

Second Quarter 2025 Earnings

August 11, 2025

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FINANCIAL PERFORMANCE SUMMARY

DELIVERED \$36.0M OF REVENUE, 33.2% GAAP GROSS MARGIN, 38.4% CASH GM¹, AND \$7.0M OF CASH FLOW FROM OPERATIONS

2Q 2025 Summary

- Delivered \$36.0M of Revenue vs. guidance of \$32.5M to \$34.5M; YoY revenue growth of 26%
 - Security Solutions (“SS”) up 82% YoY (vs. guidance of up low 60% to low 70%); Results exceeded guidance
 - Secure Networks (“SN”) down 67% YoY (vs. guidance of down low 70% to mid 60%); Results in line with guidance
- Delivered 33.2% GAAP Gross Margin (“GM”) vs. ~32% - 33.5% assumed in guidance
 - Cash Gross Margin¹ was 38.4% and within the assumed guidance range
 - Revenue mix was 90% SS and in line with guidance assumptions
- Adjusted Operating Expenses¹ approximately \$0.9M better than guidance assumptions due to lower than expected costs across several areas
- Adjusted EBITDA¹ above top end of guidance range (YoY growth of \$3.3M) primarily due to lower than forecasted Adjusted Operating Expenses¹
- Cash Flow from Operations was \$7.0M; Free Cash Flow¹ was \$4.6M, YoY growth of \$16.0M
- Resumed share repurchases, deploying \$4.0M to repurchase approximately 1.5 million shares at a weighted average price of \$2.69 per share

	2Q 2025 Actual	2Q 2025 Guidance / Assumptions
Revenue	\$36.0M	\$32.5M to \$34.5M
Revenue Growth	+26% YoY	+14% to +21% YoY
GAAP Gross Profit	\$11.9M 33.2% GAAP GM 38.4% Cash GM ¹	~32.0% to 33.5% GAAP GM ~38.0% to 39.5% Cash GM ¹
Adjusted EBITDA ¹	\$0.4M	(\$2.1M) to (\$0.6M)
Adjusted EPS ¹	(\$0.03)	
Cash Flow	\$7.0M Cash Flow From Ops \$4.6M Free Cash Flow ¹	

Revenue and Adjusted EBITDA Exceeded Guidance; Generated Strong Cash Flow; Resumed Share Repurchases

FINANCIAL PERFORMANCE SUMMARY

BUSINESS SCALED SIGNIFICANTLY YEAR TO DATE

Revenue		GAAP Gross Profit		Adjusted EBITDA ⁽¹⁾		Free Cash Flow ⁽¹⁾		YoY Commentary				
2Q YoY	UP 26%	UP 23%	UP \$3.3M	UP \$16.0M	<ul style="list-style-type: none"> Revenue: Security Solutions up 82% to \$32.5M primarily due to rapid scaling of the DMDC program and growth in TSA PreCheck® enrollments. Secure Networks down 67% to \$3.5M primarily due to the successful completion of certain programs as expected. Gross Profit: GAAP Gross Profit up \$2.2M due to higher Revenue. GAAP GM down 89 bps primarily due to less favorable mix, partially offset by lower amortization of software development costs on higher Revenue. Cash GM¹ down 366 bps. SS GAAP GM down 587 bps to 35% primarily due to mix. SS Cash GM¹ down 1,247 bps to 41%. SN GAAP GM down 483 bps to 18% also primarily due to program mix. SN Cash GM¹ down 513 bps to 19%. SS/SN revenue mix more accretive. Adjusted EBITDA¹: Up \$3.3M to \$0.4M; Higher Cash Gross Profit¹ (due to higher Revenue, partially offset by lower Cash Gross Margin¹) and lower Adjusted Operating Expenses¹ excluding depreciation and amortization. Free Cash Flow¹: Total company up \$16.0M due to higher Adjusted EBITDA¹, lower capitalized software development costs, and favorable working capital dynamics. FCF margin¹ was 12.9%. 							
	\$28.5M	\$36.0M	\$9.7M	\$11.9M	34.1% GAAP GM 42.0% Cash GM ¹	33.2% GAAP GM 38.4% Cash GM ¹	(\$2.9M)	\$0.4M	(\$11.3M)	-39.8% Free Cash Flow Margin ¹	\$4.6M	12.9% Free Cash Flow Margin ¹
	2Q24	2Q25	2Q24	2Q25	2Q24	2Q25	2Q24	2Q25	2Q24	2Q25	2Q24	2Q25
	Revenue	GAAP Gross Profit	Adjusted EBITDA ⁽¹⁾	Free Cash Flow ⁽¹⁾	<ul style="list-style-type: none"> Revenue: Security Solutions up 60% to \$58.3M primarily due to the successful transition and ramping of the DMDC program and growth in TSA PreCheck® enrollments. Secure Networks down 62% to \$8.3M primarily due to the successful completion of certain programs as expected. Gross Profit: GAAP Gross Profit up \$3.4M primarily due to higher Revenue. GAAP GM up 65 bps. Cash GM¹ down 55 bps. SS GAAP GM down 518 bps to 38% primarily due to mix. SS Cash GM¹ down 913 bps to 44%. SN GAAP GM down 92 bps to 21% also primarily due to mix. SN Cash GM¹ down 121 bps to 22%. SS/SN revenue mix more accretive. Adjusted EBITDA¹: Up \$6.0M to \$0.7M; Higher Cash Gross Profit¹ (due to higher Revenue) and lower Adjusted Operating Expenses¹ excluding depreciation and amortization. Free Cash Flow¹: Total company up \$23.4M due to higher Adjusted EBITDA¹, lower capitalized software development costs, and favorable working capital dynamics. FCF margin¹ was 12.6%. 							
	UP 15%	UP 17%	UP \$6.0M	UP \$23.4M	(\$5.3M)	(\$15.0M)	\$0.7M	\$8.4M	35.6% GAAP GM 42.1% Cash GM ¹	36.2% GAAP GM 41.6% Cash GM ¹	-25.8% Free Cash Flow Margin ¹	12.6% Free Cash Flow Margin ¹
	1H24	1H25	1H24	1H25	1H24	1H25	1H24	1H25	1H24	1H25	1H24	1H25
	Revenue	GAAP Gross Profit	Adjusted EBITDA ⁽¹⁾	Free Cash Flow ⁽¹⁾	<ul style="list-style-type: none"> Revenue: Security Solutions up 44.4% to \$26.2M. Incremental Adjusted EBITDA Margin¹ is 44.4%. Gross Profit: GAAP Gross Profit up \$2.2M due to higher Revenue. GAAP GM up 89 bps. Cash GM¹ down 366 bps. SS GAAP GM down 587 bps to 35% primarily due to mix. SS Cash GM¹ down 1,247 bps to 41%. SN GAAP GM down 483 bps to 18% also primarily due to program mix. SN Cash GM¹ down 513 bps to 19%. SS/SN revenue mix more accretive. Adjusted EBITDA¹: Up \$3.3M to \$0.4M; Higher Cash Gross Profit¹ (due to higher Revenue, partially offset by lower Cash Gross Margin¹) and lower Adjusted Operating Expenses¹ excluding depreciation and amortization. Free Cash Flow¹: Total company up \$16.0M due to higher Adjusted EBITDA¹, lower capitalized software development costs, and favorable working capital dynamics. FCF margin¹ was 12.9%. 							
	UP 26.2%	UP 44.4%	UP 44.4%	UP 44.4%	(\$2.9M)	(\$11.3M)	\$0.4M	\$4.6M	34.1% GAAP GM 42.0% Cash GM ¹	33.2% GAAP GM 38.4% Cash GM ¹	-39.8% Free Cash Flow Margin ¹	12.9% Free Cash Flow Margin ¹

