

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

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

Date of Report (Date of earliest event reported): **July 26, 2018**

**VSE CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**0-3676**  
(Commission File Number)

**54-0649263**  
(IRS Employer  
Identification Number)

**6348 Walker Lane**  
**Alexandria, VA**  
(Address of Principal Executive Offices)

**22,310**  
(Zip Code)

**(703) 960-4600**  
(Registrant's Telephone Number, Including Area Code)

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.

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## VSE CORPORATION

### Item 2.02 Results of Operations and Financial Condition

On July 26, 2018, VSE Corporation issued a press release announcing its financial results for the second quarter ended June 30, 2018. A copy of the press release is being furnished as Exhibit 99.1 to this Form 8-K and is hereby incorporated by reference.

### Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit  
Number

[99.1](#) Press release dated July 26, 2018, entitled, "VSE Reports Financial Results for Second Quarter 2018."

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**VSE CORPORATION**  
(Registrant)

Date: July 27, 2018

/s/ Thomas M. Kiernan

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Thomas M. Kiernan

Vice President, General Counsel and Secretary



**VSE Reports Financial Results for Second Quarter 2018**  
*Federal Group Revenue Declines; Aviation Group Increases*

Alexandria, Virginia, July 26, 2018 - VSE Corporation (Nasdaq: VSEC) reported the following unaudited consolidated financial results for the second quarter of 2018.

**CEO Commentary**

"We continue to experience a reduction in revenue from our Federal Services Group; however, contract backlog improved at the end of the second quarter. We are attaining encouraging results from our strategic efforts in our Aviation Group. Our Singapore operation began generating revenue in the second quarter as we extend new product lines to new geographic and end-user markets," said Maurice "Mo" Gauthier, VSE CEO.

Mr. Gauthier continued, "Our Supply Chain Management Group's revenue decreased slightly due to a reduction of parts ordered by the U.S. Postal Service, which was partially offset by increases in commercial and DoD revenue during the second quarter. Our Supply Chain Management Group has experienced double digit growth in both the commercial and DoD markets and we will continue to focus on these key markets."

**Second Quarter Results (unaudited)**

(in thousands, except per share data)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Revenues	\$ 170,394	\$ 193,860	(12.1)%	\$ 347,291	\$ 391,154	(11.2)%
Operating income	\$ 13,855	\$ 15,005	(7.7)%	\$ 25,448	\$ 29,201	(12.9)%
Net income	\$ 8,751	\$ 7,807	12.1 %	\$ 15,803	\$ 15,100	4.7 %
EPS (Diluted)	\$ 0.80	\$ 0.72	11.1 %	\$ 1.45	\$ 1.39	4.3 %

**Operational Highlights**

- Our Aviation Group's subsidiary, VSE Aviation Singapore Pte Ltd., was appointed a Honeywell Asia Pacific distributor for Boeing 777 and 737 display units.
- VSE Aviation Inc. has signed a contract with El Colono of Costa Rica for the overhaul of eight PT6A-34AG turboprop engines. This effort has an 18-month period of performance and a total value of approximately \$2.2 million.
- VSE Aviation Singapore Pte Ltd. was appointed a BendixKing distributor for the Asia Pacific region to supply a wide range of avionics, flight controls, display units and installation kits.

- Our Federal Services Group was awarded several delivery orders in the latter part of the second quarter by the Naval Sea Systems Command (NAVSEA) International Fleet Support Program Office to provide support under its Foreign Military Sales (FMS) contract. The periods of performance for these delivery orders range between 10 and 21 months, and have a combined funded value of approximately \$29 million.

### **Financial Information**

Revenues were \$170.4 million in the second quarter of 2018 compared to \$193.9 million in the second quarter of 2017. For the first six months, revenues were \$347.3 million in 2018 compared to \$391.2 million in 2017. These decreases were primarily attributable to a reduction in work in our Federal Services Group.

Operating income was \$13.9 million for the second quarter of 2018 compared to \$15.0 million in the second quarter of 2017. For the first six months, operating income was \$25.4 million in 2018 and \$29.2 million in 2017. The operating income decrease was primarily attributable to revenue decreases in our Federal Services Group and lower U.S. Postal Service revenues in our Supply Chain Management Group, which was partially offset by a revenue increase for the Aviation Group.

