

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

April 7, 2021

Date of Report (date of earliest event reported):

TELOS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

001-08443
(Commission
File Number)

52-0880974
(IRS Employer
Identification No.)

19886 Ashburn Road, Ashburn, Virginia
(Address of principle executive offices)

20147-2358
(Zip Code)

(703) 724-3800

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common stock, \$0.001 par value per share

Trading symbol
TLS

Name of each exchange on which registered
The Nasdaq Stock Market LLC

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01. Regulation FD Disclosure

On April 7, 2021, Telos Corporation posted the Telos Investor Presentation to its website at <https://investors.telos.com/>. A copy of that presentation is furnished as part of this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Telos Investor Presentation, dated April 2021

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 7, 2021

TELOS CORPORATION

By: /s/ Michele Nakazawa
Michele Nakazawa
Chief Financial Officer



Investor Presentation

April 2021





Disclaimer

The information contained in this presentation does not constitute or form part of, and should not be construed as, any offer or 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 automatically effective registration statement with the Securities and Exchange Commission (the "SEC") and related prospectus. Before you invest, you should read the registration statement, and in particular the "Risk Factors" contained or incorporated by reference therein for more complete information about the Company and the proposed offering. Once it is filed, you may obtain the registration statement for free by visiting EDGAR on the SEC website at 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 and in the registration statement that the Company will or has filed with the SEC for the offering to which this presentation relates. Moreover, the Company operates in a very competitive and rapidly changing environment, the 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 estimates. 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 an endorsement of such products or services.

This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as 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 measure to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. 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 metrics.





Senior Management Team



John Wood

(President, CEO, and Chairman)

- Joined Telos as EVP and COO in 1992; named President and CEO in 1994
- Formerly worked in finance for Dean Witter Reynolds, and UBS Securities



Michele Nakazawa

(EVP and CFO)

- Joined Company in 2004 as VP and Controller; named CFO in 2005
- Former experience includes senior financial leadership roles with Ubizen, National Security Analysts, and Federal Systems Division of IBM



Edward Williams

(EVP and COO)

- Joined Company in 1992 as SVP responsible for finance, pricing, purchasing, and Defense Contract Audit Agency compliance; named COO in 2000; also served as CFO 2003-2005
- Formerly served as CFO at US Government contractors Centel Federal Systems and M/A.com Information Systems



Richard Tracy

(SVP, CSO, and CTO)

- Joined Company in 1986; appointed SVP and Chief Security Officer in 2005
- Co-invented Xacta in 2000 and principal inventor named on five issued-patents involving security risk and compliance management



Update and Highlights

- **4Q 2020 and FY 2020 Earnings**
 - 4Q 2020 – Revenue of \$44.9MM; AEBITDA (loss) of (\$2.6MM)
 - FY 2020 – Revenue of \$179.9MM; AEBITDA of \$11.4MM¹
- **FBI** — \$13.5MM contract for Xacta
- **PHL** — Background check renewal for Telos ID
- **SSA** — Option renewal for Xacta
- **Omnilert** — Telos Ghost
- **Johnson Controls** — Partnership with Telos Ghost
- **Zscaler** — Xacta selected for FedRAMP and DoD authorizations
- **Investments in Sales and Marketing** — Troy Bertram among 25+ new hires
- **\$75MM of New Awards in 1Q 2021**
- **First Quarter 2021 Guidance**
 - Revenue in the range of \$49 million to \$52 million, an improvement of 9%-16% compared to 4Q 2020
 - AEBITDA (loss) in the range of (\$1.7) million to (\$1.9) million
- **Full Year 2021 Guidance**
 - Revenue in the range of \$283 million to \$295 million, an improvement of 57%-64% compared to 2020
 - AEBITDA in the range of \$33 million to \$36 million, an improvement of 190%-216% compared to 2020



1) Adjusted EBITDA is a non-GAAP figure. For reconciliation, see slide 30.