26.2% Revenue Growth, 44.4% Incremental Adjusted EBITDA Margin¹, and 12.9% FCF Margin¹ in 2Q 2025

RECENT BUSINESS UPDATES

TSA PRECHECK® EXPANSION

- Expanded network of enrollment centers to 415 locations.
- Locations distributed across key markets in 40 states (including Puerto Rico).
- Targeting 500 enrollment locations in 2025.
- Continue to process enrollments and renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



OTHER UPDATES

- Achieved **FedRAMP High Authorization** for Xacta® software.
 - Xacta formally recognized to meet highest standards for protecting highly sensitive data in cloud environments.
 - Provides customers confidence Xacta exceeds their needs for data protection and enables increased value.



- New Xacta orders include the U.S. Department of the Treasury, as well as renewals from the U.S. Air Force, the Defense Intelligence Agency, a New Zealand government agency, the Virginia Department of Education, the National Archives and Records Administration, and several other U.S. federal government customers.
- Cyber services new orders include a Fortune 100 company in the technology sector, as well as renewals from the U.S. Department of Homeland Security, the General Services Administration, and several other U.S. federal government customers.



GROWTH FORECASTED TO ACCELERATE IN 3Q

Guidance		
	3Q 2025 Low End	3Q 2025 High End
Revenue	\$44M +85% YoY	\$47M +98% YoY
Adjusted EBITDA ¹	\$4.0M 9.1% Margin	\$5.7M 12.1% Margin

Forecast for First Nine Months of 2025

Metrics based on midpoint of 3Q guidance:

- 37% Revenue growth driven by rapidly scaling programs
- 41% Cash Gross Margin¹ is higher than every full year since the IPO in 2020, except 2024
- Revenue growth combined with reductions in Operating Expenses generates a 50% Incremental Adjusted EBITDA Margin¹

3Q Guidance Assumptions
<ul style="list-style-type: none"> • Revenue forecasted to grow 85% to 98%, primarily due to rapidly scaling programs in SS <ul style="list-style-type: none"> • SS expected to contribute approximately 90% of total Revenue • GAAP Gross Margin approximately 34% - 35.5% <ul style="list-style-type: none"> • SS GAAP GM up YoY primarily due to impairment and restructuring charges in 3Q24 • Cash Gross Margin¹ approximately 40% - 41% <ul style="list-style-type: none"> • More favorable revenue mix overall between SS and SN YoY <ul style="list-style-type: none"> • SS to contribute approximately 90% of Revenue (vs. 77% in 3Q24) • SS Cash GM¹ down YoY due to mix and significantly higher non-cash infrastructure costs • SN Cash GM¹ up YoY primarily due to mix • Adjusted Operating Expenses¹ approximately \$1.6M lower YoY primarily as a result of restructuring and cost reduction initiatives during 3Q24 • Adjusted EBITDA¹ improves from a \$4.1M loss in 3Q24 <ul style="list-style-type: none"> • Midpoint of guidance implies a 41% Incremental Adjusted EBITDA Margin¹

