KeyW Fourth-Quarter 2018 Earnings Presentation

March 12, 2019

KeyW

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; our full-year 2019 revenue and adjusted EBITDA and cash flow provided by operating activities estimates under the heading “2019 Financial Outlook”; 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, 2018 filed with the SEC on March 12, 2019 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 Executive Highlights

Executive Summary

- Fourth-quarter revenue of $126.3 million
- Fourth-quarter adjusted EBITDA of $12.0 million (9.5% of revenue)
- Fourth-quarter awards of $112 million
- FY 2018 awards of $675 million, or 1.3x revenue
- Qualified pipeline over $8 billion; anticipate bidding approximately $2.9 billion in 2019

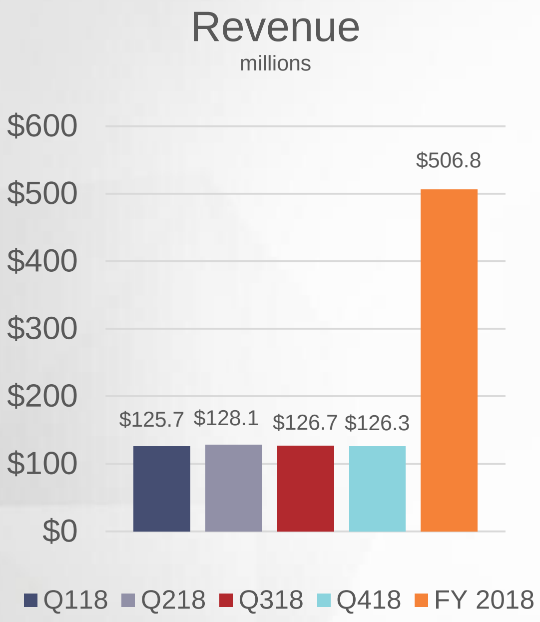
Predictable and Reliable Platform

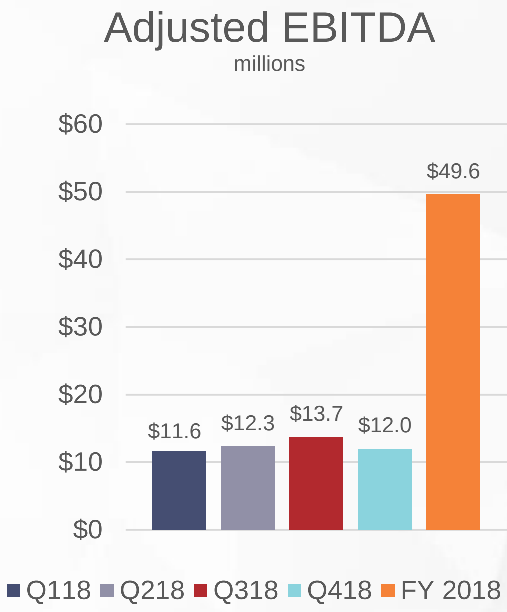
- Solid financial and business development performance
  - Strong revenue, profitability and cash flow
  - Winning our share of highly differentiated technical contract awards
- 48% YTD award win rate
- Strong Q4 operating cash flow driven by adjusted EBITDA performance and DSO improvement
- Paid down $5mm of the First Lien Term Loan Facility in the fourth quarter

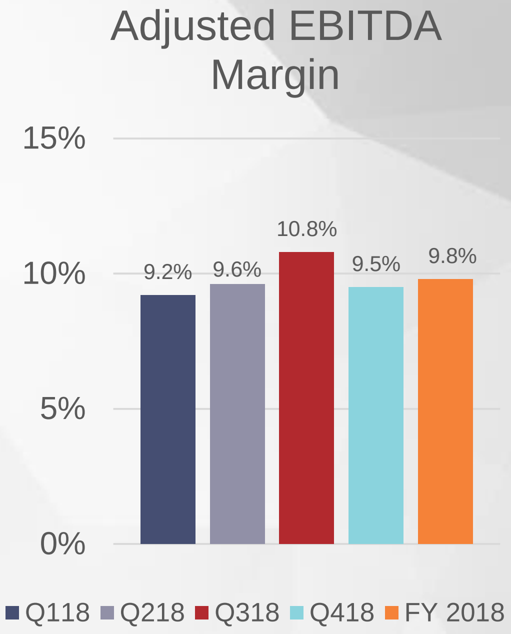
2019 Guidance

- Revenue: $510 to $530 million
- Adjusted EBITDA: $48 to $52 million
- Cash flows provided by operating activities: $19 to $34 million

