

# First Quarter 2025 Earnings

May 9, 2025

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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 \$30.6M OF REVENUE, 39.8% GAAP GROSS MARGIN, 45.3% CASH GM<sup>1</sup>, AND \$6.1M OF CASH FLOW FROM OPERATIONS

### 1Q 2025 Summary

- Delivered \$30.6M of revenue vs. guidance of \$28.2M to \$30.2M
  - Security Solutions (“SS”) up 18% sequentially (vs. guidance of up HSD % to mid-teens %); Up 39% YoY; Results exceeded guidance partially due to high growth programs
  - Secure Networks (“SN”) up 8% sequentially (vs. guidance of down LSD % to up MSD %); Down 56% YoY; Results exceeded guidance
- Delivered 39.8% GAAP gross margin (“GM”) vs. ~38.5% - 39.2% assumed in guidance
  - Cash gross margin<sup>1</sup> was 45.3% and above the top end assumed in guidance
    - SS results aligned to expectations
    - SN results higher than expected due to program mix
  - Revenue mix was 84% SS and in line with guidance assumptions
- Adjusted operating expenses<sup>1</sup>, excluding depreciation and amortization, approximately \$0.8M better than guidance assumptions primarily due to lower than expected non-labor costs across several areas
- Adjusted EBITDA<sup>1</sup> above top end of guidance range due to higher than expected cash gross profit<sup>1</sup> and lower than forecasted adjusted operating expenses<sup>1</sup> excluding depreciation and amortization
- Cash flow from operations was \$6.1M and free cash flow<sup>1</sup> was \$3.8M

	1Q 2025 Actual	1Q 2025 Guidance / Assumptions
Revenue	\$30.6M	\$28.2M to \$30.2M
Revenue Growth	+3% YoY +16% Sequential	-5% to 2% YoY +7% to +15% Sequential
GAAP Gross Profit	\$12.2M 39.8% GAAP GM 45.3% Cash GM <sup>1</sup>	~38.5% to 39.2% GAAP GM ~44.8% to 45.0% Cash GM <sup>1</sup>
Adjusted EBITDA <sup>1</sup>	\$0.4M	(\$1.8M) to (\$0.8M)
Adjusted EPS <sup>1</sup>	(\$0.03)	