Premier Provider of Software-based Solutions for the World's Most Security Conscious Customers

Telos Security Solutions consistently deliver more efficient, more effective, and more secure operating environments

- Endorsed by marquee intelligence community customers with growing commercial market penetration

Large and fast growing total addressable market (TAM) – \$80B+¹

- Driven by ongoing cloud adoption and growing security needs in both government and commercial channels

Clear visibility into rapidly accelerating, 85%+ recurring revenue growth

- Growth inflection fueled by key long-term contract wins for Telos' identity management and cyber misattribution solutions

Improving revenue mix and operating leverage to drive significant margin expansion

- Scalable platform delivers strong free cash flow conversion

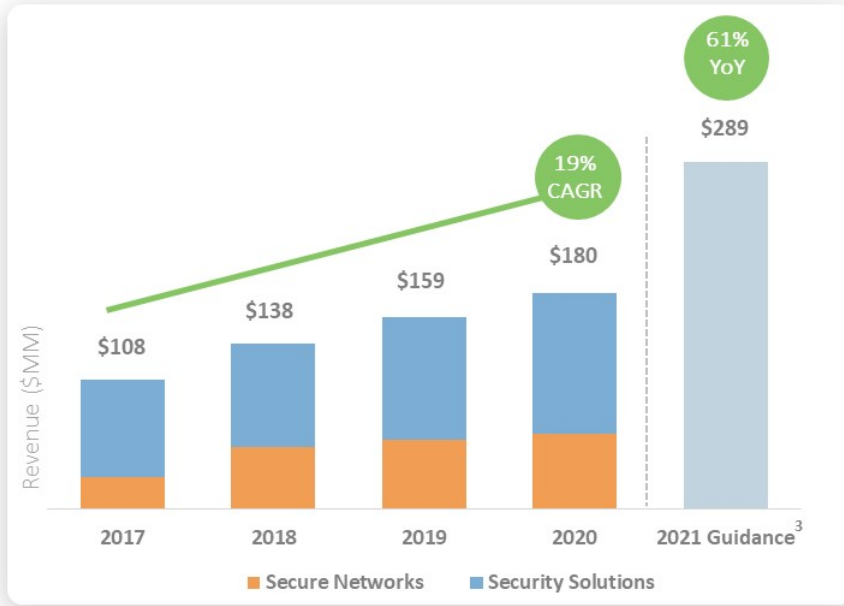


1) Based on Telos management estimates



Telos Snapshot

Recently-Awarded, Long-Term Security Solutions Contracts to Accelerate Revenue Growth



Intellectual Property

- 3,000+ man-years of IP¹
- 60% of employees with Clearance

Revenue Profile

- 85% recurring²
- 50% sole source / limited competition¹

350+ Customers



Note: Reflects fiscal year ended December 31

1) Based on Telos management estimates

2) Approximate recurring revenue for each of the last three years

3) 2021 Guidance represents midpoint of management range of \$283-\$295MM





Unique Solution Set Addressing Urgent Customer Needs

Security Solutions



- Governance risk and compliance solution that facilitates cloud migration



- Mis-attribution obfuscation solution that protects user information and location



- Trusted identity solutions



- Secure message and archive system for the government

**81% of
2020 Gross
Profit**

Secure Networks



- Operation / defense of networks and cyber ops

**19% of
2020 Gross
Profit**



Telos is at the Forefront of Security Solution Development

1994

Common Access Card ("CAC")
Largest biometric application in the government

2018

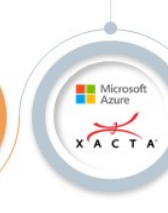
U.S. Census Bureau contract
(1MM total enumerators w/in 4 mo. at 1,100 physical service centers)

2019

Microsoft Azure partnership
to optimize Xacta cyber risk management for sovereign and critical infrastructure clouds

2020

TSA PreCheck & Center for Medicare & Medicaid Services contract wins
(10-year contracts)