Fourth-Quarter 2018 Financial Highlights







- Fourth-quarter financial performance driven by higher sensor and product solutions sales and strong program performance
- Solid FY 2018 Awards of 1.3x Revenue; Backlog of $1.1 billion
- Sequential improvement of DSO, from 64 to 63 days

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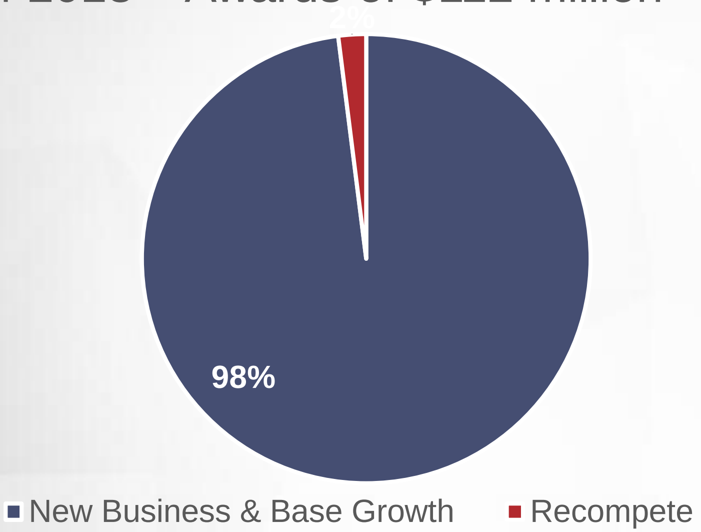
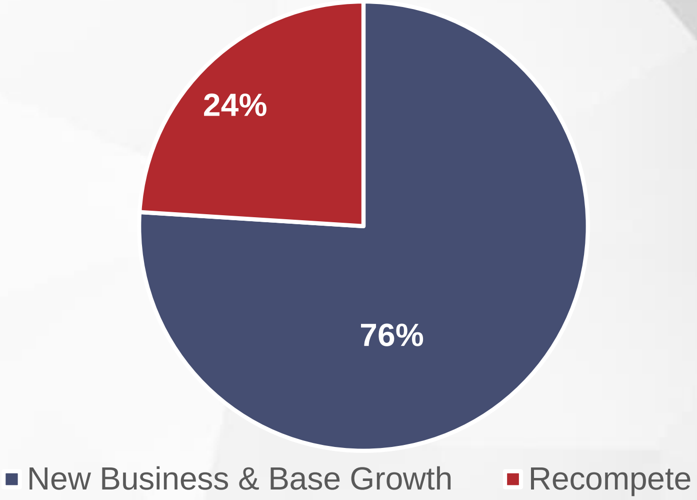
Business Development Highlights

Q4 2018 – Awards of $112 million



- Fourth-quarter wins were almost exclusively new business and base growth
- Awards were largely focused on development of advanced sensor payloads, intelligence fusion, intelligence analysis and operational cyber training

TTM Awards of $675 million



- Represents 1.3x revenue
- 48% YTD win rate for awards adjudicated in 2018
  - 43% win rate for new business and 90% for re-compete work

Disciplined, Integrated Business Development Engine

2019 METRICS

Qualified Pipeline – ~$8.0B
2019 Est. Proposal Submits – ~$2.9B
Pending awards @ 12/31/18 – $1.9B
Abundance of large prime awards in the pipeline

2018 ACTUALS

Qualified Pipeline – $7.2B
2018 Proposals Submitted – $2.4B
2018 Awards – $675M; 1.3x Revenue

BD approach that drives predictable results

2019 BD Objectives

- Establish KeyW as a leading competitor for technically differentiated prime contracts in the IC and broader National Security space
- Implement a two-pronged bid strategy with
  - Targeted large bids led by proven and dedicated business capture support
  - Aggressive task order bidding on prime IDIQs
- Further improve prime to subcontractor ratio and increase mix of product solution sales

2019 Financial Guidance

	Fiscal 2019 Guidance
Revenue	$510 million - $530 million
Adjusted EBITDA	$48 million - $52 million
Cash flows provided by operating activities	$19 million - $34 million