Forecasting 91% Revenue Growth and 41% Incremental Adjusted EBITDA Margin¹ at Midpoint of 3Q Guidance

SUMMARY

Large Programs Continue to Rapidly Scale in Security Solutions

Expense Discipline is Delivering Excellent Operating Leverage and Strong Incremental Adjusted EBITDA Margins

Delivered Substantial Year-Over-Year Growth in Revenue, Adjusted EBITDA, and Cash Flow in 2Q and 1H

Resumed Share Repurchases in 2Q; Generated FCF Margin¹ of 12.9% in 2Q and 12.6% in 1H

Growth in Revenue and Adjusted EBITDA Forecasted to Accelerate in 3Q

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, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Loss, Adjusted Earnings Per Share ("EPS"), Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Cash Operating Expenses, Adjusted Operating Expenses, Free Cash Flow and Free Cash Flow Margin 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, Incremental Adjusted EBITDA, Incremental Adjusted EBITDA Margin, Adjusted Net Loss, Adjusted EPS, Cash Operating Expenses, and Adjusted Operating Expenses 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 is 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 and Free Cash Flow Margin 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.

2025 OUTLOOK

2025 3Q ADDITIONAL MODELING ASSUMPTIONS

	2024 Full Year	2024 3Q	2025E 3Q	2025E 3Q Commentary
GAAP Gross Margin	31.8%	13.2%	~34.0% - 35.5%	<ul style="list-style-type: none"> SS up primarily due to 3Q24 impairment and restructuring charges See Cash GM commentary below
Cash Gross Margin ¹	43.7%	44.0%	~40.0% - 41.0%	<ul style="list-style-type: none"> SS down YoY; SN up YoY More favorable revenue mix between SS and SN
Stock Based Compensation (SBC)	\$21.4M	\$8.8M	~\$7.2M	<ul style="list-style-type: none"> ~\$0.2M in COS in 3Q25
Depreciation & Amortization	\$11.9M	\$2.7M	~\$3.1M	<ul style="list-style-type: none"> ~25% is included in adjusted operating expenses in 3Q25
Basic Weighted Average Share Count	71.9M	72.3M	~72.8M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> Not meaningful
CAPEX & Capitalized Software	\$13.8M	\$2.8M	~\$2.2M	<ul style="list-style-type: none"> Minimal CAPEX in 3Q25
Cash Operating Expenses ¹	\$68.2M	\$17.3M	~\$15.7M	<ul style="list-style-type: none"> Down YoY largely as a result of restructuring and cost reduction initiatives during 3Q24
Adjusted Operating Expenses ¹	\$62.4M	\$15.9M	~\$14.3M	<ul style="list-style-type: none"> Down YoY due to lower spend as indicated above; Impacts of lower depreciation and amortization and lower capitalization of software development largely offset

Notes:

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

2025 RESULTS GAAP AND ADJUSTED 1H RESULTS

(Amounts in thousands, unaudited)

