KeyW Third-Quarter 2018 Earnings Presentation

November 6, 2018

Forward-Looking Statements

Forward-Looking Statements: Statements made in this presentation that are not historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include but are not limited to: statements about our future expectations, plans and prospects; statements regarding the modification of our largest flight services program and its impact on our results of operations; our full-year 2018 revenue and adjusted EBITDA margin estimates under the heading “2018 Financial Outlook”; the profitability of our third quarter award programs; and other statements containing the words “estimates,” “believes,” “anticipates,” “plans,” “expects,” “will,” “potential,” “opportunities,” and similar expressions. Our actual results, performance or achievements or industry results may differ materially from those expressed or implied in these forward-looking statements. These statements involve numerous risks and uncertainties, including but not limited to, the outcome of the modification of our largest flight services program, our ability to ultimately realize revenue from bookings and awards reported in this press release, and those risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 16, 2018 and other filings that we make with the SEC from time to time. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements. KeyW is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

KeyW Q3 2018 Key Takeaways

Executive Summary

- Third-quarter revenue of $126.7 million
- Third-quarter adjusted EBITDA of $13.7 million (10.8% of revenue)
- Third-quarter awards of $312 million
- TTM awards of $646 million, or 1.3x revenue
- Continue to enhance IDIQ portfolio with two strong awards during the quarter
- Robust sales pipeline and a healthy spending environment

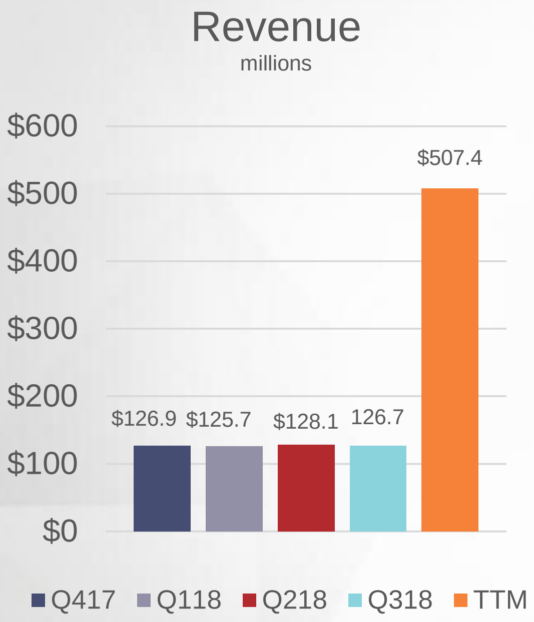
Predictable and Reliable Platform

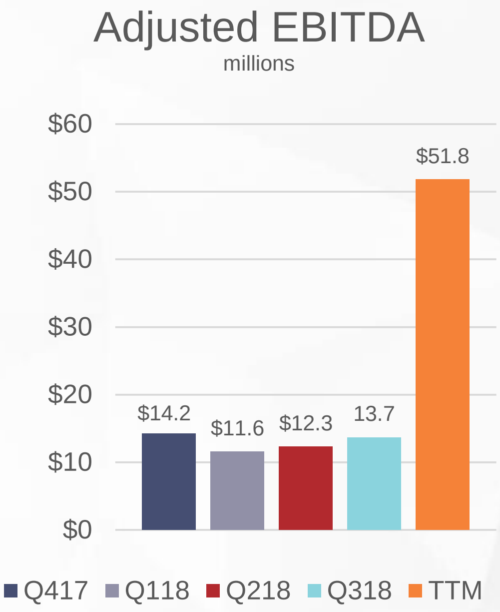
- Solid financial and business development performance
  - Strong revenue, profitability and cash flow
  - Winning our share of highly differentiated technical contract awards
- 46% YTD award win rate
- Strong Q3 operating cash flow driven by adjusted EBITDA performance and DSO improvement
- Paid down $10mm of First Lien Term Loan Facility