**Exceeded Guidance on Key Financial Metrics; Delivered Positive Adjusted EBITDA and Positive Cash Flow**

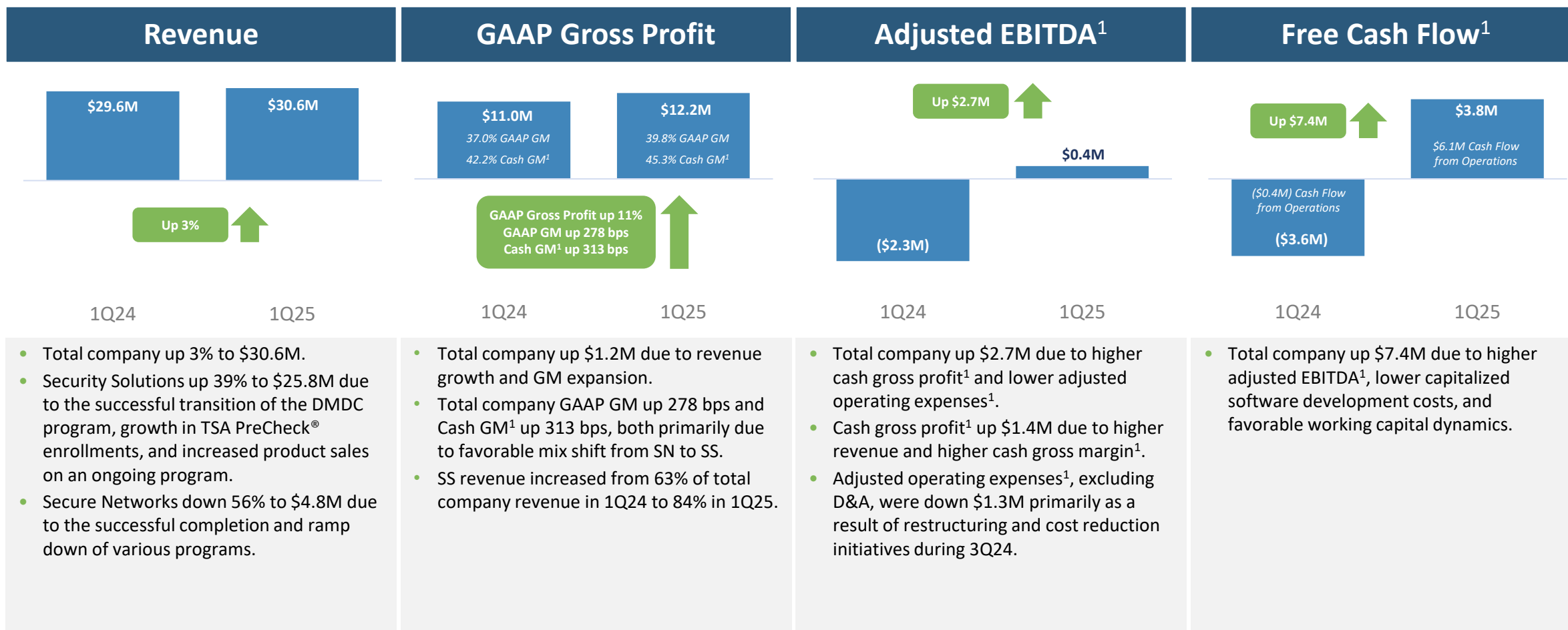


#### Notes:

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

# FINANCIAL PERFORMANCE SUMMARY

## 1Q YEAR-OVER-YEAR COMPARISON



### Year-Over-Year Improvement in Key Financial Metrics



**Notes:**

1. Cash Gross Margin, Cash Gross Profit, Adjusted EBITDA, Adjusted Operating Expenses and Free Cash Flow 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 to 291 locations.
- Locations distributed across key markets in 35 states including AZ, CA, CO, FL, GA, HI, ID, IA, IL, IN, KS, KY, LA, MD, MI, MN, MO, MS, MT, NE, NC, ND, NV, NY, OH, OK, OR, PA, SC, TN, TX, UT, VA, WA, and WV.
- Targeting 500 enrollment locations in 2025.
- Continue to process enrollments and renewals at <https://tsaprecheckbytelos.tsa.dhs.gov/>.



## OTHER UPDATES

- New Xacta® orders include Infor and a U.S. federal government customer, as well as renewals from the U.S. 16<sup>th</sup> Air Force, the Office of Naval Intelligence, a New Zealand government agency, a leading cloud provider, and several other U.S. federal government customers.
- Cyber services new orders include a Fortune 100 company in the technology sector.
- Telos AMHS™ renewals include the U.S. Marine Corps, the Defense Information Systems Agency, and U.S. Special Operations Command.
- Received new contract award in Secure Networks with the U.S. Army.



## 2025 OUTLOOK

# 2Q 2025

	Guidance	
	2Q 2025 Low End	2Q 2025 High End
Revenue	\$32.5M +14% YoY	\$34.5M +21% YoY
Adjusted EBITDA <sup>1</sup>	(\$2.1M)	(\$0.6M)

Assumptions
<ul style="list-style-type: none"> <li>SS revenue assumptions: <ul style="list-style-type: none"> <li>Up low 60% to low 70% YoY <ul style="list-style-type: none"> <li>Primarily driven by the continued ramp of the DMDC program and ongoing growth in TSA PreCheck® enrollments</li> </ul> </li> </ul> </li> <li>SN revenue assumptions: <ul style="list-style-type: none"> <li>Down low 70% to mid 60% YoY due to completion of major programs</li> </ul> </li> <li>GAAP gross margin approximately 32% - 33.5%</li> <li>Cash gross margin<sup>1</sup> approximately 38% - 39.5% <ul style="list-style-type: none"> <li>More favorable revenue mix overall between SS and SN YoY <ul style="list-style-type: none"> <li>SS to contribute approximately 90% of revenue (vs. 62.7% in 2Q 2024)</li> </ul> </li> <li>SS GM down due to significant growth in lower GM programs</li> <li>SN down primarily due to completion of higher GM programs</li> </ul> </li> <li>Cash operating expenses<sup>1</sup> approximately \$1.0M to \$1.3M lower YoY primarily as a result of restructuring and cost reduction initiatives during 3Q24</li> <li>Adjusted EBITDA<sup>1</sup> improves from \$2.9M loss in 2Q24</li> </ul>

Forecasting 14% to 21% Revenue Growth in 2Q; Reaffirming Full Year Outlook

**Notes:**

1. Cash Gross Margin, Cash Operating Expenses 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 Operating Expenses, Cash Gross Margin, and Adjusted EBITDA are not available without unreasonable effort.