Net income was \$8.8 million for the second quarter of 2018, or \$0.80 per diluted share, compared to \$7.8 million, or \$0.72 per diluted share for the second quarter of 2017. Net income was \$15.8 million for the first six months of 2018, or \$1.45 per diluted share, compared to \$15.1 million, or \$1.39 per diluted share for the first six months of 2017. The increase in net income was due to the enactment of the Tax Cuts and Jobs Act in December 2017, which reduced the federal income tax rate from 35% to 21% effective January 1, 2018.

Bookings in our Federal Services Group were \$189 million for the first six months of 2018 compared to revenue for this group of \$169 million. Funded contract backlog at June 30, 2018 was \$338 million, compared to \$261 million at March 31, 2018 and \$386 million at June 30, 2017.

### **Non-GAAP Financial Information**

The non-GAAP Financial Information (unaudited) listed below is not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") under SEC Regulation G. We consider EBITDA a non-GAAP financial measure and an important indicator of performance and useful metric for management and investors to evaluate our business' ongoing operating performance on a consistent basis across reporting periods. EBITDA should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

EBITDA represents net income before interest expense, income taxes, amortization of intangible assets and depreciation and other amortization.

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## Non-GAAP Financial Information (unaudited)

(in thousands)

	Three Month Results			Six Month Results		
	2018	2017	% Change	2018	2017	% Change
Net Income	\$ 8,751	\$ 7,807	12 %	\$ 15,803	\$ 15,100	5 %
Interest Expense	2,182	2,376	(8)%	4,357	4,811	(9)%
Income Taxes	2,922	4,822	(39)%	5,288	9,290	(43)%
Amortization of Intangible Assets	4,004	4,004	0 %	8,008	8,008	0 %
Depreciation and Other Amortization	2,235	2,489	(10)%	4,715	5,196	(9)%
EBITDA	\$ 20,094	\$ 21,498	(7)%	\$ 38,171	\$ 42,405	(10)%

### Capital Expenditures

Purchases of property and equipment were \$1.9 million for the first six months of 2018 compared to \$1.3 million for the first six months of 2017.

### About VSE

Established in 1959, VSE is a diversified products and services company providing logistics solutions with integrity, agility, and value. VSE is dedicated to making our federal and commercial clients successful by delivering innovative solutions for vehicle, ship, and aircraft sustainment, supply chain management, platform modernization, mission enhancement, and program management, and providing energy, IT, and consulting services. For additional information regarding VSE services and products, please see the Company's web site at [www.vsecorp.com](http://www.vsecorp.com) or contact Christine Kaineg, VSE Investor Relations, at (703) 329-3263.

Please refer to the Form 10-Q that will be filed with the Securities and Exchange Commission (SEC) on or about July 27, 2018 for more details on our 2018 second quarter results. Also, refer to VSE's Annual Report on Form 10-K for the year ended December 31, 2017 for further information and analysis of VSE's financial condition and results of operations. VSE encourages investors and others to review the detailed reporting and disclosures contained in VSE's public filings for additional discussion about the status of customer programs and contract awards, risks, revenue sources and funding, dependence on material customers, and management's discussion of short and long term business challenges and opportunities.

### Safe Harbor

This news release contains statements that to the extent they are not recitations of historical fact, constitute "forward looking statements" under federal securities laws. All such statements are intended to be subject to the safe harbor protection provided by applicable securities laws. For discussions identifying some important factors that could cause actual VSE results to differ materially from those anticipated in the forward looking statements in this news release, see VSE's public filings with the SEC.

VSE Financial News Contact: Christine Kaineg -- (703) 329-3263.

