and amortization — cost of sales	2,039	7.1%	170	0.5%	3,317	5.7%	346	0.5%
Cash gross profit (Non-GAAP)	\$ 11,974	42.0%	\$ 12,754	38.8%	\$ 24,470	42.1%	\$ 26,738	39.2%

RECONCILIATIONS FREE CASH FLOW

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	<i>(in thousands)</i>			
Net cash used in operating activities	\$ (7,990)	\$ (4,113)	\$ (8,340)	\$ (4,213)
Adjustments:				
Purchases of property and equipment	(235)	(47)	(332)	(270)
Capitalized software development costs	(3,113)	(4,398)	(6,315)	(8,198)
Free cash flow (Non-GAAP)	<u>\$ (11,338)</u>	<u>\$ (8,558)</u>	<u>\$ (14,987)</u>	<u>\$ (12,681)</u>



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