

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): **February 27, 2020**

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)

22310
(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. ☐

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.05 per share	VSEC	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

VSE CORPORATION

Item 2.02. Results of Operations and Financial Condition

On February 27, 2020, VSE Corporation (the “Company”) issued a press release reporting its financial results for the fourth quarter and year ended December 31, 2019. Additionally, the Company made available related materials to be discussed during the Company’s webcast and conference call referred to in such press release. A copy of the press release and related conference call materials are being furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and are hereby incorporated by reference.

The information in the preceding paragraph, as well as Exhibits 99.1 and 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of that section. It may only be incorporated by reference into another filing under the Exchange Act or the Securities Act of 1933 (the “Securities Act”) if such subsequent filing specifically references this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit
Number

[99.1 Press release dated February 27, 2020, entitled, "VSE Corporation Announces Fourth Quarter and Full-Year 2019 Results."](#)

[99.2 VSE Corporation Investor Presentation for the Fourth Quarter and Full-Year 2019](#)

VSE CORPORATION AND SUBSIDIARIES

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: February 27, 2020

By: /s/ Thomas R. Loftus

Thomas R. Loftus

Executive Vice President and Chief Financial Officer



VSE Corporation Announces Fourth Quarter and Full-Year 2019 Results

ALEXANDRIA, VA, February 27, 2020 - VSE Corporation (NASDAQ: VSEC, "VSE", or the "Company"), a leading provider of aftermarket distribution and repair services for land, sea and air transportation assets in the public and private sectors, today announced results for the fourth quarter and full-year 2019.

FOURTH QUARTER 2019 HIGHLIGHTS AS COMPARED TO THE FOURTH QUARTER 2018

- Total Revenues of \$195.3 million increased + 7.9%
- Total Net Income of \$10.0 million increased + 8.1%
- Total Adjusted EBITDA of \$23.1 million increased +15.9%
- EPS (Diluted) of \$0.90 per share increased +7.1%

FULL-YEAR 2019 HIGHLIGHTS AS COMPARED TO FULL-YEAR 2018

- Total Revenues of \$752.6 million increased +7.9%
- Total Net Income of \$37.0 million increased +5.5%
- Total Adjusted EBITDA of \$91.0 million increased +16.2%
- EPS (Diluted) of \$3.35 per share increased +4.4%

For the three months ended December 31, 2019, the Company reported total revenue of \$195.3 million, versus \$181.0 million for the same period ended 2018. VSE reported net income of \$10.0 million, or \$0.90 per diluted share, compared to \$9.2 million, or \$0.84 per diluted share, in the fourth quarter 2018. Adjusted EBITDA increased to \$23.1 million in fourth quarter 2019, versus \$19.9 million for the same period ended 2018.

During the fourth quarter, growth in Aviation and Supply Chain Management Group revenue offset a decline in Federal Services Group revenue. Aviation Group revenue increased more than 54% on a year-over-year basis, due to contributions from the 1st Choice Aerospace acquisition completed in January 2019, together with organic growth in core existing business lines. Excluding contributions from the 1st Choice Aerospace acquisition, Aviation Group revenue increased organically more than 11% in the full-year 2019, when compared to the prior-year, driven by increased global distribution sales. Supply Chain Management Group revenue increased 2% on a year-over-year basis in the fourth quarter, as an increase in vehicle parts sales to commercial customers offset an anticipated decline in demand related to the Company's managed inventory program with the United States Postal Service ("USPS"). Federal Services Group revenue declined 7% on a year-over-year basis, due to anticipated reduced demand for services on a U.S. Navy program.

MANAGEMENT COMMENTARY

"Our full-year performance reflects stable year-over-year growth in revenue, margin capture and profitability," stated John Cuomo, President and CEO of VSE Corporation. "Early into my tenure as CEO, we've taken action to narrow the strategic focus of our business, while targeting higher-margin growth opportunities where we have a unique and differentiated value proposition supported by well-defined, sustainable competitive advantages. These actions are translating into increased focus on expanding organic market share in both new and existing channels, while realizing improved cost synergies throughout the organization."