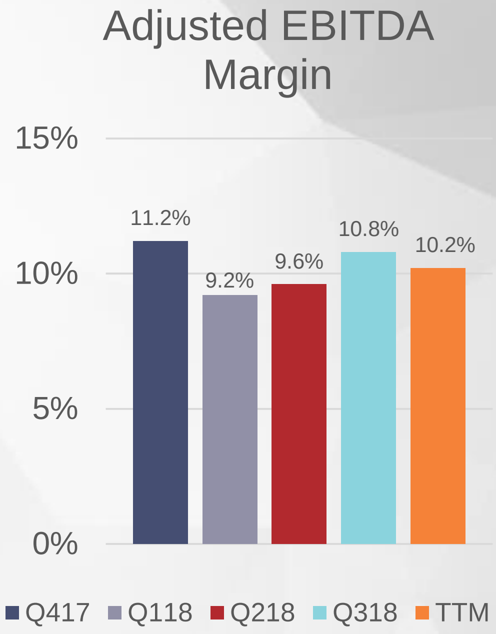
Revised 2018 Guidance

- Based on Year-to-Date results and the outlook for the fourth quarter:
  - Narrowed revenue guidance: $500 to $515 million
  - Increased adjusted EBITDA margin guidance: 9.1% to 9.5%

Third Quarter 2018 Financial Highlights



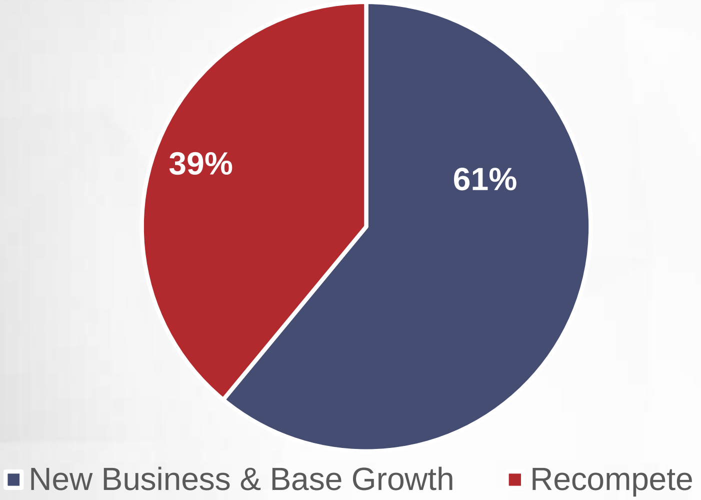




- Third-quarter financial performance driven by an increased level-of-effort on existing business, increased sensor and product solutions sales and strong program performance
- Strong Q3 Awards of 2.5x Revenue; Backlog of $1.1 billion
- Sequential improvement of DSO, from 67 to 64 days

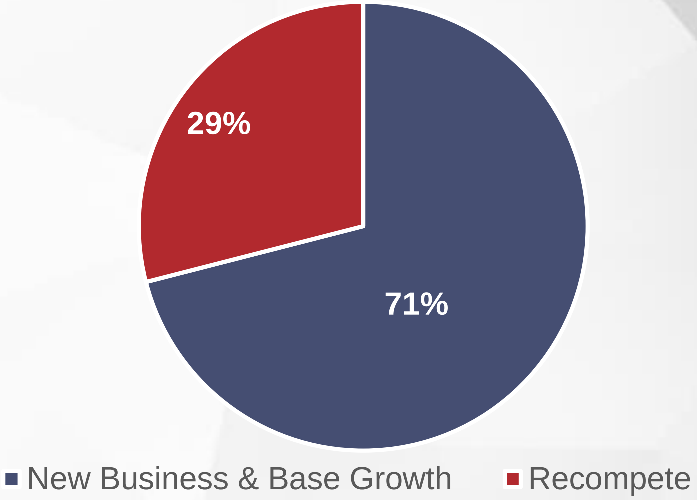
Business Development Highlights

Q3 2018 – Awards of $312 million



- 46% YTD win rate for awards adjudicated in the first nine months of 2018
- Winning higher-end work within the Intelligence Community and DoD Science and Technology areas

TTM Awards of $646 million



- Represents 1.3x revenue
- 94% TTM win-rate for recompete work
- Awards spread among core competencies

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Disciplined, Integrated Business Development Engine

Disciplined Approach

- Bid only on core competencies
  - 'No-bid' if capture strategy isn't competitive enough
- Aggressively pursue Task Orders
- Select large prime bids

2018 Goals

Qualified Pipeline – $7.2B

2018 Est. Proposal Submits – ~$2.4B

2018 Est. Awards - $700M or greater
Around 1.4x Revenue

2017 Actuals

Qualified Pipeline – $6.0B

2017 Proposals Submitted – $3.1B

2017 Awards – $548M
1.1x Revenue

2018 BD Objectives

- Defend and grow
- Overbuild pipeline
- Leverage core competencies to expand into adjacent agencies