# SUMMARY

**Generated 16% Sequential Revenue Growth, Positive Adjusted EBITDA, and Positive Cash Flow in 1Q**

**DMDC Program Continues to Ramp Successfully and Remains a Key Source of Revenue Growth in 2025**

**Expanded Network of TSA PreCheck® Enrollment Centers to 291 Locations**

**Forecasting 14% to 21% Year-Over-Year Revenue Growth in 2Q, Primarily Driven by DMDC and TSA PreCheck® Enrollments**

**Year-Over-Year Growth in Revenue, Adjusted EBITDA, and Cash Flow Expected to Accelerate in the Second Half of 2025**

# 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 Loss, Adjusted Earnings Per Share ("EPS"), Adjusted Gross Profit, Adjusted Gross Margin, Cash Gross Profit, Cash Gross Margin, Cash Operating Expenses, Adjusted Operating Expenses 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, 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 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 the Board of Directors uses this measure 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 2Q ADDITIONAL MODELING ASSUMPTIONS

	2024 Full Year	2024 2Q	2025E 2Q	2025E 2Q Commentary
GAAP Gross Margin	31.8%	34.1%	~32% - 33.5%	<ul style="list-style-type: none"> <li>More favorable revenue mix between SS and SN</li> <li>SS and SN down YoY</li> </ul>
Cash Gross Margin <sup>1</sup>	43.7%	42.0%	~38% - 39.5%	<ul style="list-style-type: none"> <li>More favorable revenue mix between SS and SN</li> <li>SS and SN down YoY</li> </ul>
Stock Based Compensation (SBC)	\$21.4M	\$2.2M	~\$6.5M	<ul style="list-style-type: none"> <li>~\$0.2M in COS in 2Q 2025</li> </ul>
Depreciation & Amortization	\$11.9M	\$3.5M	~\$2.7M	<ul style="list-style-type: none"> <li>~30% is included in adjusted operating expenses in 2Q 2025</li> </ul>
Weighted Average Share Count	71.9M	72.0M	~73.7M	
Tax Rate	(0.1%)	(0.1%)	-	<ul style="list-style-type: none"> <li>Not meaningful</li> </ul>
CAPEX & Capitalized Software	\$13.8M	\$3.3M	~\$2.4M	<ul style="list-style-type: none"> <li>Minimal CAPEX in 2Q 2025</li> </ul>
Cash Operating Expenses <sup>1</sup>	\$68.2M	\$18.0M	~\$16.7M - \$17.0M	<ul style="list-style-type: none"> <li>Down YoY largely as a result of restructuring and cost reduction initiatives during 3Q24</li> </ul>
Adjusted Operating Expenses <sup>1</sup>	\$62.4M	\$16.4M	~\$15.1M - \$15.4M	<ul style="list-style-type: none"> <li>Down YoY due to lower spend as indicated above; Impacts of lower depreciation and amortization and lower capitalization of software development largely offset</li> </ul>

### 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 1Q RESULTS

(Amounts in thousands, unaudited)