"Within our Aviation Group, we recently closed the divestiture of our Prime Turbines subsidiary, a move that will position us to focus on higher-growth component/accessory repair and parts distribution opportunities that serve the global commercial and general aviation markets," continued Cuomo. "Our Supply Chain Management Group continues to diversify beyond the USPS managed inventory program, with non-USPS group revenue growing nearly 20% on a year-over-year basis in 2019, supported by increased activity in commercial parts distribution. Further, within our

Federal Services Group, we experienced an increase in activity with the Army and Air Force throughout the year, while continuing to transition into an increased volume of fixed-price contracts that, on balance, have resulted in improved margin realization for our business.”

“Looking ahead, we intend to formally introduce our multi-year strategic plan to the public when we report first quarter 2020 results,” continued Cuomo. “At that time, we will outline how we intend to redefine our presence in key markets, accelerate organic revenue growth and increase margins, all while generating free cash flow to support investments in new programs and bolt-on acquisitions.”

SEGMENT RESULTS

The following is a commentary of revenues and operating income for the fourth quarter and full year periods ended December 31, 2019 and December 31, 2018:

Aviation Group

VSE Aviation provides parts supply and distribution, supply chain solutions, component and engine accessory repair services supporting global aftermarket commercial, business and general aviation customers through product distribution and maintenance, repair and overhaul (MRO) services.

Aviation Group revenue increased 42% year-over-year to \$61.0 million in the fourth quarter 2019, while full-year 2019 group revenue increased 54% year-over-year to \$224.5 million. Excluding a \$1.9 million earn-out expense attributable to the successful post-acquisition performance of 1st Choice Aerospace, operating income increased \$1.2 million or 32% for the fourth quarter and the full year operating income increased 62% to \$17.9 million. Aviation Group EBITDA declined 3% year-over-year in the fourth quarter to \$5.8 million, due to product and customer mix, while full-year 2019 EBITDA increased 53% to \$30.3 million. The year-over-year increase in full-year 2019 operating income was attributable to a combination of contributions resulting from the 1st Choice Aerospace acquisition in January 2019, together with organic growth in global aviation distribution sales.

Supply Chain Management Group

VSE's Supply Chain Management Group provides parts supply, inventory management, e-commerce fulfillment, logistics, data management and other services to support the United States Postal Service (USPS), United States Department of Defense, and aftermarket commercial high duty-cycle truck and fleet customers.

Supply Chain Management Group revenue increased 2% year-over-year to \$53.6 million in the fourth quarter 2019, while full-year 2019 group revenue was essentially flat year-over-year at \$214.5 million. Operating income increased 5% year-over-year to \$7.4 million in the fourth quarter 2019, while full-year 2019 operating income declined 3% to \$29.8 million. Supply Chain Management EBITDA increased 2% year-over-year in the fourth quarter to \$10.1 million, while full-year 2019 EBITDA declined 3% to \$40.8 million. The decrease in full-year 2019 operating income was mainly attributable to a decline in demand related to the USPS.

Federal Services Group

VSE's Federal Services Group provides aftermarket refurbishment and sustainment services to extend and maintain the life cycle of military vehicles, ships and aircraft for the U.S. Armed Forces, Federal Agencies and International Military and Defense customers, and provides energy consulting services, healthcare IT and IT data solutions.

Federal Services Group revenue declined 5% year-over-year to \$80.6 million in the fourth quarter 2019, while full-year 2019 group revenue declined 7% year-over-year to \$313.6 million. Operating income increased 47% year-over-year to \$5.2 million in the fourth quarter 2019, while full-year 2019 operating income increased 15% to \$18.1 million. Federal Services Group EBITDA increased 28% year-over-year in the fourth quarter to \$5.9 million, while full-year 2019 EBITDA increased 5% to \$21.1 million. The year-over-year increase in operating income for the fourth quarter and full-year 2019 was related to an improved sales mix resulting from more fixed-price work with government entities.