- Revenue growth consistent with government services industry trends
  - Proforma for the wind down of the Flight Services contract, revenue guidance represents over 10 percent organic top-line growth compared to 2018 revenue
- Solid margins driven by strong program performance and product solutions sales

2019 Estimated Cash flows provided by operating activities		
	Low	High
Adjusted EBITDA	$48.0	$52.0
Changes in Working Capital	($5.0)	$5.0
Cash Interest	($24.0)	($23.0)
Cash Taxes	-	-
Net Cash flows provided by operating activities	**$19.0**	**$34.0**

- Free cash flow will be used to pay down debt
  - $22.6 million Convertible Note maturity in July ‘19
  - Excess free cash flow will be used to pay down Term Loan debt

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2019 Projected Revenue & Growth Components

Revenue Guidance: $510 million – $530 million

Category	% of 2019 Revenue
Backlog	81%
Recompetes	5%
New service awards	6%
Product awards	8%

- Strong backlog contributes to substantial revenue predictability
- Low recompete risk driven by exceptional contract performance
- No “unidentified, go-get” in our guidance; all new service awards have been bid
- Growth in products primarily attributable to advanced sensor solution sales as well as high-end product solutions (e.g., KeyRadar and AgilePod)

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Additional 2019 Guidance Assumptions

- Basic share count of approximately 50 million shares
- Effective tax rate of approximately 27% (1)
- Insignificant cash taxes paid in 2019, nor for the next three to five years
- Full-year 2019 depreciation to be approximately $9 million
- Full-year 2019 amortization to be approximately $9 million
- Full-year 2019 non-cash stock compensation to be about $5 million
- Full-year 2019 interest expense (cash and non-cash) of approximately $23 million

(1) Effective tax rate of approximately 27% reflecting statutory federal and state rates

KeyW Capital Structure

KeyW Capitalization *(Amounts in millions)*		
Capitalization	**12/31/18**	**Observations**
Revolving credit facility	$0	• 5-Year Tenor; 1-Mo L + 450 bps
1st Lien Term loan	$200.0	• 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 3/31/20; 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 3/31/20; 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	$297.6	
Less:		
Cash & equivalents	$36.1	
Net debt	$261.5	
Market capitalization (@ $6.69 / share as of 12/31/18)	$333.9	

Investment Highlights

- Only public, pure-play national security solutions provider for the IC
- KeyW solutions align with national security initiatives
- Robust access to strategic prime contract vehicles
- Potential for dramatic growth based on the competitive landscape
- Negligible contract recompete risk to revenue in FY 2019

Appendix

Non-GAAP Financial Measures

Non-GAAP Financial Measures

Contract awards, as defined by KeyW, represent the actual or estimated value of contracts received for which funding has or has not been appropriated as well as unexercised priced contract options. Awards may include a contract won, but subsequently protested, future potential task orders expected to be awarded under indefinite delivery/indefinite quantity ("IDIQ"), General Services Administration Schedule or other master agreement contract vehicles, where task orders are not competitively awarded or separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future value and funding on future task orders is anticipated. Due to numerous factors, we may never realize revenue from some of the engagements that are included in our awards. In addition, the estimated contract value specified under a U.S. Government contract or task order awarded to us is not necessarily indicative of the revenue that we will realize under that contract.

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.

Non-GAAP Financial Measures, Continued

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.

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 share based compensation;
- adjusted EBITDA does not include acquisition and integration costs;
- adjusted EBITDA does not include non-cash loss on extinguishment of debt;
- adjusted EBITDA does not include asset impairment charges;
- 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 December 31,		Twelve months ended December 31,	
	2018	2017 [(1)]	2018	2017 [(1)]
Net (loss) income	$ (5,501)	$ 15,571	$ (22,280)	$ (13,389)
Depreciation	2,989	3,187	11,768	10,700
Intangible amortization	2,721	2,558	12,120	11,416
Share-based compensation	1,407	1,174	4,908	4,228
Loss on extinguishment of debt	81	—	11,676	—
Interest expense, net	6,433	4,663	23,407	17,015
Income tax benefit	(1,165)	(15,901)	(4,734)	(10,862)
Acquisition and integration costs	287	2,986	2,578	21,046
Other adjustments	4,787	—	10,191	—
Adjusted EBITDA	$ 12,039	$ 14,238	$ 49,634	$ 40,154

(1) The balances for the three and twelve months ended December 31, 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.