

# Third Quarter 2024 Earnings

November 12, 2024

# 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](http://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, and 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 the Company’s endorsement of the products or services of the trademark owner, nor as an endorsement by the trademark owner of the Company’s 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 \$23.8M OF REVENUE, 13.2% GAAP GROSS MARGIN, AND 44.0% CASH GROSS MARGIN<sup>1</sup>

### 3Q 2024 Summary

- Delivered \$23.8M of revenue vs. guidance of \$22M to \$24M
  - Security Solutions (“SS”) down 7% YoY (vs. guidance of down mid-teens % to HSD %); Up 3% sequentially; Results at the top end of guidance
  - Secure Networks (“SN”) down 67% YoY (vs. guidance of down high-60% to mid-60%); Down 49% sequentially; Results in line with guidance
- Assessed cost structure and investment priorities during 3Q and implemented a restructuring plan to eliminate cost and reallocate resources to high-growth programs in Security Solutions
  - Restructuring and assessment of intangible assets resulted in an \$11.7M non-cash impairment of capitalized software assets (including \$5.3M in cost of sales), and a \$1.4M restructuring charge (including \$0.4M in cost of sales)
- Delivered 13.2% GAAP gross margin (“GM”) vs. guidance of ~31.3% - 33.3%
  - Gross margin was 37.3% excluding \$5.7M impairment and restructuring charges in cost of sales
  - Cash gross margin<sup>1</sup> was 44.0% and above the top end of guidance
  - Revenue mix was 77% SS, slightly higher than guidance
- Below the line (“BTL”) expenses, net of stock based compensation (“SBC”), depreciation & amortization, restructuring, and impairment, approximately \$2.0M better than guidance due to lower than anticipated spending and cost reduction actions
- Adjusted EBITDA<sup>1</sup> above top end of guidance range due to slightly higher than expected cash gross profit<sup>1</sup> and lower than forecasted BTL expenses

	3Q 2024 Actual	3Q 2024 Guidance
Revenue	\$23.8M	\$22M to \$24M
Revenue Growth	-34% YoY -17% Sequential	-39% to -34% YoY -23% to -16% Sequential
GAAP Gross Profit	\$3.1M 13.2% GAAP GM 44.0% Cash GM <sup>1</sup>	~31.3% to 33.3% GAAP GM
Adjusted EBITDA <sup>1</sup>	(\$4.1M)	(\$8.0M) to (\$6.5M)
Adjusted EPS <sup>1</sup>	(\$0.10)	

### Revenue at Top End of Guidance; Adjusted EBITDA Exceeded Guidance



**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 83 locations to 173 locations over the past three months.
- Locations distributed across key markets in 29 states including AZ, CA, CO, FL, GA, IA, IL, IN, KS, KY, LA, MD, MI, MN, MO, MS, NC, NV, OH, OK, OR, PA, SC, TN, TX, UT, VA, WA, WV.
- Expect to reach 500 enrollment locations in 2025.
- Continue to process renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



## PROGRAM AWARD PROTESTS UPDATE

- Program #1:
  - Program with Defense Manpower Data Center (DMDC) worth up to \$485M to Telos over five years.
  - This program was under protest with the Government Accountability Office (“GAO”).
  - As expected, the protest was resolved by the end of September. It was resolved in favor of Telos and our prime partner.
  - Telos is now generating revenues on this program as operations ramp.
- Program #2:
  - Program with the Department of Homeland Security (DHS) worth up to \$40M to Telos over five years.
  - As expected, this program remains under protest with the customer. Resolution continues to be expected in 4Q.

## OTHER UPDATES

- New Xacta® orders include the U.S. Air Force Office of Special Investigations, as well as renewals from the Social Security Administration, Federal Bureau of Investigation, Defense Intelligence Agency, Environmental Protection Agency, U.S. Department of Energy, Infor, Siemens, and several other U.S. federal government customers.
- Cyber services renewals include the General Services Administration, Defense Health Agency, and several other U.S. federal government customers.
- AMHS renewals include the Department of Homeland Security, Department of Treasury, and several other U.S. federal government customers.
- Received a new contract award in Secure Networks with the U.S. Army.



# 2024 OUTLOOK

## 4Q 2024

	Guidance	
	4Q 2024 Low End	4Q 2024 High End
Revenue	\$24.5M <i>3% Seq</i>	\$26.5M <i>11% Seq</i>
Adjusted EBITDA <sup>1</sup>	(\$4.5M)	(\$3.5M)

## Assumptions

- SS revenue assumptions:
  - Up low-teens % to low-20% sequentially (down LSD % to up MSD % YoY)
    - Primarily driven by launch of DMDC program and growth in TSA PreCheck® enrollments, partially offset by revenue fluctuations in another areas of the portfolio
- SN revenue assumptions:
  - Down low-20% to high-teens % sequentially (down high-70% YoY)
    - Primarily driven by successful completion and ramp down of programs
- GAAP gross margin up ~170 bps to ~330 bps YoY
- Cash gross margin<sup>1</sup> up ~465 bps to ~580 bps YoY:
  - SS GM down primarily due to revenue mix
  - SN GM up due to strong program management
  - More favorable mix between SS and SN YoY
    - SS to contribute approximately 83% (vs. 50% in 4Q 2023)
- Cash BTL expenses (i.e. adjusted for capitalized software, stock based compensation, restructuring costs, impairment and D&A) approximately \$4.0M lower YoY primarily due to lower incentive compensation expense with some additional benefits from restructuring plan

**Expecting 3% to 11% Sequential Revenue Growth in 4Q**

**Notes:**

1. 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

**3Q Revenue at Top End of Guidance; Adjusted EBITDA Exceeded Guidance**

**Assessed Cost Structure and Investment Priorities During 3Q and Implemented a Restructuring Plan to Eliminate Cost and Reallocate Resources to High-Growth Programs in Security Solutions**

**DMDC Program Previously Under Protest Resolved in Favor of Telos and Prime Partner, Operations Have Begun with Revenues in 4Q**

**Expanded Network of TSA PreCheck® Enrollment Centers from 83 Locations to 173 Locations Over the Past Three Months; Expect to Reach 500 Locations in 2025**