Revenue	2025												2024														
	Three Months Ended March 31, 2025				Three Months Ended June 30, 2025				Six Months Ended June 30, 2025				Three Months Ended March 31, 2024				Three Months Ended June 30, 2024				Six Months Ended June 30, 2024						
	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	Adjusted	GAAP	SBC	Other Inc	Adjusted		
Security Solutions	\$ 25,818	\$ -	\$ -	\$ 25,818	\$ 32,474	\$ -	\$ -	\$ 32,474	\$ 58,292	\$ -	\$ -	\$ 58,292	\$ 18,640	\$ -	\$ -	\$ -	\$ 17,867	\$ -	\$ -	\$ -	\$ 36,507	\$ -	\$ -	\$ -			
Secure Networks	4,798	-	-	4,798	3,494	-	-	3,494	8,292	-	-	8,292	10,979	-	-	10,979	10,631	-	-	10,631	21,610	-	-	21,610			
Total	30,616	-	-	30,616	35,968	-	-	35,968	66,584	-	-	66,584	29,619	-	-	-	29,619	28,498	-	-	28,498	58,117	-	-	58,117		
Gross Profit	11,060	169	-	11,229	11,298	139	-	11,437	22,358	308	-	22,666	8,626	176	-	-	8,802	7,265	162	-	7,427	15,891	338	-	16,229		
Security Solutions	1,122	21	-	1,143	634	10	-	644	1,756	31	-	1,787	2,335	81	-	-	2,416	2,442	66	-	2,508	4,777	147	-	4,924		
Total	12,182	190	-	12,372	11,932	149	-	12,081	24,114	339	-	24,453	10,961	257	-	-	11,218	9,707	228	-	9,935	20,668	485	-	21,153		
Gross Margin	42.8%	0.7%	0.0%	43.5%	34.8%	0.4%	0.0%	35.2%	38.4%	0.5%	0.0%	38.9%	46.3%	0.9%	0.0%	0.0%	47.2%	40.7%	0.9%	0.0%	41.6%	43.5%	0.9%	0.0%	44.5%		
Security Solutions	23.4%	0.4%	0.0%	23.8%	18.1%	0.3%	0.0%	18.4%	21.2%	0.4%	0.0%	21.6%	21.3%	0.7%	0.0%	0.0%	22.0%	23.0%	0.6%	0.0%	23.6%	22.1%	0.7%	0.0%	22.8%		
Total	39.8%	0.6%	0.0%	40.4%	33.2%	0.4%	0.0%	33.6%	36.2%	0.5%	0.0%	36.7%	37.0%	0.9%	0.0%	0.0%	37.9%	34.1%	0.8%	0.0%	34.9%	35.6%	0.8%	0.0%	36.4%		
Operating Expenses	1,571	40	-	1,531	1,512	244	-	1,268	3,083	284	-	2,799	3,170	428	-	-	2,742	1,459	(877)	-	2,336	4,629	(449)	-	5,078		
Research and Development	19,633	6,818	-	12,815	20,303	7,364	-	12,939	39,936	14,182	-	25,754	16,229	2,299	-	(10)	13,940	16,892	2,868	-	14,024	33,121	5,167	-	(10)	27,964	
Total	21,204	6,858	-	14,346	21,815	7,608	-	14,207	43,019	14,466	-	28,553	19,399	2,727	-	(10)	16,682	18,351	1,991	-	16,360	37,750	4,718	-	(10)	33,042	
EBIT / Operating (Loss)/Income	(9,022)	7,048	-	(1,974)	(9,883)	7,757	-	(2,126)	(18,905)	14,805	-	(4,100)	(8,438)	2,984	-	(10)	(5,464)	(8,644)	2,219	-	(6,425)	(17,082)	5,203	-	(10)	(11,889)	
Interest Expense	(147)	-	-	(147)	(141)	-	-	(141)	(288)	-	-	(288)	(175)	-	-	-	(175)	(160)	-	-	(160)	(335)	-	-	(335)		
Other Income	561	-	-	(561)	553	-	-	(553)	1,114	-	-	(1,114)	(1,252)	-	-	-	(1,252)	(1,064)	-	-	(1,064)	(2,316)	-	-	(2,316)		
Earnings Before Taxes (EBT)	(8,608)	7,048	-	(2,121)	(9,471)	7,757	-	(2,267)	(18,079)	14,805	-	(1,114)	(4,388)	(7,361)	2,984	(1,252)	(10)	(5,639)	(7,740)	2,219	-	(6,585)	(15,101)	5,203	-	(10)	(12,224)
Benefit from (Provision for) Income Taxes	4	-	-	4	(46)	-	-	(46)	(42)	-	-	(42)	(17)	-	-	(17)	(17)	-	-	(17)	(34)	-	-	(34)			
Net (Loss)/Income	\$ (8,604)	\$ 7,048	\$ (561)	\$ (2,117)	\$ (9,517)	\$ 7,757	\$ (553)	\$ (2,313)	\$ (18,211)	\$ 14,805	\$ (1,114)	\$ (4,430)	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (15,135)	\$ 5,203	\$ (2,316)	\$ (10)	\$ (12,258)	
Weighted Average Share Count	72,715	72,715	72,715	72,715	73,163	73,163	73,163	73,163	72,940	72,940	72,940	72,940	70,628	70,628	70,628	70,628	70,628	72,017	72,017	72,017	72,017	71,323	71,323	71,323	71,323		
EPS	\$ (0.12)	\$ 0.10	\$ (0.01)	\$ (0.03)	\$ (0.13)	\$ 0.11	\$ (0.01)	\$ (0.03)	\$ (0.25)	\$ 0.20	\$ (0.02)	\$ (0.06)	\$ (0.10)	\$ 0.04	\$ (0.02)	\$ -	\$ (0.08)	\$ (0.11)	\$ 0.03	\$ (0.01)	\$ (0.09)	\$ (0.21)	\$ 0.07	\$ (0.03)	\$ -	\$ (0.17)	
Net (Loss)/Income	\$ (8,604)	\$ 7,048	\$ (561)	\$ (2,117)	\$ (9,517)	\$ 7,757	\$ (553)	\$ (2,313)	\$ (18,121)	\$ 14,805	\$ (1,114)	\$ (4,430)	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (15,135)	\$ 5,203	\$ (2,316)	\$ (10)	\$ (12,258)	
Other Income	(561)	-	-	(561)	(553)	-	-	(553)	141	-	-	141	288	-	-	-	1,114	(1,252)	-	-	1,064	-	-	-	-		
Interest Expense	147	-	-	147	141	-	-	141	288	-	-	288	175	-	-	-	175	160	-	-	160	335	-	-	335		
(Benefit from) Provision for Income Taxes	(4)	-	-	(4)	46	-	-	46	42	-	-	42	17	-	-	-	17	17	-	-	17	34	-	-	34		
Depreciation & Amortization	2,336	-	-	2,336	2,509	-	-	2,509	4,845	-	-	4,845	3,129	-	-	-	3,129	3,491	-	-	3,491	6,620	-	-	6,620		
EBITDA	\$ (6,686)	\$ 7,048	\$ -	\$ 362	\$ (7,374)	\$ 7,757	\$ -	\$ 383	\$ (14,660)	\$ 14,805	\$ -	\$ 745	\$ (5,309)	\$ 2,984	\$ -	\$ (10)	\$ (2,335)	\$ (5,153)	\$ 2,219	\$ -	\$ (2,934)	\$ (10,462)	\$ 5,203	\$ -	\$ (10)	\$ (5,269)	
Net cash provided by (used) in operating activities	\$ 6,106	-	-	\$ (2,214)	\$ 6,950	-	-	\$ (2,187)	\$ 13,056	-	-	\$ (4,401)	\$ (350)	-	-	-	\$ (3,202)	\$ (3,113)	-	-	\$ (3,113)	\$ (8,340)	-	-	\$ (6,315)		
Capitalized Software Development Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Purchase of Property and Equipment	(123)	-	-	(134)	\$ 4,629	-	-	\$ 4,649	\$ 8,398	-	-	\$ 257	\$ (97)	-	-	-	\$ (235)	\$ (325)	-	-	\$ (325)	\$ (14,987)	-	-	\$ (14,987)		
Free Cash Flow	\$ 3,769	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