	2025				2024				
	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024				
	GAAP	SBC	Other Inc	Adjusted	GAAP	SBC	Other Inc	Restructure	Adjusted
<b>Revenue</b>									
Security Solutions	\$ 25,818	\$ -	\$ -	\$ 25,818	\$ 18,640	\$ -	\$ -	\$ -	\$ 18,640
Secure Networks	4,798	-	-	4,798	10,979	-	-	-	10,979
<b>Total</b>	<b>30,616</b>	<b>-</b>	<b>-</b>	<b>30,616</b>	<b>29,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,619</b>
<b>Gross Profit</b>									
Security Solutions	11,060	169	-	11,229	8,626	176	-	-	8,802
Secure Networks	1,122	21	-	1,143	2,335	81	-	-	2,416
<b>Total</b>	<b>12,182</b>	<b>190</b>	<b>-</b>	<b>12,372</b>	<b>10,961</b>	<b>257</b>	<b>-</b>	<b>-</b>	<b>11,218</b>
<b>Gross Margin</b>									
Security Solutions	42.8%	0.7%	0.0%	43.5%	46.3%	0.9%	0.0%	0.0%	47.2%
Secure Networks	23.4%	0.4%	0.0%	23.8%	21.3%	0.7%	0.0%	0.0%	22.0%
<b>Total</b>	<b>39.8%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>40.4%</b>	<b>37.0%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>37.9%</b>
<b>Operating Expenses</b>									
Research and Development	1,571	40	-	1,531	3,170	428	-	-	2,742
Selling, General and Administrative	19,633	6,818	-	12,815	16,229	2,299	-	(10)	13,940
<b>Total</b>	<b>21,204</b>	<b>6,858</b>	<b>-</b>	<b>14,346</b>	<b>19,399</b>	<b>2,727</b>	<b>-</b>	<b>(10)</b>	<b>16,682</b>
<b>EBIT / Operating (Loss)/Income</b>	<b>(9,022)</b>	<b>7,048</b>	<b>-</b>	<b>(1,974)</b>	<b>(8,438)</b>	<b>2,984</b>	<b>-</b>	<b>(10)</b>	<b>(5,464)</b>
Interest Expense	(147)	-	-	(147)	(175)	-	-	-	(175)
Other Income	561	-	(561)	-	1,252	-	(1,252)	-	-
<b>Earnings Before Taxes (EBT)</b>	<b>(8,608)</b>	<b>7,048</b>	<b>(561)</b>	<b>(2,121)</b>	<b>(7,361)</b>	<b>2,984</b>	<b>(1,252)</b>	<b>(10)</b>	<b>(5,639)</b>
Benefit from (Provision for) Income Taxes	4	-	-	4	(17)	-	-	-	(17)
<b>Net (Loss)/Income</b>	<b>\$ (8,604)</b>	<b>\$ 7,048</b>	<b>\$ (561)</b>	<b>\$ (2,117)</b>	<b>\$ (7,378)</b>	<b>\$ 2,984</b>	<b>\$ (1,252)</b>	<b>\$ (10)</b>	<b>\$ (5,656)</b>
Weighted Average Share Count	72,715	72,715	72,715	72,715	70,628	70,628	70,628	70,628	70,628
<b>EPS</b>	<b>\$ (0.12)</b>	<b>\$ 0.10</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.10)</b>	<b>\$ 0.04</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.08)</b>
<b>Net (Loss)/Income</b>	<b>\$ (8,604)</b>	<b>\$ 7,048</b>	<b>\$ (561)</b>	<b>\$ (2,117)</b>	<b>\$ (7,378)</b>	<b>\$ 2,984</b>	<b>\$ (1,252)</b>	<b>\$ (10)</b>	<b>\$ (5,656)</b>
Other Income	(561)	-	561	-	(1,252)	-	1,252	-	-
Interest Expense	147	-	-	147	175	-	-	-	175
(Benefit from) Provision for Income Taxes	(4)	-	-	(4)	17	-	-	-	17
Depreciation & Amortization	2,336	-	-	2,336	3,129	-	-	-	3,129
<b>EBITDA</b>	<b>\$ (6,686)</b>	<b>\$ 7,048</b>	<b>\$ -</b>	<b>\$ 362</b>	<b>\$ (5,309)</b>	<b>\$ 2,984</b>	<b>\$ -</b>	<b>\$ (10)</b>	<b>\$ (2,335)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,106</b>				<b>\$ (350)</b>				
Capitalized Software Development Costs	(2,214)				(3,202)				
Purchase of Property and Equipment	(123)				(97)				
<b>Free Cash Flow</b>	<b>\$ 3,769</b>				<b>\$ (3,649)</b>				

# 2024 RESULTS

# GAAP AND ADJUSTED FULL YEAR RESULTS

(Amounts in thousands, unaudited)