**Expecting 3% to 11% sequential revenue growth in 4Q**

# Appendix

# NON-GAAP FINANCIAL MEASURES

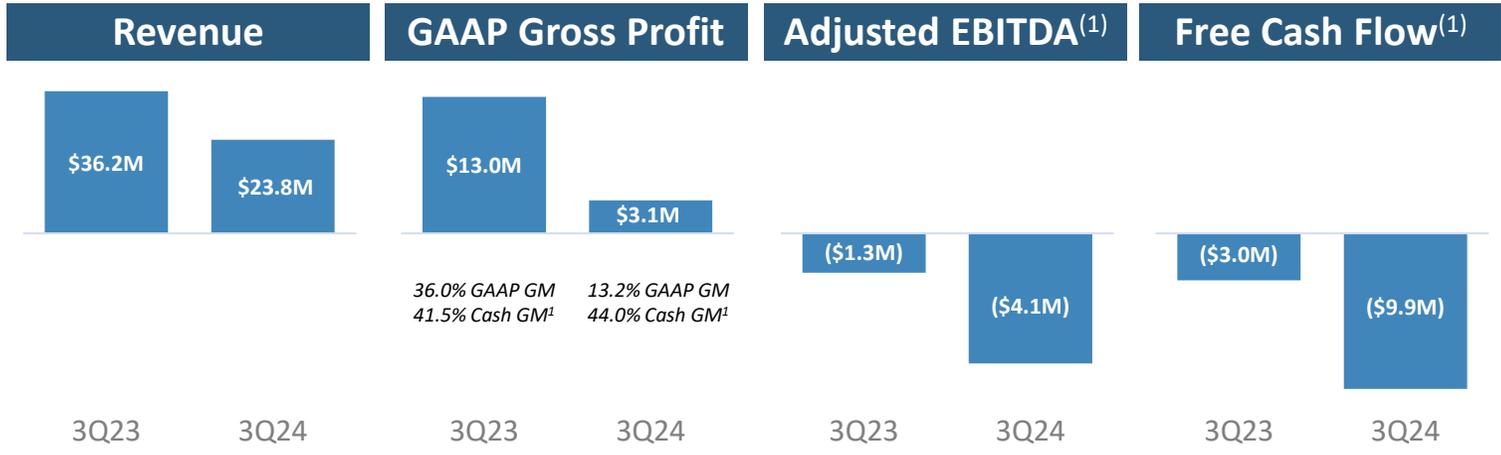
In addition to Telos' results determined in accordance with U.S. GAAP, Telos believes the non-GAAP financial measures of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, Adjusted Net Income/(Loss), Adjusted Earnings Per Share ("EPS"), Adjusted Gross Profit, Adjusted Gross Margin, Cash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

## 3Q AND 9M 2024 YEAR-OVER-YEAR COMPARISON

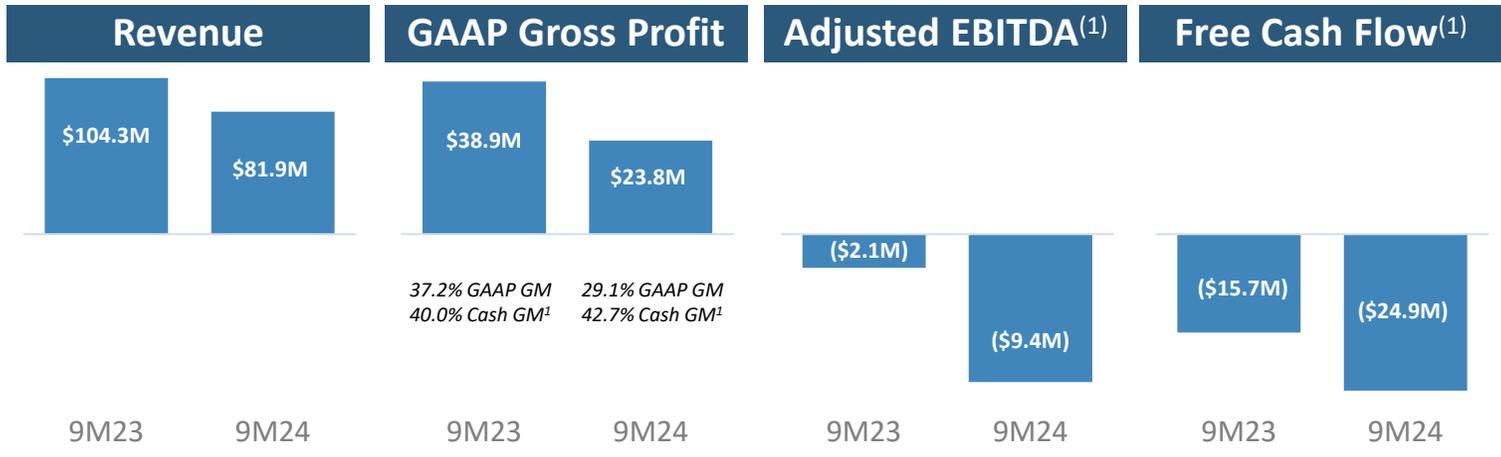
3Q YoY



### 3Q YoY Commentary

- Revenue:** Security Solutions down 7% to \$18.3M due to the reduction in revenue from a long-term program and the completion of a short-term program in the prior year, partially offset by the growth in TSA PreCheck®. Secure Networks down 67% to \$5.5M primarily due to the successful completion and ramp down of programs without corresponding new business wins to backfill revenue.
- Gross Profit:** GAAP gross profit down \$9.9M partially due to lower revenue. GAAP GM down 2,275 bps due to impairment and restructuring charges. Cash GM<sup>1</sup> up 250 bps. SS GAAP GM down 3,466 bps to 13% primarily due to impairment and restructuring. SS Cash GM<sup>1</sup> down 546 bps to 52% primarily due to mix. SN GAAP GM down 703 bps to 15% due to restructuring and revenue mix. SN Cash GM<sup>1</sup> down 488 bps to 18%. SS/SN revenue mix more accretive.
- Adjusted EBITDA<sup>1</sup>:** Down \$2.9M to (\$4.1M); Lower cash gross profit<sup>1</sup> due to lower revenue, partially offset by higher Cash GM<sup>1</sup> and lower BTL expenses.
- Free Cash Flow<sup>1</sup>:** Lower cash flow from operations partially offset by lower CAPEX/capitalized R&D.