2024 RESULTS

GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

		2024																Twelve Months Ended December 31, 2024				
		Three Months Ended March 31, 2024					Three Months Ended June 30, 2024					Three Months Ended September 30, 2024					Three Months Ended December 31, 2024					
		GAAP	SBC	Other Inc	Restructure	Adjusted	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Impairment	Restructure	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted	
Revenue																						
Security Solutions	\$ 18,640	\$ -	\$ -	\$ -	\$ -	\$ 18,640	\$ 17,867	\$ -	\$ -	\$ 17,867	\$ 18,332	\$ -	\$ -	\$ -	\$ 18,332	\$ 21,921	\$ -	\$ -	\$ -	\$ 21,921	\$ 76,760	
Secure Networks	10,979	-	-	-	-	10,979	10,631	-	-	10,631	5,451	-	-	-	5,451	4,451	-	-	-	4,451	31,512	
Total	29,619	-	-	-	-	29,619	28,498	-	-	28,498	23,783	-	-	-	23,783	26,372	-	-	-	26,372	108,272	
Gross Profit																						
Security Solutions	8,626	176	-	-	-	8,802	7,265	162	-	7,427	2,310	117	-	5,333	272	8,032	9,478	212	(21)	9,669	27,679	
Secure Networks	2,335	81	-	-	-	2,416	2,442	66	-	2,508	833	(2)	-	-	121	952	1,140	16	(31)	1,125	6,750	
Total	10,961	257	-	-	-	11,218	9,707	228	-	9,935	3,143	115	-	5,333	393	8,984	10,618	228	-	(52)	10,794	34,429
Gross Margin																						
Security Solutions	46.3%	0.9%	0.0%	0.0%	47.2%	40.7%	0.9%	0.0%	41.6%	12.6%	0.6%	0.0%	29.1%	1.5%	43.8%	43.2%	1.0%	0.0%	-0.1%	44.1%	36.1%	
Secure Networks	21.3%	0.7%	0.0%	0.0%	22.0%	23.0%	0.6%	0.0%	23.6%	15.3%	0.0%	0.0%	0.0%	0.0%	17.5%	25.6%	0.4%	0.0%	-0.7%	25.3%	21.4%	
Total	37.0%	0.9%	0.0%	0.0%	37.9%	34.1%	0.8%	0.0%	34.9%	13.2%	0.5%	0.0%	22.4%	1.7%	37.8%	40.3%	0.9%	0.0%	-0.2%	40.9%	31.8%	
Operating Expenses																						
Research and Development	3,170	428	-	-	2,742	1,459	(877)	-	2,336	2,409	188	-	-	164	2,057	1,404	140	-	(26)	1,290	8,442	
Selling, General and Administrative	16,229	2,299	-	(10)	13,940	16,892	2,868	-	14,024	23,225	8,511	-	-	890	13,824	19,141	7,026	-	(89)	12,204	75,487	
Impairment loss on intangible assets	-	-	-	-	-	-	-	-	6,373	-	-	-	-	6,373	-	-	-	-	-	6,373	-	
Total	19,399	2,727	-	(10)	16,682	18,351	1,991	-	16,360	32,007	8,699	-	6,373	1,054	15,881	20,545	7,166	-	(115)	13,494	90,302	
EBIT / Operating (Loss)/Income																						
Interest Expense	(8,438)	2,984	-	(10)	(5,464)	(8,644)	2,219	-	(6,425)	(28,864)	8,814	-	11,706	1,447	(6,897)	(9,927)	7,394	-	(167)	(2,700)	(55,873)	
Other Income	(175)	-	-	-	(175)	(160)	-	-	(160)	(157)	-	-	-	(157)	(152)	-	-	-	(152)	(644)	-	
Earnings Before Taxes (EBT)	1,252	-	(1,252)	-	(10)	(5,639)	(7,740)	2,219	(1,064)	(6,585)	(28,038)	8,814	(983)	11,706	1,447	(7,054)	(9,355)	7,394	(724)	(167)	(2,852)	(52,494)
Benefit from (Provision for) Income Taxes	(17)	-	-	-	(17)	(17)	-	-	(17)	(17)	-	-	-	(17)	25	-	-	-	25	(26)	(26)	
Net (Loss)/Income	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (28,055)	\$ 8,814	\$ (983)	\$ 11,706	\$ 1,447	\$ (7,071)	\$ (9,330)	\$ 7,394	\$ (724)	\$ (167)	\$ (2,827)	\$ (52,520)	\$ 21,411
Weighted Average Share Count																						
EPS	\$ 0.10	\$ 0.04	\$ (0.02)	\$ -	\$ (0.08)	\$ (0.11)	\$ 0.03	\$ (0.01)	\$ (0.09)	\$ (0.39)	\$ 0.12	\$ (0.01)	\$ 0.16	\$ 0.02	\$ (0.10)	\$ (0.13)	\$ 0.10	\$ (0.01)	\$ -	\$ (0.04)	\$ (0.73)	\$ 0.30
Net (Loss)/Income	\$ (7,378)	\$ 2,984	\$ (1,252)	\$ (10)	\$ (5,656)	\$ (7,757)	\$ 2,219	\$ (1,064)	\$ (6,602)	\$ (28,055)	\$ 8,814	\$ (983)	\$ 11,706	\$ 1,447	\$ (7,071)	\$ (9,330)	\$ 7,394	\$ (724)	\$ (167)	\$ (2,827)	\$ (52,520)	\$ 21,411
Other Income	(1,252)	-	1,252	-	-	(1,064)	-	1,064	-	(983)	-	983	-	-	(724)	-	-	724	-	(4,023)	-	4,023
Interest Expense	175	-	-	-	-	175	160	-	-	160	157	-	-	-	157	152	-	-	-	152	644	-
(Benefit from) Provision for Income Taxes	17	-	-	-	-	17	17	-	-	17	17	-	-	-	17	(25)	-	-	-	(25)	26	-
Depreciation & Amortization	3,129	-	-	-	-	3,129	3,491	-	-	3,491	2,748	-	-	-	2,748	2,499	-	-	-	2,499	11,867	-
EBITDA	\$ (5,309)	\$ 2,984	\$ -	\$ (10)	\$ (2,335)	\$ (5,153)	\$ 2,219	\$ -	\$ (2,934)	\$ (26,116)	\$ 8,814	\$ -	\$ 11,706	\$ 1,447	\$ (4,149)	\$ (7,428)	\$ 7,394	\$ -	\$ (167)	\$ (201)	\$ (44,006)	\$ 21,411
Net cash used in operating activities	\$ (350)	-	-	-	-	\$ (7,990)	-	-	-	\$ (7,080)	-	-	-	-	\$ (10,518)	-	-	-	-	\$ (25,938)	-	
Capitalized Software Development Costs	(3,202)	-	-	-	-	(3,113)	-	-	-	(2,789)	-	-	-	-	(2,401)	-	-	-	-	(11,505)	-	
Purchase of Property and Equipment	(97)	-	-	-	-	(235)	-	-	-	(49)	-	-	-	-	(1,871)	-	-	-	-	(2,252)	-	
Free Cash Flow	\$ (3,649)	-	-	-	-	\$ (11,338)	-	-	-	\$ (9,918)	-	-	-	-	\$ (14,790)	-	-	-	-	\$ (39,695)	-	