	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					Twelve 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	GAAP	SBC	Other Inc	Impairment	Restructure	Adjusted
Revenue																										
Security Solutions	\$ 18,640	\$ -	\$ -	\$ -	\$ 18,640	\$ 17,867	\$ -	\$ -	\$ 17,867	\$ 18,332	\$ -	\$ -	\$ -	\$ -	\$ 18,332	\$ 21,921	\$ -	\$ -	\$ -	\$ 21,921	\$ 76,760	\$ -	\$ -	\$ -	\$ -	\$ 76,760
Secure Networks	10,979	-	-	-	10,979	10,631	-	-	10,631	5,451	-	-	-	-	5,451	4,451	-	-	-	4,451	31,512	-	-	-	-	31,512
Total	29,619	-	-	-	29,619	28,498	-	-	28,498	23,783	-	-	-	-	23,783	26,372	-	-	-	26,372	108,272	-	-	-	-	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	667	-	5,333	251	33,930
Secure Networks	2,335	81	-	-	2,416	2,442	66	-	2,508	833	(2)	-	-	121	952	1,140	16	-	(31)	1,125	6,750	161	-	-	90	7,001
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	828	-	5,333	341	40,931
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%	0.9%	0.0%	6.9%	0.3%	44.2%
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%	2.2%	17.5%	25.6%	0.4%	0.0%	-0.7%	25.3%	21.4%	0.5%	0.0%	0.0%	0.3%	22.2%
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%	0.8%	0.0%	4.9%	0.3%	37.8%
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	(121)	-	-	138	8,425
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	20,704	-	-	791	53,992
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	20,583	-	6,373	929	62,417
EBIT / Operating (Loss)/Income	(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)	21,411	-	11,706	1,270	(21,486)
Interest Expense	(175)	-	-	-	(175)	(160)	-	-	(160)	(157)	-	-	-	-	(157)	(152)	-	-	-	(152)	(644)	-	-	-	-	(644)
Other Income	1,252	-	(1,252)	-	-	1,064	-	(1,064)	-	983	-	(983)	-	-	-	724	-	(724)	-	-	4,023	-	(4,023)	-	-	-
Earnings Before Taxes (EBT)	(7,361)	2,984	(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)	21,411	(4,023)	11,706	1,270	(22,130)
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	\$ (4,023)	\$ 11,706	\$ 1,270	\$ (22,156)
Weighted Average Share Count	70,628	70,628	70,628	70,628	70,628	72,017	72,017	72,017	72,017	72,309	72,309	72,309	72,309	72,309	72,309	72,435	72,435	72,435	72,435	72,435	71,850	71,850	71,850	71,850	71,850	71,850
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	\$ (0.06)	\$ 0.16	\$ 0.02	\$ (0.31)
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	\$ (4,023)	\$ 11,706	\$ 1,270	\$ (22,156)
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	-	-	-	-	644
(Benefit from) Provision for Income Taxes	17	-	-	-	17	17	-	-	17	17	-	-	-	-	17	(25)	-	-	-	(25)	26	-	-	-	-	26
Depreciation & Amortization	3,129	-	-	-	3,129	3,491	-	-	3,491	2,748	-	-	-	-	2,748	2,499	-	-	-	2,499	11,867	-	-	-	-	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	\$ -	\$ 11,706	\$ 1,270	\$ (9,619)
Net cash provided by (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 1Q RESULTS

(Amounts in thousands, unaudited)

	2025	2024
	Three Months Ended	Three Months Ended
	March 31, 2025	March 31, 2024
<b>Revenue</b>		
Security Solutions	\$ 25,818	\$ 18,640
Secure Networks	4,798	10,979
<b>Total</b>	<b>\$ 30,616</b>	<b>\$ 29,619</b>
<b>GAAP Gross Profit</b>		
Security Solutions	\$ 11,060	\$ 8,626
Secure Networks	1,122	2,335
<b>Total</b>	<b>\$ 12,182</b>	<b>\$ 10,961</b>
<b>GAAP Gross Margin</b>		
Security Solutions	42.8%	46.3%
Secure Networks	23.4%	21.3%
<b>Total</b>	<b>39.8%</b>	<b>37.0%</b>
<b>Stock Based Compensation - Cost of Sales</b>		
Security Solutions	\$ 169	\$ 176
Secure Networks	21	81
<b>Total</b>	<b>\$ 190</b>	<b>\$ 257</b>
<b>Adjusted Gross Profit</b>		
Security Solutions	\$ 11,229	\$ 8,802
Secure Networks	1,143	2,416
<b>Total</b>	<b>\$ 12,372</b>	<b>\$ 11,218</b>
<b>Adjusted Gross Margin</b>		
Security Solutions	43.5%	47.2%
Secure Networks	23.8%	22.0%
<b>Total</b>	<b>40.4%</b>	<b>37.9%</b>
<b>Depreciation &amp; Amortization - Cost of Sales</b>		
Security Solutions	\$ 1,501	\$ 1,275
Secure Networks	2	3
<b>Total</b>	<b>\$ 1,503</b>	<b>\$ 1,278</b>
<b>Cash Gross Profit</b>		
Security Solutions	\$ 12,730	\$ 10,077
Secure Networks	1,145	2,419
<b>Total</b>	<b>\$ 13,875</b>	<b>\$ 12,496</b>
<b>Cash Gross Margin</b>		
Security Solutions	49.3%	54.1%
Secure Networks	23.9%	22.0%
<b>Total</b>	<b>45.3%</b>	<b>42.2%</b>

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

## RECONCILIATIONS

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

(Amounts in thousands, unaudited)

### Reconciliation of Net Loss to EBITDA and Adjusted EBITDA; Net Loss Margin to EBITDA Margin and Adjusted EBITDA Margin