9M YoY



### 9M YoY Commentary

- Revenue:** Security Solutions down 3% to \$54.8M due to the reductions in revenue of two long-term programs and completion of a short-term program in the prior year, partially offset by the growth in TSA PreCheck®. Secure Networks down 43% to \$27.1M primarily due to the successful completion and ramp down of programs without corresponding new business wins to backfill revenue.
- Gross Profit:** GAAP gross profit down \$15.1M partially due to lower revenue. GAAP GM down 817 bps due to impairment, restructuring and amortization. Cash GM<sup>1</sup> up 263 bps. SS GAAP GM down 1,821 bps to 33% primarily due to impairment, restructuring and amortization. SS Cash GM<sup>1</sup> down 329 bps to 53% due to mix. SN GAAP GM up 39 bps to 21%. SN Cash GM<sup>1</sup> up 109 bps to 22% due to mix and strong program management. SS/SN revenue mix more accretive.
- Adjusted EBITDA<sup>1</sup>:** Down \$7.3M to (\$9.4M); Lower cash gross profit<sup>1</sup> due to lower revenue and slightly higher BTL expenses partially offset by higher Cash GM<sup>1</sup>.
- Free Cash Flow<sup>1</sup>:** Lower cash flow from operations partially offset by lower capitalized R&D.

**3Q Cash Gross Margin<sup>1</sup> Up 250 Basis Points and 9M Up 263 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 4Q ADDITIONAL MODELING ASSUMPTIONS

	2023		2024		2024E 4Q Commentary
	Full Year	4Q	Full Year (E)	4Q (E)	
GAAP Gross Margin	36.4%	34.3%	~30.7% - 31.2%	~36.0% - 37.6%	<ul style="list-style-type: none"> <li>SS down, SN up YoY</li> <li>More favorable revenue mix between SS and SN</li> <li>Cash gross margin<sup>1</sup> up YoY</li> </ul>
Stock Based Compensation (SBC)	\$24.4M	\$1.9M	~\$22.6M	~\$8.5M	<ul style="list-style-type: none"> <li>~\$0.2M in COS in 4Q 2024</li> </ul>
Depreciation & Amortization	\$9.4M	\$3.1M	~\$11.5M	~\$2.2M	<ul style="list-style-type: none"> <li>~30% is included in BTL expenses in 4Q 2024</li> <li>~45% is included in BTL expenses in FY 2024</li> </ul>
Weighted Average Share Count	69.3M	69.8M	~71.8M	~72.4M	
Tax Rate	(0.1%)	(0.1%)	-	-	<ul style="list-style-type: none"> <li>Not meaningful</li> </ul>
CAPEX & Capitalized Software	\$15.5M	\$3.2M	~\$13.0M - \$13.5M	~\$3.5M - \$4.0M	<ul style="list-style-type: none"> <li>~\$1.25M of CAPEX in 4Q 2024</li> </ul>
Cash Below The Line Expenses <sup>2</sup>	\$77.5M	\$21.6M	~\$70.8M	~\$17.6M	<ul style="list-style-type: none"> <li>YoY expected to be lower primarily due to lower incentive compensation expense with some additional contribution from restructuring plan</li> </ul>
Adjusted Below The Line Expenses <sup>3</sup>	\$68.6M	\$20.7M	~\$64.7M	~\$15.7M	<ul style="list-style-type: none"> <li>YoY driven by Cash BTL reductions described above and lower depreciation &amp; amortization</li> </ul>