2025 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN 1H RESULTS

(Amounts in thousands, unaudited)

	2025			2024		
	Three Months Ended		Three Months Ended	Six Months Ended		Six Months Ended
	March 31, 2025	June 30, 2025	June 30, 2025	March 31, 2024	June 30, 2024	June 30, 2024
Revenue						
Security Solutions	\$ 25,818	\$ 32,474	\$ 58,292	\$ 18,640	\$ 17,867	\$ 36,507
Secure Networks	4,798	3,494	8,292	10,979	10,631	21,610
Total	\$ 30,616	\$ 35,968	\$ 66,584	\$ 29,619	\$ 28,498	\$ 58,117
GAAP Gross Profit						
Security Solutions	\$ 11,060	\$ 11,298	\$ 22,358	\$ 8,626	\$ 7,265	\$ 15,891
Secure Networks	1,122	634	1,756	2,335	2,442	4,777
Total	\$ 12,182	\$ 11,932	\$ 24,114	\$ 10,961	\$ 9,707	\$ 20,668
GAAP Gross Margin						
Security Solutions	42.8%	34.8%	38.4%	46.3%	40.7%	43.5%
Secure Networks	23.4%	18.1%	21.2%	21.3%	23.0%	22.1%
Total	39.8%	33.2%	36.2%	37.0%	34.1%	35.6%
Stock Based Compensation - Cost of Sales						
Security Solutions	\$ 169	\$ 139	\$ 308	\$ 176	\$ 162	\$ 338
Secure Networks	21	10	31	81	66	147
Total	\$ 190	\$ 149	\$ 339	\$ 257	\$ 228	\$ 485
Adjusted Gross Profit						
Security Solutions	\$ 11,229	\$ 11,437	\$ 22,666	\$ 8,802	\$ 7,427	\$ 16,229
Secure Networks	1,143	644	1,787	2,416	2,508	4,924
Total	\$ 12,372	\$ 12,081	\$ 24,453	\$ 11,218	\$ 9,935	\$ 21,153
Adjusted Gross Margin						
Security Solutions	43.5%	35.2%	38.9%	47.2%	41.6%	44.5%
Secure Networks	23.8%	18.4%	21.6%	22.0%	23.6%	22.8%
Total	40.4%	33.6%	36.7%	37.9%	34.9%	36.4%
Depreciation & Amortization - Cost of Sales						
Security Solutions	\$ 1,501	\$ 1,714	\$ 3,215	\$ 1,275	\$ 2,037	\$ 3,312
Secure Networks	2	1	3	3	2	5
Total	\$ 1,503	\$ 1,715	\$ 3,218	\$ 1,278	\$ 2,039	\$ 3,317
Cash Gross Profit						
Security Solutions	\$ 12,730	\$ 13,151	\$ 25,881	\$ 10,077	\$ 9,464	\$ 19,541
Secure Networks	1,145	645	1,790	2,419	2,510	4,929
Total	\$ 13,875	\$ 13,796	\$ 27,671	\$ 12,496	\$ 11,974	\$ 24,470
Cash Gross Margin						
Security Solutions	49.3%	40.5%	44.4%	54.1%	53.0%	53.5%
Secure Networks	23.9%	18.5%	21.6%	22.0%	23.6%	22.8%
Total	45.3%	38.4%	41.6%	42.2%	42.0%	42.1%