In 2019, total Federal Services Group bookings declined 29% year-over-year to \$228 million, while total funded backlog declined 27% year-over-year to \$213 million. The decline in booking and funded backlog was attributable to a combination of minimal new business development activities, together with the loss of a contract. The current management team increased business development staffing and activity in the fourth quarter, and is focused on revitalizing this business, with an emphasis on developing a channel of new customer activity in the current year.

SUBSEQUENT EVENTS

As previously announced on January 30, 2020, VSE entered into a definitive agreement to sell its subsidiary Prime Turbines, LLC to PTB Holdings USA, LLC for \$21 million in cash, subject to customary adjustments. This transaction closed on February 26, 2020.

CONFERENCE CALL

A conference call will be held Friday, February 28, 2020 at 8:30 A.M. EST to review the Company's financial results, discuss recent events and conduct a question-and-answer session.

A webcast of the conference call and accompanying presentation materials will be available in the Investor Relations section of VSE's website at <https://ir.vsecorp.com>. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time in order to register, download, and install any necessary audio software.

To participate in the live teleconference:

Domestic Live: 877-407-0789
International Live: 201-689-8562

To listen to a replay of the teleconference, which will be available through March 13, 2020:

Domestic Replay: 844-512-2921
International Replay: 412-317-6671
Conference ID: 13697551

Fourth Quarter and Year-End Results

(in thousands, except per share data)

	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Revenues	\$ 195,271	\$ 180,996	7.9%	\$ 752,627	\$ 697,218	7.9%
Operating income	\$ 14,813	\$ 13,085	13.2%	\$ 60,257	\$ 54,230	11.1%
Net income	\$ 9,996	\$ 9,243	8.1%	\$ 37,024	\$ 35,080	5.5%
EPS (Diluted)	\$ 0.90	\$ 0.84	7.1%	\$ 3.35	\$ 3.21	4.4%

SEGMENT RESULTS

Fourth Quarter Segment Results

The following is a summary of revenues and operating income for the three- and twelve-month periods ended December 31, 2019 and December 31, 2018:

	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Revenues:						
Aviation Group	\$ 60,993	\$ 42,869	42.3 %	\$ 224,546	\$ 145,423	54.4 %
Supply Chain Management Group	53,642	52,848	1.5 %	214,520	214,809	(0.1)%
Federal Services Group	80,636	85,279	(5.4)%	313,561	336,986	(7.0)%
Total revenues	<u>\$ 195,271</u>	<u>\$ 180,996</u>	<u>7.9 %</u>	<u>\$ 752,627</u>	<u>\$ 697,218</u>	<u>7.9 %</u>
Operating Income:						
Aviation Group	\$ 3,081	\$ 3,785	(18.6)%	\$ 17,901	\$ 11,076	61.6 %
Supply Chain Management Group	7,431	7,079	5.0 %	29,819	30,626	(2.6)%
Federal Services Group	5,176	3,527	46.8 %	18,144	15,797	14.9 %
Corporate/unallocated expenses	(875)	(1,306)	(33.0)%	(5,607)	(3,269)	71.5 %
Operating Income	<u>\$ 14,813</u>	<u>\$ 13,085</u>	<u>13.2 %</u>	<u>\$ 60,257</u>	<u>\$ 54,230</u>	<u>11.1 %</u>

Non-GAAP Financial Information

(in thousands)