2016

Xacta partnership with Amazon Web Services to provide cloud solution to the CIA

2018

Telos Ghost launched to shield communications, transactions, and networks

2019

Telos Ghost wins \$39MM contract with classified government customer; converting to program of record

2021

Zscaler to use Xacta for management and automation of FedRAMP and DoD authorizations





Marquee Customers





Land and Expand



The Sixteenth Air Force expanded their license from Top Secret to now include Secret



The U.S. Social Security Administration upgraded to an enterprise-wide license, and as we recently announced, they also exercised the first option year of this contract



The U.S. Department of Energy's Office of Intelligence and Counterintelligence moved to full enterprise licensing



The U.S. Environmental Protection Agency expanded to an enterprise-wide license





Demand for Telos' Security Solutions Has Never Been Greater

4.1B

Exposed records from data breaches in 1H19



\$8.6MM

Average cost of data breach in U.S. as of 2019



954K

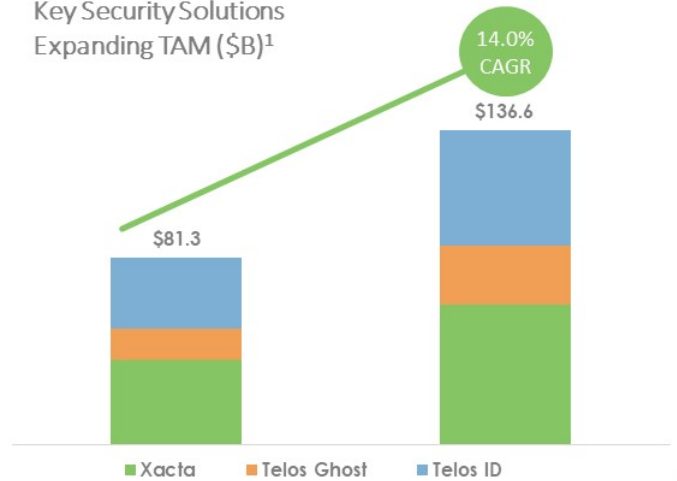
Average web attacks blocked per day



280

Average days to identify & contain a breach

Key Security Solutions Expanding TAM (\$B)¹



Sources: Comparitech, Symantec Internet Security Threat Report 2019, Cyber Risk Analytics 2019 MidYear Data Breach Report, IBM 2020 Cost of a Data Breach Report
1) Based on Telos management estimates