**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 are GAAP operating expenses adjusted for capitalized software, impairment costs, restructuring costs, stock based compensation and D&A.
- Adjusted below the line expenses are GAAP operating expenses adjusted for impairment costs, restructuring costs, and stock based compensation (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	
<b>Revenue</b>																										
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	
<b>Total</b>	<b>35,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,222</b>	<b>32,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,911</b>	<b>36,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,186</b>	<b>41,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,059</b>	<b>145,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,378</b>	
<b>Gross Profit</b>																										
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	
<b>Total</b>	<b>13,482</b>	<b>326</b>	<b>-</b>	<b>-</b>	<b>13,808</b>	<b>12,359</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>12,584</b>	<b>13,013</b>	<b>73</b>	<b>-</b>	<b>-</b>	<b>13,086</b>	<b>14,088</b>	<b>276</b>	<b>-</b>	<b>-</b>	<b>14,364</b>	<b>52,942</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>53,842</b>	
<b>Gross Margin</b>																										
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%	21.1%	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%	
<b>Total</b>	<b>38.3%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>39.2%</b>	<b>37.6%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>38.2%</b>	<b>36.0%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>36.2%</b>	<b>34.3%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>35.0%</b>	<b>36.4%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>37.0%</b>	
<b>Operating Expenses</b>																										
Research and Development <sup>(1)</sup>	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	
<b>Total</b>	<b>26,452</b>	<b>9,173</b>	<b>-</b>	<b>1,200</b>	<b>16,079</b>	<b>21,826</b>	<b>7,520</b>	<b>-</b>	<b>(3)</b>	<b>14,309</b>	<b>22,706</b>	<b>5,145</b>	<b>-</b>	<b>-</b>	<b>17,561</b>	<b>22,273</b>	<b>1,658</b>	<b>-</b>	<b>(65)</b>	<b>20,680</b>	<b>93,257</b>	<b>23,496</b>	<b>-</b>	<b>1,132</b>	<b>68,629</b>	
<b>EBIT / Operating (Loss)/Income</b>	<b>(12,970)</b>	<b>9,499</b>	<b>-</b>	<b>1,200</b>	<b>(2,271)</b>	<b>(9,467)</b>	<b>7,745</b>	<b>-</b>	<b>(3)</b>	<b>(1,725)</b>	<b>(9,693)</b>	<b>5,218</b>	<b>-</b>	<b>-</b>	<b>(4,475)</b>	<b>(8,185)</b>	<b>1,934</b>	<b>-</b>	<b>(65)</b>	<b>(6,316)</b>	<b>(40,315)</b>	<b>24,396</b>	<b>-</b>	<b>1,132</b>	<b>(14,787)</b>	
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)	-	-	
<b>Earnings Before Taxes (EBT)</b>	<b>(10,723)</b>	<b>9,499</b>	<b>(2,496)</b>	<b>1,200</b>	<b>(2,520)</b>	<b>(8,002)</b>	<b>7,745</b>	<b>(1,649)</b>	<b>(3)</b>	<b>(1,909)</b>	<b>(8,649)</b>	<b>5,218</b>	<b>(1,222)</b>	<b>-</b>	<b>(4,653)</b>	<b>(7,012)</b>	<b>1,934</b>	<b>(1,348)</b>	<b>(65)</b>	<b>(6,491)</b>	<b>(34,386)</b>	<b>24,396</b>	<b>(6,715)</b>	<b>1,132</b>	<b>(15,573)</b>	
Provision for Income Taxes	(23)	-	-	-	(23)	(22)	-	-	-	(22)	(23)	-	-	-	(23)	32	-	-	-	32	(36)	-	-	-	(36)	
<b>Net (Loss)/Income</b>	<b>\$ (10,746)</b>	<b>\$ 9,499</b>	<b>\$ (2,496)</b>	<b>\$ 1,200</b>	<b>\$ (2,543)</b>	<b>\$ (8,024)</b>	<b>\$ 7,745</b>	<b>\$ (1,649)</b>	<b>\$ (3)</b>	<b>\$ (1,931)</b>	<b>\$ (8,672)</b>	<b>\$ 5,218</b>	<b>\$ (1,222)</b>	<b>\$ -</b>	<b>\$ (4,676)</b>	<b>\$ (6,980)</b>	<b>\$ 1,934</b>	<b>\$ (1,348)</b>	<b>\$ (65)</b>	<b>\$ (6,459)</b>	<b>\$ (34,422)</b>	<b>\$ 24,396</b>	<b>\$ (6,715)</b>	<b>\$ 1,132</b>	<b>\$ (15,609)</b>	
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	
<b>EPS</b>	<b>\$ (0.16)</b>	<b>\$ 0.14</b>	<b>\$ (0.04)</b>	<b>\$ 0.02</b>	<b>\$ (0.04)</b>	<b>\$ (0.12)</b>	<b>\$ 0.11</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.03)</b>	<b>\$ (0.12)</b>	<b>\$ 0.08</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.07)</b>	<b>\$ (0.10)</b>	<b>\$ 0.03</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.09)</b>	<b>\$ (0.50)</b>	<b>\$ 0.35</b>	<b>\$ (0.10)</b>	<b>\$ 0.02</b>	<b>\$ (0.23)</b>	
<b>Net (Loss)/Income</b>	<b>\$ (10,746)</b>	<b>\$ 9,499</b>	<b>\$ (2,496)</b>	<b>\$ 1,200</b>	<b>\$ (2,543)</b>	<b>\$ (8,024)</b>	<b>\$ 7,745</b>	<b>\$ (1,649)</b>	<b>\$ (3)</b>	<b>\$ (1,931)</b>	<b>\$ (8,672)</b>	<b>\$ 5,218</b>	<b>\$ (1,222)</b>	<b>\$ -</b>	<b>\$ (4,676)</b>	<b>\$ (6,980)</b>	<b>\$ 1,934</b>	<b>\$ (1,348)</b>	<b>\$ (65)</b>	<b>\$ (6,459)</b>	<b>\$ (34,422)</b>	<b>\$ 24,396</b>	<b>\$ (6,715)</b>	<b>\$ 1,132</b>	<b>\$ (15,609)</b>	
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 <sup>(1)</sup>	1,425	-	-	-	1,425	1,696	-	-	-	1,696	3,215	-	-	-	3,215	3,093	-	-	-	3,093	9,429	-	-	-	9,429	
<b>EBITDA</b>	<b>\$ (11,545)</b>	<b>\$ 9,499</b>	<b>\$ -</b>	<b>\$ 1,200</b>	<b>\$ (846)</b>	<b>\$ (7,771)</b>	<b>\$ 7,745</b>	<b>\$ -</b>	<b>\$ (3)</b>	<b>\$ (29)</b>	<b>\$ (6,478)</b>	<b>\$ 5,218</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,260)</b>	<b>\$ (5,092)</b>	<b>\$ 1,934</b>	<b>\$ -</b>	<b>\$ (65)</b>	<b>\$ (3,223)</b>	<b>\$ (30,886)</b>	<b>\$ 24,396</b>	<b>\$ -</b>	<b>\$ 1,132</b>	<b>\$ (5,358)</b>	
<b>Cash Flow from Operations</b>	<b>\$ (100)</b>					<b>\$ (4,113)</b>					<b>\$ 846</b>					<b>\$ 4,954</b>					<b>\$ 1,587</b>					
Capitalized Software	(3,800)	-	-	-	-	(4,398)	-	-	-	-	(3,762)	-	-	-	-	(2,592)	-	-	-	-	(14,552)	-	-	-	-	
PPE	(223)	-	-	-	-	(47)	-	-	-	-	(80)	-	-	-	-	(576)	-	-	-	-	(926)	-	-	-	-	
<b>CAPEX</b>	<b>(4,023)</b>					<b>(4,445)</b>					<b>(3,842)</b>					<b>(3,168)</b>					<b>(15,478)</b>					
<b>Free Cash Flow</b>	<b>\$ (4,123)</b>					<b>\$ (8,558)</b>					<b>\$ (2,996)</b>					<b>\$ 1,786</b>					<b>\$ (13,891)</b>					

<sup>(1)</sup> Due to its immaterial amount, the impairment loss on intangible assets of \$0.3 million for the three and nine months ended September 30, 2023 was reported as part of depreciation and amortization within research and development expenses in 2023.