BD approach that drives predictable results

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Revising 2018 Financial Guidance

	Revised Fiscal 2018 Guidance	Prior Fiscal 2018 Guidance
Revenue	$500 million - $515 million	$495 million - $515 million
Adjusted EBITDA margin	9.1% - 9.5%	8.9% - 9.3%

Assumptions

- Revenue growth consistent with government services industry trends
- Solid margins driven by strong program performance and product solutions sales

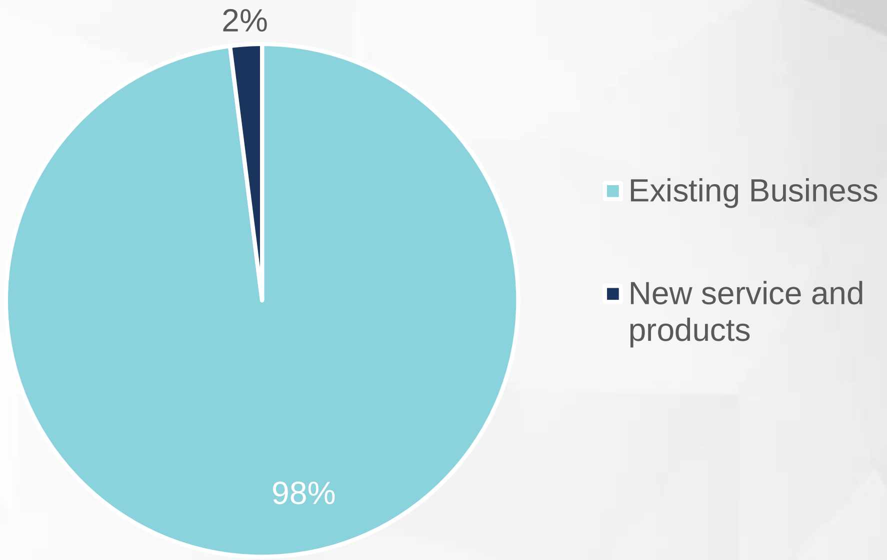
2018 Estimated Free Cash Flow	
Adjusted EBITDA (midpoint of guidance)	$47.2
Changes in Working Capital	($16.4)
Cash Interest	($19.3)
Cash Taxes	-
Net Cash Flow from Operations	$11.5
Capital Expenditures	($4.1)
Free Cash Flow from Operations	**$7.4**

2018 Projected Revenue & Growth Components

Revised Revenue Guidance: $500 million – $515 million

Category	Status as of 8/1/18	Status as of 11/6/18
Existing business	93%	98%
New service awards	4%	1%
New product awards	2%	1%
Recompetes	1%	--

No "unidentified, go-get" in our guidance



Additional 2018 Guidance Assumptions

- Basic share count of approximately 50 million shares
- Effective tax rate of approximately 17.5%
- Insignificant cash taxes paid in 2018, nor for the next three to five years
- Full-year 2018 depreciation to be approximately $12 million
- Full-year 2018 amortization to be approximately $12 million
- Full-year 2018 non-cash stock compensation to be about $5 million
- Full-year 2018 interest expense (cash and non-cash) of approximately $23 million*

* Based on the new Senior Secured Credit Facilities closed on May 8, 2018; excludes estimated write-off of approximately $11.4M in deferred financing costs associated with the 2017 Credit Facility and Convertible Senior Notes

KeyW Capital Structure

KeyW Capitalization *(Amounts in millions)*		
Capitalization	**9/30/18**	**Observations**
Revolving credit facility	$0	• 5-Year Tenor; 1-Mo L + 450 bps
1st Lien Term loan	$205.0	• 6-Year Tenor; 1-Mo L + 450 bps • Total net leverage of 7.25x and step-downs to 6.75x on 6/30/19; 6.50x on 03/31/20; 6.25x on 12/31/20; 6.00x on 12/31/21 and 5.75x on 12/31/22
2nd Lien Term loan	$75.0	• 7-Year Tenor; 1-Mo L + 875 bps • Total net leverage of 7.75x and step-downs to 7.25x on 6/30/19; 7.00x on 03/31/20; 6.75x on 12/31/20; 6.50x on 12/31/21 and 6.25x on 12/31/22
Convertible Senior Notes	$22.6	• July 15, 2019 Maturity; remaining stub following Tender • 2.50% coupon
Total debt	$302.6	
Less:		
Cash & equivalents	$30.7	
Net debt	$271.9	
Market capitalization (@ $8.66 / share as of 9/28/18)	$431.8	