	For the Three Months Ended			
	March 31, 2025		March 31, 2024	
	Amount	Margin	Amount	Margin
Net loss	\$ (8,604)	(28.1) %	\$ (7,378)	(24.9) %
Other income	(561)	(1.8) %	(1,252)	(4.2) %
Interest expense	147	0.5 %	175	0.5 %
(Benefit from) provision for income taxes	(4)	— %	17	0.1 %
Depreciation and amortization	2,336	7.6 %	3,129	10.6 %
EBITDA (Non-GAAP)	(6,686)	(21.8) %	(5,309)	(17.9) %
Stock-based compensation expense <sup>(1)</sup>	7,048	23.0 %	2,984	10.0 %
Restructuring adjustments <sup>(2)</sup>	—	— %	(10)	— %
Adjusted EBITDA (Non-GAAP)	\$ 362	1.2 %	\$ (2,335)	(7.9) %

<sup>(1)</sup> The stock-based compensation expense to EBITDA as of March 31, 2025, and 2024 is made up of \$5.5 million and \$1.6 million, respectively, of stock-based compensation expense for the awarded RSUs, PSUs, and stock options, and \$1.5 million and \$1.3 million, respectively, of other sources of stock-based compensation expense. 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 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 (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)

### Reconciliation of Net Loss to Adjusted Net Loss; EPS to Adjusted EPS

	For the Three Months Ended			
	March 31, 2025		March 31, 2024	
	Adjusted Net Loss	Adjusted Earnings Per Share	Adjusted Net Loss	Adjusted Earnings Per Share
Net loss	\$ (8,604)	\$ (0.12)	\$ (7,378)	\$ (0.10)
Adjustments:				
Other income	(561)	(0.01)	(1,252)	(0.02)
Stock-based compensation expense <sup>(1)</sup>	7,048	0.10	2,984	0.04
Restructuring adjustments <sup>(2)</sup>	—	—	(10)	—
Adjusted net loss (Non-GAAP measure)	\$ (2,117)	\$ (0.03)	\$ (5,656)	\$ (0.08)
Weighted-average shares of common stock outstanding, basic	72,715		70,628	

<sup>(1)</sup> The stock-based compensation expense to net loss as of March 31, 2025, and 2024 is made up of \$5.5 million and \$1.6 million, respectively, of stock-based compensation expense for the awarded RSUs, PSUs and stock options, and \$1.5 million and \$1.3 million, respectively, of other sources of stock-based compensation expense. 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 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 (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)

### Reconciliation of Gross Profit to Adjusted Gross Profit and Cash Gross Profit; Gross Margin to Adjusted Gross Margin and Cash Gross Margin

	For the Three Months Ended			
	March 31, 2025		March 31, 2024	
	Amount	Margin	Amount	Margin
Gross profit	\$ 12,182	39.8%	\$ 10,961	37.0%
Adjustments:				
Stock-based compensation expense — cost of sales	190	0.6%	257	0.9%
Adjusted gross profit (Non-GAAP)	12,372	40.4%	11,218	37.9%
Depreciation and amortization — cost of sales	1,503	4.9%	1,278	4.3%
Cash gross profit (Non-GAAP)	\$ 13,875	45.3%	\$ 12,496	42.2%

# RECONCILIATIONS

## FREE CASH FLOW

(Amounts in thousands, unaudited)

### Reconciliation of Net Cash Provided by (Used in) Operating Activities to Free Cash Flow

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Net cash provided by (used in) operating activities	\$ 6,106	\$ (350)
Adjustments:		
Capitalized software development costs	(2,214)	(3,202)
Purchases of property and equipment	(123)	(97)
Free cash flow (Non-GAAP)	<u>\$ 3,769</u>	<u>\$ (3,649)</u>

## RECONCILIATIONS

# ADJUSTED OPERATING EXPENSES AND CASH OPERATING EXPENSES

(Amounts in thousands, unaudited)

### Reconciliation of Operating Expenses to Adjusted Operating Expenses and Cash Operating Expenses

	For the Three Months Ended	
	March 31, 2025	March 31, 2024
Operating expenses	\$ 21,204	\$ 19,399
Adjustments:		
Stock-based compensation expense	(6,858)	(2,727)
Restructuring adjustments	—	10
Adjusted operating expenses (Non-GAAP)	14,346	16,682
Depreciation and amortization	(833)	(1,851)
Software R&D capitalized costs	2,270	3,026
Cash operating expenses (Non-GAAP)	\$ 15,783	\$ 17,857



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