## 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
<b>Revenue</b>																						
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
<b>Total</b>	<b>50,160</b>	<b>-</b>	<b>-</b>	<b>50,160</b>	<b>55,791</b>	<b>-</b>	<b>-</b>	<b>55,791</b>	<b>63,593</b>	<b>-</b>	<b>-</b>	<b>63,593</b>	<b>47,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,343</b>	<b>216,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>216,887</b>
<b>Gross Profit</b>																						
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
<b>Total</b>	<b>18,871</b>	<b>1,007</b>	<b>-</b>	<b>19,878</b>	<b>20,929</b>	<b>862</b>	<b>-</b>	<b>21,791</b>	<b>20,945</b>	<b>929</b>	<b>-</b>	<b>21,874</b>	<b>18,298</b>	<b>699</b>	<b>-</b>	<b>578</b>	<b>19,575</b>	<b>79,043</b>	<b>3,497</b>	<b>-</b>	<b>578</b>	<b>83,118</b>
<b>Gross Margin</b>																						
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%
<b>Total</b>	<b>37.6%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>39.6%</b>	<b>37.5%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>39.1%</b>	<b>32.9%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>34.4%</b>	<b>38.6%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>1.2%</b>	<b>41.3%</b>	<b>36.4%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>38.3%</b>
<b>Operating Expenses</b>																						
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
<b>Total</b>	<b>35,238</b>	<b>14,924</b>	<b>-</b>	<b>20,314</b>	<b>34,965</b>	<b>16,214</b>	<b>-</b>	<b>18,751</b>	<b>29,729</b>	<b>14,907</b>	<b>-</b>	<b>14,822</b>	<b>32,961</b>	<b>15,118</b>	<b>-</b>	<b>2,189</b>	<b>15,654</b>	<b>132,893</b>	<b>61,163</b>	<b>-</b>	<b>2,189</b>	<b>69,541</b>
<b>EBIT / Operating (Loss)/Income</b>	<b>(16,367)</b>	<b>15,931</b>	<b>-</b>	<b>(436)</b>	<b>(14,036)</b>	<b>17,076</b>	<b>-</b>	<b>3,040</b>	<b>(8,784)</b>	<b>15,836</b>	<b>-</b>	<b>7,052</b>	<b>(14,663)</b>	<b>15,817</b>	<b>-</b>	<b>2,767</b>	<b>3,921</b>	<b>(53,850)</b>	<b>64,660</b>	<b>-</b>	<b>2,767</b>	<b>13,577</b>
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)	-	-
<b>Earnings Before Taxes (EBT)</b>	<b>(16,545)</b>	<b>15,931</b>	<b>(12)</b>	<b>(626)</b>	<b>(14,105)</b>	<b>17,076</b>	<b>(118)</b>	<b>2,853</b>	<b>(8,447)</b>	<b>15,836</b>	<b>(518)</b>	<b>6,871</b>	<b>(14,277)</b>	<b>15,817</b>	<b>(702)</b>	<b>2,767</b>	<b>3,605</b>	<b>(53,374)</b>	<b>64,660</b>	<b>(1,350)</b>	<b>2,767</b>	<b>12,703</b>
(Provision for)/Benefit From Income Taxes	(71)	-	-	(71)	(54)	-	-	(54)	(8)	-	-	(8)	79	-	-	-	79	(54)	-	-	-	(54)
<b>Net (Loss)/Income</b>	<b>\$ (16,616)</b>	<b>\$ 15,931</b>	<b>\$ (12)</b>	<b>\$ (697)</b>	<b>\$ (14,159)</b>	<b>\$ 17,076</b>	<b>\$ (118)</b>	<b>\$ 2,799</b>	<b>\$ (8,455)</b>	<b>\$ 15,836</b>	<b>\$ (518)</b>	<b>\$ 6,863</b>	<b>\$ (14,198)</b>	<b>\$ 15,817</b>	<b>\$ (702)</b>	<b>\$ 2,767</b>	<b>\$ 3,684</b>	<b>\$ (53,428)</b>	<b>\$ 64,660</b>	<b>\$ (1,350)</b>	<b>\$ 2,767</b>	<b>\$ 12,649</b>
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
<b>EPS</b>	<b>\$ (0.25)</b>	<b>\$ 0.24</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ (0.21)</b>	<b>\$ 0.25</b>	<b>\$ -</b>	<b>\$ 0.04</b>	<b>\$ (0.13)</b>	<b>\$ 0.23</b>	<b>\$ (0.01)</b>	<b>\$ 0.10</b>	<b>\$ (0.21)</b>	<b>\$ 0.23</b>	<b>\$ (0.01)</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ (0.79)</b>	<b>\$ 0.96</b>	<b>\$ (0.02)</b>	<b>\$ 0.04</b>	<b>\$ 0.19</b>
<b>Net (Loss)/Income</b>	<b>\$ (16,616)</b>	<b>\$ 15,931</b>	<b>\$ (12)</b>	<b>\$ (697)</b>	<b>\$ (14,159)</b>	<b>\$ 17,076</b>	<b>\$ (118)</b>	<b>\$ 2,799</b>	<b>\$ (8,455)</b>	<b>\$ 15,836</b>	<b>\$ (518)</b>	<b>\$ 6,863</b>	<b>\$ (14,198)</b>	<b>\$ 15,817</b>	<b>\$ (702)</b>	<b>\$ 2,767</b>	<b>\$ 3,684</b>	<b>\$ (53,428)</b>	<b>\$ 64,660</b>	<b>\$ (1,350)</b>	<b>\$ 2,767</b>	<b>\$ 12,649</b>
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
<b>EBITDA</b>	<b>\$ (14,962)</b>	<b>\$ 15,931</b>	<b>\$ -</b>	<b>\$ 969</b>	<b>\$ (12,531)</b>	<b>\$ 17,076</b>	<b>\$ -</b>	<b>\$ 4,545</b>	<b>\$ (7,267)</b>	<b>\$ 15,836</b>	<b>\$ -</b>	<b>\$ 8,569</b>	<b>\$ (13,200)</b>	<b>\$ 15,817</b>	<b>\$ -</b>	<b>\$ 2,767</b>	<b>\$ 5,384</b>	<b>\$ (47,960)</b>	<b>\$ 64,660</b>	<b>\$ -</b>	<b>\$ 2,767</b>	<b>\$ 19,467</b>
<b>Cash Flow from Operations</b>	<b>\$ 249</b>				<b>\$ 7,883</b>				<b>\$ 11,986</b>				<b>\$ (3,610)</b>				<b>\$ 16,508</b>					
Capitalized Software	(2,795)				(2,339)				(3,446)				(4,128)				(12,708)					
PPE	(546)				(95)				(174)				(194)				(1,009)					
<b>CAPEX</b>	<b>(3,341)</b>				<b>(2,434)</b>				<b>(3,620)</b>				<b>(4,322)</b>				<b>(13,717)</b>					
Net cash - software presale	-				-				-				8,457				8,457					
<b>Free Cash Flow</b>	<b>\$ (3,092)</b>				<b>\$ 5,449</b>				<b>\$ 8,366</b>				<b>\$ 525</b>				<b>\$ 11,248</b>					