New Hires and Industry Leading Experience

aws
Dropbox
DELL
EMC²
FUJITSU
CODE42
DocuSign

Telos

Foundations of the Channel

XACTA

TELOS GHOST

aws Microsoft Johnson Controls omnilert.
zscaler ST Engineering

Xacta solution enables customers' cloud journeys



GRC Workflow

Operationalizes complex frameworks and required reporting



Compliance Data Sharing

Automates security compliance activities through inheritance & control mapping



Continuous Monitoring

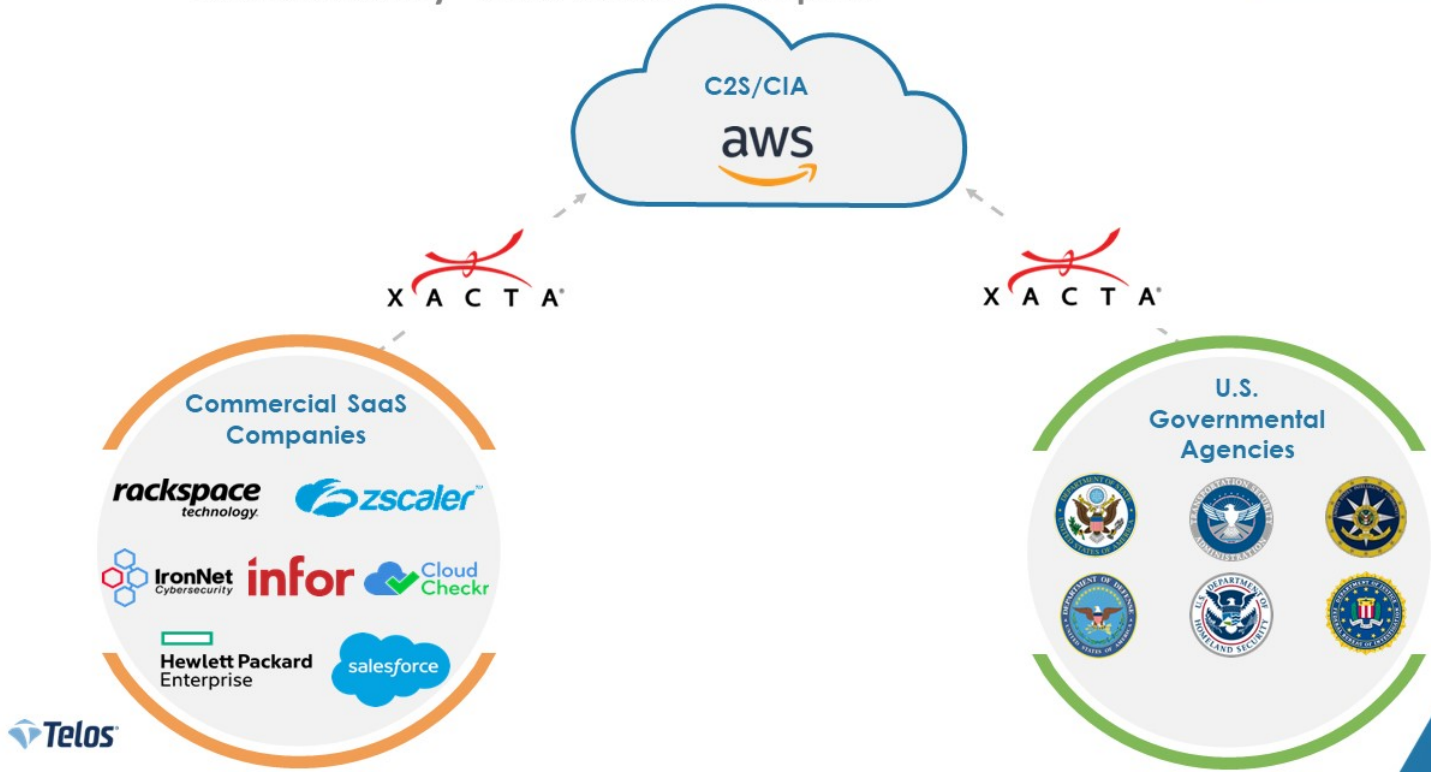
Delivers constant and real-time visibility into cyber risks and compliance status

Multi-Cloud Capability



XACTA

Xacta accounts for common, shared, and customer specific controls



“With Xacta’s...inheritance and provider project features and capabilities, AWS expects a dramatic increase in efficiencies and effectiveness in completing ATOs, in some cases up to 90% faster.”

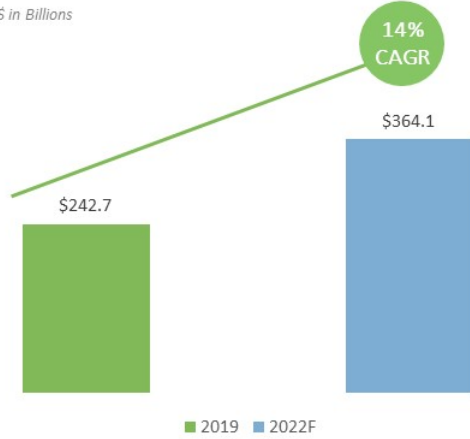
Rick Trinidad, Worldwide Public Sector, AWS

“We recognize the value of Xacta in addressing the unique compliance needs of our customers, and we’re working with them to accelerate development time and bring this cyber risk management solution directly to Microsoft Azure users.”