2024 RESULTS

CASH GROSS PROFIT & CASH GROSS MARGIN FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	2024						
	Three Months Ended				Twelve Months Ended		
	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024			
Revenue							
Security Solutions	\$ 18,640	\$ 17,867	\$ 18,332	\$ 21,921	\$ 76,760		
Secure Networks	10,979	10,631	5,451	4,451	31,512		
Total	\$ 29,619	\$ 28,498	\$ 23,783	\$ 26,372	\$ 108,272		
GAAP Gross Profit							
Security Solutions	\$ 8,626	\$ 7,265	\$ 2,310	\$ 9,478	\$ 27,679		
Secure Networks	2,335	2,442	833	1,140	6,750		
Total	\$ 10,961	\$ 9,707	\$ 3,143	\$ 10,618	\$ 34,429		
GAAP Gross Margin							
Security Solutions	46.3%	40.7%	12.6%	43.2%	36.1%		
Secure Networks	21.3%	23.0%	15.3%	25.6%	21.4%		
Total	37.0%	34.1%	13.2%	40.3%	31.8%		
Stock Based Compensation - Cost of Sales							
Security Solutions	\$ 176	\$ 162	\$ 117	\$ 212	\$ 667		
Secure Networks	81	66	(2)	16	161		
Total	\$ 257	\$ 228	\$ 115	\$ 228	\$ 828		
Impairment - Cost of Sales							
Security Solutions	\$ -	\$ -	\$ 5,333	\$ -	\$ 5,333		
Secure Networks	-	-	-	-	-		
Total	\$ -	\$ -	\$ 5,333	\$ -	\$ 5,333		
Restructuring Costs - Cost of Sales							
Security Solutions	\$ -	\$ -	\$ 272	\$ (21)	\$ 251		
Secure Networks	-	-	121	(31)	90		
Total	\$ -	\$ -	\$ 393	\$ (52)	\$ 341		
Adjusted Gross Profit							
Security Solutions	\$ 8,802	\$ 7,427	\$ 8,032	\$ 9,669	\$ 33,930		
Secure Networks	2,416	2,508	952	1,125	7,001		
Total	\$ 11,218	\$ 9,935	\$ 8,984	\$ 10,794	\$ 40,931		
Adjusted Gross Margin							
Security Solutions	47.2%	41.6%	43.8%	44.1%	44.2%		
Secure Networks	22.0%	23.6%	17.5%	25.3%	22.2%		
Total	37.9%	34.9%	37.8%	40.9%	37.8%		
Depreciation & Amortization - Cost of Sales							
Security Solutions	\$ 1,275	\$ 2,037	\$ 1,488	\$ 1,596	\$ 6,396		
Secure Networks	3	2	2	1	8		
Total	\$ 1,278	\$ 2,039	\$ 1,490	\$ 1,597	\$ 6,404		
Cash Gross Profit							
Security Solutions	\$ 10,077	\$ 9,464	\$ 9,520	\$ 11,265	\$ 40,326		
Secure Networks	2,419	2,510	954	1,126	7,009		
Total	\$ 12,496	\$ 11,974	\$ 10,474	\$ 12,391	\$ 47,335		
Cash Gross Margin							
Security Solutions	54.1%	53.0%	51.9%	51.4%	52.5%		
Secure Networks	22.0%	23.6%	17.5%	25.3%	22.2%		
Total	42.2%	42.0%	44.0%	47.0%	43.7%		

RECONCILIATIONS

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

(Amounts in thousands, unaudited)

	For the Three Months Ended						For the Six Months Ended					
	June 30, 2025		June 30, 2024		Year-over-Year Change		June 30, 2025		June 30, 2024		Year-over-Year Change	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Net loss	\$ (9,517)	(26.5)%	\$ (7,757)	(27.2 %)	\$ (1,760)	(23.6 %)	\$ (18,121)	(27.2 %)	\$ (15,135)	(26.0 %)	\$ (2,986)	(35.3 %)
Other income	(553)	(1.5)%	(1,064)	(3.7 %)	511	6.8 %	(1,114)	(1.7 %)	(2,316)	(4.0 %)	1,202	14.2 %
Interest expense	141	0.4%	160	0.5 %	(19)	(0.3 %)	288	0.4 %	335	0.5 %	(47)	(0.6 %)
Provision for income taxes	46	0.1%	17	0.1 %	29	0.4 %	42	0.1 %	34	0.1 %	8	0.1 %
Depreciation and amortization	2,509	7.0%	3,491	12.2 %	(982)	(13.1 %)	4,845	7.3 %	6,620	11.4 %	(1,775)	(21.0 %)
EBITDA (Non-GAAP)	(7,374)	(20.5)%	(5,153)	(18.1 %)	(2,221)	(29.7 %)	(14,060)	(21.1 %)	(10,462)	(18.0 %)	(3,598)	(42.5 %)
Stock-based compensation expense ⁽¹⁾	7,757	21.6%	2,219	7.8 %	5,538	74.1 %	14,805	22.2 %	5,203	8.9 %	9,602	113.4 %
Restructuring (adjustments) expenses ⁽²⁾	—	—%	—	— %	—	— %	—	— %	(10)	— %	10	0.1 %
Adjusted EBITDA (Non-GAAP)	\$ 383	1.1%	\$ (2,934)	(10.3 %)	\$ 3,317	44.4 %	\$ 745	1.1 %	\$ (5,269)	(9.1 %)	\$ 6,014	71.0 %
Total revenues	\$ 35,968		\$ 28,498		\$ 7,470		\$ 66,584		\$ 58,117		\$ 8,467	