## 2024 RESULTS

# CASH GROSS PROFIT & CASH GROSS MARGIN FIRST 9M RESULTS

(Amounts in thousands, unaudited)

	2024				2023	
	Three Months Ended	Three Months Ended	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
	March 31, 2024	June 30, 2024	September 30, 2024	September 30, 2024	September 30, 2023	September 30, 2023
<b>Revenue</b>						
Security Solutions	\$ 18,640	\$ 17,867	\$ 18,332	\$ 54,839	\$ 19,795	\$ 56,764
Secure Networks	10,979	10,631	5,451	27,061	16,391	47,555
<b>Total</b>	<b>\$ 29,619</b>	<b>\$ 28,498</b>	<b>\$ 23,783</b>	<b>\$ 81,900</b>	<b>\$ 36,186</b>	<b>\$ 104,319</b>
<b>GAAP Gross Profit</b>						
Security Solutions	\$ 8,626	\$ 7,265	\$ 2,310	\$ 18,201	\$ 9,354	\$ 29,179
Secure Networks	2,335	2,442	833	5,610	3,659	9,675
<b>Total</b>	<b>\$ 10,961</b>	<b>\$ 9,707</b>	<b>\$ 3,143</b>	<b>\$ 23,811</b>	<b>\$ 13,013</b>	<b>\$ 38,854</b>
<b>GAAP Gross Margin</b>						
Security Solutions	46.3%	40.7%	12.6%	33.2%	47.3%	51.4%
Secure Networks	21.3%	23.0%	15.3%	20.7%	22.3%	20.3%
<b>Total</b>	<b>37.0%</b>	<b>34.1%</b>	<b>13.2%</b>	<b>29.1%</b>	<b>36.0%</b>	<b>37.2%</b>
<b>Stock Based Compensation - Cost of Sales</b>						
Security Solutions	\$ 176	\$ 162	\$ 117	\$ 455	\$ 63	\$ 488
Secure Networks	81	66	(2)	145	10	136
<b>Total</b>	<b>\$ 257</b>	<b>\$ 228</b>	<b>\$ 115</b>	<b>\$ 600</b>	<b>\$ 73</b>	<b>\$ 624</b>
<b>Impairment - Cost of Sales</b>						
Security Solutions	\$ -	\$ -	\$ 5,333	\$ 5,333	\$ -	\$ -
Secure Networks	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,333</b>	<b>\$ 5,333</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Restructuring Costs - Cost of Sales</b>						
Security Solutions	\$ -	\$ -	\$ 272	\$ 272	\$ -	\$ -
Secure Networks	-	-	121	121	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 393</b>	<b>\$ 393</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Adjusted Gross Profit</b>						
Security Solutions	\$ 8,802	\$ 7,427	\$ 8,032	\$ 24,261	\$ 9,417	\$ 29,667
Secure Networks	2,416	2,508	952	5,876	3,669	9,811
<b>Total</b>	<b>\$ 11,218</b>	<b>\$ 9,935</b>	<b>\$ 8,984</b>	<b>\$ 30,137</b>	<b>\$ 13,086</b>	<b>\$ 39,478</b>
<b>Adjusted Gross Margin</b>						
Security Solutions	47.2%	41.6%	43.8%	44.2%	47.6%	52.3%
Secure Networks	22.0%	23.6%	17.5%	21.7%	22.4%	20.6%
<b>Total</b>	<b>37.9%</b>	<b>34.9%</b>	<b>37.8%</b>	<b>36.8%</b>	<b>36.2%</b>	<b>37.8%</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>						
Security Solutions	\$ 1,275	\$ 2,037	\$ 1,488	\$ 4,800	\$ 1,943	\$ 2,281
Secure Networks	3	2	2	7	2	10
<b>Total</b>	<b>\$ 1,278</b>	<b>\$ 2,039</b>	<b>\$ 1,490</b>	<b>\$ 4,807</b>	<b>\$ 1,945</b>	<b>\$ 2,291</b>
<b>Cash Gross Profit</b>						
Security Solutions	\$ 10,077	\$ 9,464	\$ 9,520	\$ 29,061	\$ 11,360	\$ 31,948
Secure Networks	2,419	2,510	954	5,883	3,671	9,821
<b>Total</b>	<b>\$ 12,496</b>	<b>\$ 11,974</b>	<b>\$ 10,474</b>	<b>\$ 34,944</b>	<b>\$ 15,031</b>	<b>\$ 41,769</b>
<b>Cash Gross Margin</b>						
Security Solutions	54.1%	53.0%	51.9%	53.0%	57.4%	56.3%
Secure Networks	22.0%	23.6%	17.5%	21.7%	22.4%	20.7%
<b>Total</b>	<b>42.2%</b>	<b>42.0%</b>	<b>44.0%</b>	<b>42.7%</b>	<b>41.5%</b>	<b>40.0%</b>