Lily Kim, General Manager, Azure Global at Microsoft

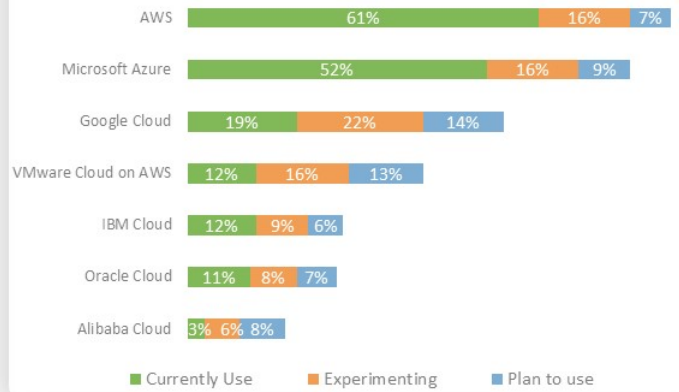
Worldwide Public Cloud Service Revenue

\$ in Billions

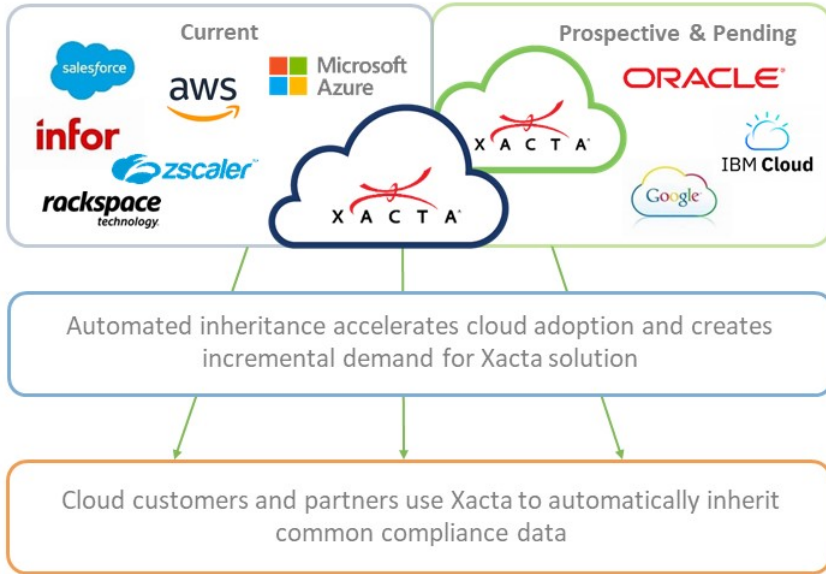


Public Cloud Adoption

% of All Respondents



Sources: Gartner, RightScale



Cloud infrastructure owners share control information with partners and customers via Xacta

Automated inheritance accelerates workload migration by operationalizing shared security and enabling reciprocity

Cloud provider customer relationships create channel to sell Xacta into new organizations

You can't attack what you can't see



Cloaked Services

Encrypted communications, storage and applications



Private Network Access

Secure, private network in the cloud




Private Web Access


Anonymous worldwide internet access



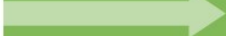
DMDC
Military ID




- Provider of the largest identity application in the US Government – Military ID (CAC)
- Biometric capture
- Smart cards



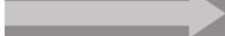
FBI
Fingerprint Capture




- SaaS biometric web capture
- Pre-employment screening
- Identity vetting



TSA - Airports
Employee Vetting



- Continuous monitoring of airport employees – Security Threat Assessment
- Fingerprint capture and FBI records check
- 100+ significant airports, airlines, general aviation customers