## VSE Corporation and Subsidiaries

### Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

	June 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 624	\$ 624
Receivables, net	54,629	55,760
Unbilled receivables, net	37,955	42,577
Inventories, net	164,390	132,591
Other current assets	13,551	16,988
Total current assets	<u>271,149</u>	<u>248,540</u>
Property and equipment, net	52,670	55,146
Intangible assets, net	102,901	110,909
Goodwill	198,622	198,622
Other assets	15,401	15,796
Total assets	<u>\$ 640,743</u>	<u>\$ 629,013</u>
<b>Liabilities and Stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 9,468	\$ 6,960
Accounts payable	57,648	66,015
Accrued expenses and other current liabilities	32,619	40,243
Dividends payable	870	759
Total current liabilities	<u>100,605</u>	<u>113,977</u>
Long-term debt, less current portion	171,857	165,614
Deferred compensation	18,028	16,323
Long-term lease obligations, less current portion	19,765	20,581
Deferred tax liabilities	19,172	19,423
Total liabilities	<u>329,427</u>	<u>335,918</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 10,881,106 and 10,838,747, respectively	544	542
Additional paid-in capital	26,490	24,470
Retained earnings	283,767	267,902
Accumulated other comprehensive income	515	181
Total stockholders' equity	<u>311,316</u>	<u>293,095</u>
Total liabilities and stockholders' equity	<u>\$ 640,743</u>	<u>\$ 629,013</u>

## VSE Corporation and Subsidiaries

### Unaudited Consolidated Statements of Income

(in thousands except share and per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Products	\$ 90,119	\$ 89,254	\$ 178,792	\$ 178,271
Services	80,275	104,606	168,499	212,883
Total revenues	<u>170,394</u>	<u>193,860</u>	<u>347,291</u>	<u>391,154</u>
Costs and operating expenses:				
Products	75,834	74,222	150,560	148,928
Services	75,971	100,150	161,726	204,094
Selling, general and administrative expenses	730	479	1,549	923
Amortization of intangible assets	4,004	4,004	8,008	8,008
Total costs and operating expenses	<u>156,539</u>	<u>178,855</u>	<u>321,843</u>	<u>361,953</u>
Operating income	13,855	15,005	25,448	29,201
Interest expense, net	<u>2,182</u>	<u>2,376</u>	<u>4,357</u>	<u>4,811</u>
Income before income taxes	11,673	12,629	21,091	24,390
Provision for income taxes	<u>2,922</u>	<u>4,822</u>	<u>5,288</u>	<u>9,290</u>
Net income	<u>\$ 8,751</u>	<u>\$ 7,807</u>	<u>\$ 15,803</u>	<u>\$ 15,100</u>
Basic earnings per share	<u>\$ 0.80</u>	<u>\$ 0.72</u>	<u>\$ 1.45</u>	<u>\$ 1.39</u>
Basic weighted average shares outstanding	<u>10,881,106</u>	<u>10,838,435</u>	<u>10,870,887</u>	<u>10,830,595</u>
Diluted earnings per share	<u>\$ 0.80</u>	<u>\$ 0.72</u>	<u>\$ 1.45</u>	<u>\$ 1.39</u>
Diluted weighted average shares outstanding	<u>10,918,927</u>	<u>10,861,769</u>	<u>10,907,777</u>	<u>10,855,632</u>
Dividends declared per share	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.15</u>	<u>\$ 0.13</u>

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**VSE Corporation and Subsidiaries****Unaudited Consolidated Statements of Cash Flows**

(in thousands)

	For the six months ended June 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net income	\$ 15,803	\$ 15,100
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	12,723	13,204
Deferred taxes	(888)	(974)
Stock-based compensation	1,676	1,464
<b>Changes in operating assets and liabilities:</b>		
Receivables, net	1,131	6,412
Unbilled receivables, net	9,604	13,861
Inventories, net	(34,352)	528
Other current assets and noncurrent assets	4,227	9,725
Accounts payable and deferred compensation	(6,164)	(39,511)
Accrued expenses and other current liabilities	(6,568)	(105)
Long-term lease obligations	(816)	(667)
<b>Net cash (used in) provided by operating activities</b>	<b>(3,624)</b>	<b>19,037</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,880)	(1,252)
Proceeds from the sale of property and equipment	46	400
<b>Net cash used in investing activities</b>	<b>(1,834)</b>	<b>(852)</b>
<b>Cash flows from financing activities:</b>		
Borrowings on loan agreement	359,554	181,673
Repayments on loan agreement	(349,534)	(197,142)
Payment of debt financing costs	(1,692)	—
Payments on capital lease obligations	(707)	(627)
Payments of taxes for equity transactions	(641)	(500)
Dividends paid	(1,522)	(1,300)
<b>Net cash provided by (used in) financing activities</b>	<b>5,458</b>	<b>(17,896)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>—</b>	<b>289</b>
Cash and cash equivalents at beginning of period	624	428
Cash and cash equivalents at end of period	\$ 624	\$ 717