## 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
<b>Revenue</b>					
Security Solutions	\$ 19,773	\$ 17,196	\$ 19,795	\$ 20,652	\$ 77,416
Secure Networks	15,449	15,715	16,391	20,407	67,962
<b>Total</b>	<b>\$ 35,222</b>	<b>\$ 32,911</b>	<b>\$ 36,186</b>	<b>\$ 41,059</b>	<b>\$ 145,378</b>
<b>GAAP Gross Profit</b>					
Security Solutions	\$ 10,274	\$ 9,551	\$ 9,354	\$ 10,435	\$ 39,614
Secure Networks	3,208	2,808	3,659	3,653	13,328
<b>Total</b>	<b>\$ 13,482</b>	<b>\$ 12,359</b>	<b>\$ 13,013</b>	<b>\$ 14,088</b>	<b>\$ 52,942</b>
<b>GAAP Gross Margin</b>					
Security Solutions	52.0%	55.5%	47.3%	50.5%	51.2%
Secure Networks	20.8%	17.9%	22.3%	17.9%	19.6%
<b>Total</b>	<b>38.3%</b>	<b>37.6%</b>	<b>36.0%</b>	<b>34.3%</b>	<b>36.4%</b>
<b>Stock Based Compensation - Cost of Sales</b>					
Security Solutions	\$ 272	\$ 153	\$ 63	\$ 180	\$ 668
Secure Networks	54	72	10	96	232
<b>Total</b>	<b>\$ 326</b>	<b>\$ 225</b>	<b>\$ 73</b>	<b>\$ 276</b>	<b>\$ 900</b>
<b>Adjusted Gross Profit</b>					
Security Solutions	\$ 10,546	\$ 9,704	\$ 9,417	\$ 10,615	\$ 40,282
Secure Networks	3,262	2,880	3,669	3,749	13,560
<b>Total</b>	<b>\$ 13,808</b>	<b>\$ 12,584</b>	<b>\$ 13,086</b>	<b>\$ 14,364</b>	<b>\$ 53,842</b>
<b>Adjusted Gross Margin</b>					
Security Solutions	53.3%	56.4%	47.6%	51.4%	52.0%
Secure Networks	21.1%	18.3%	22.4%	18.4%	20.0%
<b>Total</b>	<b>39.2%</b>	<b>38.2%</b>	<b>36.2%</b>	<b>35.0%</b>	<b>37.0%</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>					
Security Solutions	\$ 170	\$ 168	\$ 1,943	\$ 1,251	\$ 3,532
Secure Networks	6	2	2	2	12
<b>Total</b>	<b>\$ 176</b>	<b>\$ 170</b>	<b>\$ 1,945</b>	<b>\$ 1,253</b>	<b>\$ 3,544</b>
<b>Cash Gross Profit</b>					
Security Solutions	\$ 10,716	\$ 9,872	\$ 11,360	\$ 11,866	\$ 43,814
Secure Networks	3,268	2,882	3,671	3,751	13,572
<b>Total</b>	<b>\$ 13,984</b>	<b>\$ 12,754</b>	<b>\$ 15,031</b>	<b>\$ 15,617</b>	<b>\$ 57,386</b>
<b>Cash Gross Margin</b>					
Security Solutions	54.2%	57.4%	57.4%	57.5%	56.6%
Secure Networks	21.2%	18.3%	22.4%	18.4%	20.0%
<b>Total</b>	<b>39.7%</b>	<b>38.8%</b>	<b>41.5%</b>	<b>38.0%</b>	<b>39.5%</b>

## 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
<b>Revenue</b>					
Security Solutions	\$ 26,919	\$ 30,819	\$ 32,440	\$ 30,276	\$ 120,454
Secure Networks	23,241	24,972	31,153	17,067	96,433
<b>Total</b>	<b>\$ 50,160</b>	<b>\$ 55,791</b>	<b>\$ 63,593</b>	<b>\$ 47,343</b>	<b>\$ 216,887</b>
<b>GAAP Gross Profit</b>					
Security Solutions	\$ 15,051	\$ 16,433	\$ 15,577	\$ 14,887	\$ 61,948
Secure Networks	3,820	4,496	5,368	3,411	17,095
<b>Total</b>	<b>\$ 18,871</b>	<b>\$ 20,929</b>	<b>\$ 20,945</b>	<b>\$ 18,298</b>	<b>\$ 79,043</b>
<b>GAAP Gross Margin</b>					
Security Solutions	55.9%	53.3%	48.0%	49.2%	51.4%
Secure Networks	16.4%	18.0%	17.2%	20.0%	17.7%
<b>Total</b>	<b>37.6%</b>	<b>37.5%</b>	<b>32.9%</b>	<b>38.6%</b>	<b>36.4%</b>
<b>Stock Based Compensation - Cost of Sales</b>					
Security Solutions	\$ 857	\$ 747	\$ 823	\$ 579	\$ 3,006
Secure Networks	150	115	106	120	491
<b>Total</b>	<b>\$ 1,007</b>	<b>\$ 862</b>	<b>\$ 929</b>	<b>\$ 699</b>	<b>\$ 3,497</b>
<b>Restructuring Costs - Cost of Sales</b>					
Security Solutions	\$ -	\$ -	\$ -	\$ 355	\$ 355
Secure Networks	-	-	-	223	223
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 578</b>	<b>\$ 578</b>
<b>Adjusted Gross Profit</b>					
Security Solutions	\$ 15,908	\$ 17,180	\$ 16,400	\$ 15,821	\$ 65,309
Secure Networks	3,970	4,611	5,474	3,754	17,809
<b>Total</b>	<b>\$ 19,878</b>	<b>\$ 21,791</b>	<b>\$ 21,874</b>	<b>\$ 19,575</b>	<b>\$ 83,118</b>
<b>Adjusted Gross Margin</b>					
Security Solutions	59.1%	55.7%	50.6%	52.3%	54.2%
Secure Networks	17.1%	18.5%	17.6%	22.0%	18.5%
<b>Total</b>	<b>39.6%</b>	<b>39.1%</b>	<b>34.4%</b>	<b>41.3%</b>	<b>38.3%</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>					
Security Solutions	\$ 205	\$ 192	\$ 183	\$ 183	\$ 763
Secure Networks	7	7	8	8	30
<b>Total</b>	<b>\$ 212</b>	<b>\$ 199</b>	<b>\$ 191</b>	<b>\$ 191</b>	<b>\$ 793</b>
<b>Cash Gross Profit</b>					
Security Solutions	\$ 16,113	\$ 17,372	\$ 16,583	\$ 16,004	\$ 66,072
Secure Networks	3,977	4,618	5,482	3,762	17,839
<b>Total</b>	<b>\$ 20,090</b>	<b>\$ 21,990</b>	<b>\$ 22,065</b>	<b>\$ 19,766</b>	<b>\$ 83,911</b>
<b>Cash Gross Margin</b>					
Security Solutions	59.9%	56.4%	51.1%	52.9%	54.9%
Secure Networks	17.1%	18.5%	17.6%	22.0%	18.5%
<b>Total</b>	<b>40.1%</b>	<b>39.4%</b>	<b>34.7%</b>	<b>41.8%</b>	<b>38.7%</b>