PreCheck & CMS Wins



- TSA PreCheck™ Enrollment Provider – 2MM new members per year over 10-year contract¹
- Provider Enrollment & Oversight (PEO) contract holder
- Background checks for 1.5MM Centers for Medicare & Medicaid (CMS) health providers each year¹





Fully integrated suite of Telos ID and commercial services for identity verification, enrollment, fingerprinting, insider threat management, biometric matching, and personnel security



Affiliated Service Providers

- IDTrust360 has direct interfaces to:**
- The FBI's criminal records
 - DHS's terrorist watch list
 - Treasury's pay.gov
 - Other government identity risk management systems
 - Numerous commercial identity, intelligence, and risk-based data sources



Secure Mobility Solutions

- **Productivity** — Mobile / remote access
- **Coverage** — Seamless roaming between Wi-Fi and cellular on any device, anywhere
- **Cost Savings** — Single integrated enterprise mobility management solution
- **Efficiency** — Simplify the process of updating devices with the most recent version of apps and content
- **Security** — Centrally managed security policy

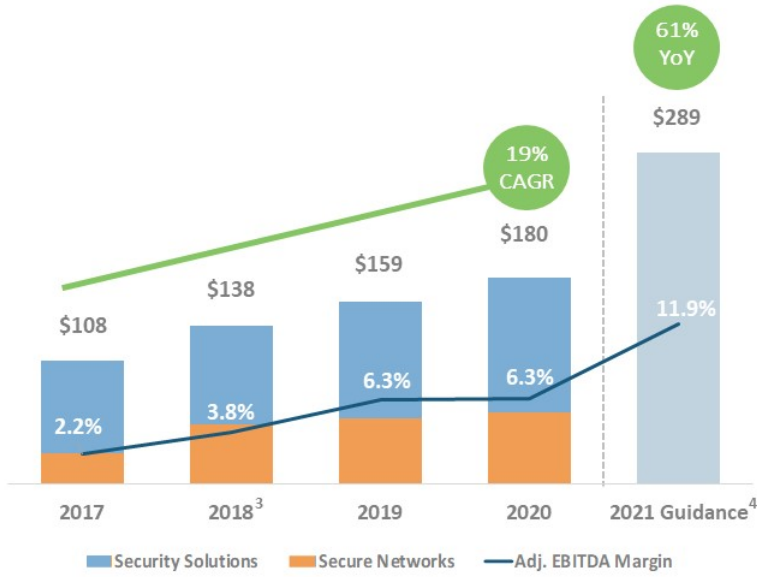
Network Management Solutions

- **Network Operations** — Situational awareness of networks, including users, systems and security posture
- **Network Maintenance** — Preventive maintenance, troubleshooting and repairs
- **Defensive Cyber Operations** — Real-time threat monitoring, analysis and remediation

Financial Highlights & Objectives



Accelerating Revenue Growth and Expanding Margins



Key New Contract Wins

- TSA PreCheck – \$1.7B+¹ total 10-year contract potential
- CMS – \$2.0B² total 10-year contract potential
- U.S. Govt Ghost Customer – \$39MM¹ with significant upside with program of record
- Security Solutions / Secure Networks – \$34MM new one year contract

Note: Reflects fiscal year ended December 31

Note: Adj. EBITDA margin reflected on an enterprise basis, before adjustments for the Non-Controlling Interests

1) Based on Telos management estimates derived from customer / sponsor contract assumptions

2) Reflects contract ceiling

3) 2018 Adj. EBITDA further adjusted to exclude one-time benefit of \$6.8MM associated with increased billing rate for certain government contracts

4) 2021 Guidance represents midpoint of management ranges of \$283-\$295MM in revenue and \$33-\$36MM in Adj. EBITDA





Pro Forma Capitalization

(*in MM*)

	Current ¹	Pro Forma
Cash	\$106.0	\$128.9
Finance Lease Obligations	15.6	15.6
Total Debt	<u>\$15.6</u>	<u>\$15.6</u>
Common Stock ²	\$2,138.4	\$2,173.4
Total Debt and Equity	<u>\$2,154.1</u>	<u>\$2,189.0</u>



- 1) As of 12/31/2020
- 2) Reflects basic shares outstanding. Share price as of 3/24/2021.