⁽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 \$6.8 million and \$12.3 million for the three and six months ended June 30, 2025, respectively, and \$2.4 million and \$4.1 million, for the three and six months ended June 30, 2024, respectively. Stock-based compensation (adjustments) expense from other sources was \$1.0 million and \$2.5 million for the three and six months ended June 30, 2025, respectively, and \$0.2 million and \$1.1 million for the three and six months ended June 30, 2024, 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash up until the date at which it is 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, 2025		June 30, 2024		June 30, 2025		June 30, 2024	
	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	\$ (9,517)	\$ (0.13)	\$ (7,757)	\$ (0.11)	\$ (18,121)	\$ (0.25)	\$ (15,135)	\$ (0.21)
Adjustments:								
Other income	(553)	(0.01)	(1,064)	(0.01)	(1,114)	(0.01)	(2,316)	(0.03)
Stock-based compensation expense ⁽¹⁾	7,757	0.11	2,219	0.03	14,805	0.20	5,203	0.07
Restructuring (adjustments) expenses ⁽²⁾	—	—	—	—	\$ —	—	\$ (10)	—
Adjusted net loss (Non-GAAP)	<u>\$ (2,313)</u>	<u>\$ (0.03)</u>	<u>\$ (6,602)</u>	<u>\$ (0.09)</u>	<u>\$ (4,430)</u>	<u>\$ (0.06)</u>	<u>\$ (12,258)</u>	<u>\$ (0.17)</u>
Weighted-average shares of common stock outstanding, basic	<u>73,163</u>		<u>72,017</u>		<u>72,940</u>		<u>71,323</u>	

⁽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 \$6.8 million and \$12.3 million for the three and six months ended June 30, 2025, respectively, and \$2.4 million and \$4.1 million for the three and six months ended June 30, 2024, respectively. Stock-based compensation (adjustments) expense from other sources was \$1.0 million and \$2.5 million for the three and six months ended June 30, 2025, respectively and \$(0.2) million and \$1.1 million for the three and six months ended June 30, 2024, 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, the Company has the discretion to determine whether this compensation will ultimately be paid in stock or cash up until the date at which it is 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

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

(Amounts in thousands, unaudited)

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2025		June 30, 2024		June 30, 2025		June 30, 2024	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
Gross profit	\$ 11,932	33.2 %	\$ 9,707	34.1 %	\$ 24,114	36.2 %	\$ 20,668	35.6 %
Adjustments:								
Stock-based compensation expense — cost of sales	149	0.4 %	228	0.8 %	339	0.5 %	485	0.8 %
Adjusted gross profit (Non-GAAP)	12,081	33.6 %	9,935	34.9 %	24,453	36.7 %	21,153	36.4 %
Depreciation and amortization — cost of sales	1,715	4.8 %	2,039	7.1 %	3,218	4.9 %	3,317	5.7 %
Cash gross profit (Non-GAAP)	<u>\$ 13,796</u>	<u>38.4 %</u>	<u>\$ 11,974</u>	<u>42.0 %</u>	<u>\$ 27,671</u>	<u>41.6 %</u>	<u>\$ 24,470</u>	<u>42.1 %</u>

RECONCILIATIONS

FREE CASH FLOW AND FREE CASH FLOW MARGIN

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net cash provided by (used in) operating activities	\$ 6,950	\$ (7,990)	\$ 13,056	\$ (8,340)
Adjustments:				
Capitalized software development costs	(2,187)	(3,113)	(4,401)	(6,315)
Purchases of property and equipment	(134)	(235)	(257)	(332)
Free cash flow (Non-GAAP)	<u>\$ 4,629</u>	<u>\$ (11,338)</u>	<u>\$ 8,398</u>	<u>\$ (14,987)</u>
<i>Revenue</i>	\$ 35,968	\$ 28,498	\$ 66,584	\$ 58,117
<i>Operating cash flow margin</i>	19.3 %	(28.0 %)	19.6 %	(14.4 %)
<i>Free cash flow margin (Non-GAAP)</i>	12.9 %	(39.8 %)	12.6 %	(25.8 %)

RECONCILIATIONS

ADJUSTED OPERATING EXPENSES AND CASH OPERATING EXPENSES

(Amounts in thousands, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating expenses	\$ 21,815	\$ 18,351	\$ 43,019	\$ 37,750
Adjustments:				
Stock-based compensation expense		(7,608)	(1,991)	(14,466) (4,718)
Restructuring adjustments	—	—	—	10
Adjusted operating expenses (Non-GAAP)	14,207	16,360	28,553	33,042
Depreciation and amortization	(794)	(1,452)	(1,627)	(3,303)
Software R&D capitalized costs	2,149	3,114	4,419	6,140
Cash operating expenses (Non-GAAP)	<u>\$ 15,562</u>	<u>\$ 18,022</u>	<u>\$ 31,345</u>	<u>\$ 35,879</u>



Solutions that **empower**
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