Investment Highlights

- Only public, pure-play national security solutions provider for the IC
- KeyW solutions align with National Security Initiatives & 2019 Budget
- Robust access to strategic prime contract vehicles
- Offerings include differentiated product solutions
- Potential for dramatic growth based on the competitive landscape
- Negligible contract recompete risk to revenue in FY 2019
- Management team incentives tightly aligned with shareholders

Appendix

Non-GAAP Financial Measures

Adjusted EBITDA and adjusted EBITDA margin, as defined by KeyW, are financial measures that are not calculated in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The adjusted EBITDA reconciliation table and adjusted EBITDA as percentage of full year revenue guidance reconciliation table below provide a reconciliation of these non-U.S. GAAP financial measures to net income (loss) and estimated net income (loss) margin, the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP. Adjusted EBITDA and adjusted EBITDA margin should not be considered as alternatives to net income, net income margin, operating income or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Our adjusted EBITDA and adjusted EBITDA margin may not be comparable to similarly titled measures of other companies because other companies may not calculate adjusted EBITDA, adjusted EBITDA margin or similarly titled measures in the same manner as we do. We prepare adjusted EBITDA and adjusted EBITDA margin to eliminate the impact of items that we do not consider indicative of our core operating performance. We encourage you to evaluate these adjustments and the reasons we consider them appropriate.

We believe adjusted EBITDA and adjusted EBITDA margin are useful to investors in evaluating our operating performance for the following reasons:

- we have various non-recurring transactions or non-operating transactions and expenses that directly impact our net income. Adjusted EBITDA is intended to approximate the net cash provided by operations by adjusting for non-recurring or non-operating items; and
- securities analysts use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies.

Our board of directors and management use adjusted EBITDA:

- as a measure of operating performance;
- to determine a significant portion of management's incentive compensation;
- for planning purposes, including the preparation of our annual operating budget; and
- to evaluate the effectiveness of our business strategies.

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Non-GAAP Financial Measures, Continued

Although adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or other contractual commitments;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect interest expense or interest income;
- adjusted EBITDA does not reflect cash requirements for income taxes;
- adjusted EBITDA does not include non-cash expenses related to stock compensation;
- adjusted EBITDA does not include acquisition and integration costs;
- adjusted EBITDA does not include other adjustments which are non-recurring expenses;
- although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for these replacements; and
- other companies in our industry may calculate adjusted EBITDA or similarly titled measures differently than we do, limiting its usefulness as a comparative measure.

Reconciliation of Non-GAAP Financial Metrics

Adjusted EBITDA
Reconciliation Table
(in thousands and unaudited)
Table 1

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017 (1)**	**2018**	**2017 (1)**
Net loss	$ (1,986)	$ (6,029)	$ (16,779)	$ (28,960)
Depreciation	2,953	3,087	8,779	7,513
Intangible amortization	2,721	3,604	9,399	8,858
Share-based compensation	1,252	956	3,501	3,054
Loss on extinguishment of debt	166	—	11,595	—
Interest expense, net	6,240	4,829	16,974	12,352
Tax (benefit) expense	(686)	1,980	(3,569)	5,039
Acquisition and integration costs	755	3,049	2,291	18,060
Other adjustments	2,295	—	5,404	—
Adjusted EBITDA	$ 13,710	$ 11,476	$ 37,595	$ 25,916

(1) The balances for the three and nine months ended September 30, 2017, have been revised to reflect the correction of certain errors that management has determined are not material. Also as the Company adopted the requirements of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, as amended as of January 1, 2018, using the modified retrospective method, there is a lack of comparability to the prior periods presented.

Reconciliation of Non-GAAP Financial Metrics

Adjusted EBITDA as Percentage of Full Year Revenue Guidance Reconciliation Table

	Fiscal Year 2018 Estimate	
	Low	High
Net loss	(4.2)%	(3.6)%
Depreciation	2.3 %	2.3 %
Intangible amortization	2.4 %	2.4 %
Share-based compensation	1.0 %	0.9 %
Loss on extinguishment of debt	2.3 %	2.3 %
Interest expense, net	4.7 %	4.5 %
Tax benefit	(0.9)%	(0.8)%
Acquisition and integration costs	0.5 %	0.4 %
Other adjustments	1.0 %	1.1 %
Adjusted EBITDA Margin	9.1 %	9.5 %