## RECONCILIATIONS

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

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Net loss	\$ (28,055)	(118.0) %	\$ (8,672)	(24.0) %	\$ (43,190)	(52.8) %	\$ (27,442)	(26.3) %
Other income	(983)	(4.1) %	(1,222)	(3.4) %	(3,299)	(4.0) %	(5,367)	(5.1) %
Interest expense	157	0.6 %	178	0.5 %	492	0.6 %	611	0.6 %
Provision for income taxes	17	0.1 %	23	0.1 %	51	0.1 %	68	0.1 %
Depreciation and amortization <sup>(3)</sup>	2,748	11.6 %	3,215	8.9 %	9,368	11.4 %	6,336	6.0 %
EBITDA (Non-GAAP)	(26,116)	(109.8) %	(6,478)	(17.9) %	(36,578)	(44.7) %	(25,794)	(24.7) %
Stock-based compensation expense <sup>(1)</sup>	8,814	37.1 %	5,218	14.4 %	14,017	17.1 %	22,462	21.5 %
Impairment loss on intangible assets <sup>(3)</sup>	11,706	49.2 %	—	— %	11,706	14.3 %	—	— %
Restructuring expenses <sup>(2)</sup>	1,447	6.1 %	—	— %	1,437	1.8 %	1,197	1.2 %
Adjusted EBITDA (Non-GAAP)	\$ (4,149)	(17.4) %	\$ (1,260)	(3.5) %	\$ (9,418)	(11.5) %	\$ (2,135)	(2.0) %

<sup>(1)</sup> 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 \$8.4 million and \$12.4 million for the three and nine months ended September 30, 2024, respectively, and \$5.2 million and \$18.6 million, for the three and nine months ended September 30, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2024, respectively. No stock-based compensation from other sources was recorded for the three months ended September 30, 2023, while \$3.8 million was recorded for the nine months ended September 30, 2023. 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.

<sup>(2)</sup> The restructuring 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.

<sup>(3)</sup> Due to its immaterial amount, the impairment loss on intangible assets of \$0.3 million for the three and nine months ended September 30, 2023 was reported as part of depreciation and amortization expenses in 2023.

## RECONCILIATIONS

# ADJUSTED NET LOSS AND ADJUSTED EPS

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 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
Net loss	\$ (28,055)	\$ (0.39)	\$ (8,672)	\$ (0.12)	\$ (43,190)	\$ (0.60)	\$ (27,442)	\$ (0.40)
Adjustments:								
Other income	(983)	(0.01)	(1,222)	(0.02)	(3,299)	(0.05)	(5,367)	(0.08)
Stock-based compensation expense <sup>(1)</sup>	8,814	0.12	5,218	0.07	14,017	0.20	22,462	0.33
Impairment loss on intangible assets <sup>(3)</sup>	11,706	0.16	—	—	11,706	0.16	—	—
Restructuring expenses <sup>(2)</sup>	1,447	0.02	—	—	1,437	0.02	1,197	0.02
Adjusted net loss (Non-GAAP)	<u>\$ (7,071)</u>	<u>\$ (0.10)</u>	<u>\$ (4,676)</u>	<u>\$ (0.07)</u>	<u>\$ (19,329)</u>	<u>\$ (0.27)</u>	<u>\$ (9,150)</u>	<u>\$ (0.13)</u>
Weighted-average shares of common stock outstanding, basic	<u>72,309</u>		<u>69,571</u>		<u>71,654</u>		<u>69,062</u>	

<sup>(1)</sup> 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 \$8.4 million and \$12.4 million for the three and nine months ended September 30, 2024, respectively, and \$5.2 million and \$18.6 million, for the three and nine months ended September 30, 2023, respectively. Stock-based compensation (adjustments) expense from other sources was \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2024, respectively. No stock-based compensation from other sources was recorded for the three months ended September 30, 2023, while \$3.8 million was recorded for the nine months ended September 30, 2023. 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.

<sup>(2)</sup> The restructuring 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.

<sup>(3)</sup> Due to its immaterial amount, the impairment loss on intangible assets of \$0.3 million for the three and nine months ended September 30, 2023 was reported as part of depreciation and amortization expenses in 2023.

## RECONCILIATIONS

# ADJUSTED GROSS PROFIT, CASH GROSS PROFIT, ADJUSTED GROSS MARGIN, AND CASH GROSS MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Gross profit	\$ 3,143	13.2%	\$ 13,013	36.0%	\$ 23,811	29.1%	\$ 38,854	37.2%
Adjustments:								
Stock-based compensation expense – cost of sales	115	0.5%	73	0.2%	600	0.7%	624	0.6%
Impairment loss on intangible assets – cost of sales	5,333	22.4%	—	—%	5,333	6.5%	—	—%
Restructuring expenses – cost of sales	393	1.7%	—	—%	393	0.5%	—	—%
Adjusted gross profit (Non-GAAP)	8,984	37.8%	13,086	36.2%	30,137	36.8%	39,478	37.8%
Depreciation and amortization – cost of sales	1,490	6.2%	1,945	5.3%	4,807	5.9%	2,291	2.2%
Cash gross profit (Non-GAAP)	\$ 10,474	44.0%	\$ 15,031	41.5%	\$ 34,944	42.7%	\$ 41,769	40.0%

# RECONCILIATIONS FREE CASH FLOW

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net cash (used in) provided by operating activities	\$ (7,080)	\$ 846	\$ (15,420)	\$ (3,367)
Adjustments:				
Purchases of property and equipment, net	(49)	(80)	(381)	(350)
Capitalized software development costs	(2,789)	(3,762)	(9,104)	(11,960)
Free cash flow (Non-GAAP)	<u>\$ (9,918)</u>	<u>\$ (2,996)</u>	<u>\$ (24,905)</u>	<u>\$ (15,677)</u>



Solutions that **empower**  
and **protect** the enterprise.™