Growth Strategies



Leverage diverse Security Solutions to expand commercial market presence



Grow revenue & expand margins by building robust sales channels



Target & replace inefficient legacy products within organizations



Broaden existing reach within U.S. federal government vertical



Extend Security Solutions platform & ecosystem to capitalize on massive scalability



Exploit increasing demand for NIST and other cybersecurity frameworks



Expand international footprint through channel partners



Pursue targeted tuck-in acquisitions to complement organic growth



Long-Term Aspirational Goals¹

Revenue	\$1B
Gross Margin	50%
Adj. EBITDA Margin	30%
Free Cash Flow	\$150MM



Investment Highlights

Premier provider of software-based solutions for the world's most security conscious customers

- 3,000+¹ man-years invested in technology development

Telos Security Solutions consistently deliver more efficient, more effective, and more secure operating environments

- Endorsed by marquee intelligence community customers with growing commercial market penetration

Large and fast growing total addressable market (TAM) – \$80B+¹

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- Scalable platform delivers strong free cash flow conversion



1) Based on Telos management estimates

Appendix



Historical Income Statement

<i>(\$ in thousands)</i>	FY 2019	FY 2020
Revenue	\$159,218	\$179,917
Costs and Expenses		
Cost of Sales	106,874	117,497
Selling, General & Administrative Expenses	47,319	62,123
Operating Income	\$5,025	\$297
Other Income (Expenses)		
Gain on redemption of public preferred stock	–	14,012
Non-Operating Income	201	(255)
Interest Expense	(7,467)	(7,259)
(Loss) Income before Taxes	(\$2,241)	\$6,795
Benefit (Provision) for Taxes	104	46
Net (Loss) Income	(\$2,137)	\$6,841
Less: Non-Controlling Interest	(4,264)	(5,154)
Net Income (Loss) Attributable to Telos Corporation	(\$6,401)	\$1,687



Adjusted EBITDA Reconciliation

<i>(\$ in thousands)</i>	FY 2019	FY 2020
Net income (loss) attributable to Telos Corporation	(\$6,401)	\$1,687
Non-controlling interest	4,264	5,154
Non-operating income	(201)	(20)
Interest Expense	7,467	7,259
(Benefit) provision for income taxes	(104)	(46)
Depreciation and amortization	4,972	5,353
Enterprise EBITDA	\$9,997	\$19,387
Transaction related gains/losses/expenses	—	(8,007)
Stock-based compensation expense	—	4
Adjusted EBITDA	\$9,997	\$11,384



Telos Solution Set Detail

Customer Need / Pain Point Telos Solution Solution Capabilities

- Time, cost, effort of cyber risk and compliance management
- Compliance as an obstacle to cloud adoption
- Audit fatigue – many standards



- Automated cyber risk management workflow
- Inheritance and control mapping
- Automated continuous monitoring

- Massive financial, reputational, and personal consequences for breaches of mobile/ digital assets



- Secure mobile access anywhere
- Security through encryption and obfuscation
- Virtual obfuscation network-as-a-service with encryption and managed attribution

- Reliance on inefficient identity trust applications
- Identifying fraud and mitigating the impact of fraudulent activities
- Protection of employee and customer identity data



- Digital risk management platform offering enterprise identity and scalable security solutions
- Omni-channel services leveraging tech partners
- Integrated suite of advanced services modernizing management of threats and privacy of sensitive data

- Requirement for secure communications with certainty of delivery and non-repudiation functionality



- Web-based; full spectrum of messaging systems
- Routes incoming messages and creates archive

- Continuous need to protect enterprise networks



- Solutions across and beyond the enterprise
- Operation / defense of networks and cyber ops





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