	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Net Income	\$ 9,996	\$ 9,243	8.1 %	\$ 37,024	\$ 35,080	5.5 %
Interest Expense	3,568	2,285	56.1 %	13,830	8,982	54.0 %
Income Taxes	1,249	1,557	(19.8)%	9,403	10,168	(7.5)%
Amortization of Intangible Assets	4,332	4,004	8.2 %	19,317	16,017	20.6 %
Depreciation and Other Amortization	1,759	2,236	(21.3)%	6,996	9,207	(24.0)%
EBITDA	20,904	19,325	8.2 %	86,570	79,454	9.0 %
Earn-out adjustment	1,900	—	— %	1,900	—	— %
Acquisition Related and Executive Succession Costs	259	569	— %	2,549	569	— %
Gain on sale of IT Contract	—	—	— %	—	(1,700)	— %
Adjusted EBITDA	<u>\$ 23,063</u>	<u>\$ 19,894</u>	<u>15.9 %</u>	<u>\$ 91,019</u>	<u>\$ 78,323</u>	<u>16.2 %</u>

The Company reported total capital expenditures in the fourth quarter and full-year 2019 of \$2.0 million and \$9.7 million, respectively.

Reconciliation of Segment EBITDA to Operating Income

(in thousands)	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Aviation Group						
Operating Income	\$ 3,081	\$ 3,785	(18.6)%	\$ 17,901	\$ 11,076	61.6 %
Depreciation and Amortization	2,687	2,183	23.1 %	12,385	8,674	42.8 %
EBITDA	<u>\$ 5,768</u>	<u>\$ 5,968</u>	<u>(3.4)%</u>	<u>\$ 30,286</u>	<u>\$ 19,750</u>	<u>53.4 %</u>
Supply Chain Group						
Operating Income	\$ 7,431	\$ 7,079	5.0 %	\$ 29,819	\$ 30,626	(2.6)%
Depreciation and Amortization	2,713	2,851	(4.8)%	10,947	11,494	(4.8)%
EBITDA	<u>\$ 10,144</u>	<u>\$ 9,930</u>	<u>2.2 %</u>	<u>\$ 40,766</u>	<u>\$ 42,120</u>	<u>(3.2)%</u>
Federal Services Group						
Operating Income	\$ 5,176	\$ 3,527	46.8 %	\$ 18,144	\$ 15,797	14.9 %
Depreciation and Amortization	691	1,072	(35.5)%	2,981	4,364	(31.7)%
EBITDA	<u>\$ 5,867</u>	<u>\$ 4,599</u>	<u>27.6 %</u>	<u>\$ 21,125</u>	<u>\$ 20,161</u>	<u>4.8 %</u>

NON-GAAP FINANCIAL INFORMATION

The non-GAAP Financial Information set forth in this press release 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, however, 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. Adjusted EBITDA represents EBITDA (as defined above) adjusted for executive succession costs, including our CEO and Federal Services Group President transitions and 1st Choice Aerospace acquisition-related costs, and the gain on the sale of an IT contract.

ABOUT VSE CORPORATION

VSE is a global provider of aftermarket distribution and repair services for land, sea and air transportation assets in the public and private sectors. VSE is a recognized leader in 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's services and products, visit us at www.vsecorp.com.

FORWARD LOOKING STATEMENTS

This press release contains certain forward-looking statements. These forward-looking statements, which are included in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, may involve known and unknown risks, uncertainties and other factors that may cause VSE's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this press release. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations. "Forward-looking" statements, as such term is defined by the Securities Exchange Commission in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue,"

"seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified in our reports filed or expected to be filed with the Securities and Exchange Commission including our Annual Report on Form 10-K for the year ended December 31, 2019. All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

INVESTOR CONTACT

Christine Kaineg
(703) 329-3263



INVESTOR PRESENTATION

Fourth Quarter and Full-Year 2019

28 February 2020

DISCLAIMER



Forward-Looking Statements and Non-GAAP Financial Measures

This presentation contains certain forward-looking statements. These forward-looking statements, which are included in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, may involve known and unknown risks, uncertainties and other factors that may cause VSE's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this press release. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations. "Forward-looking" statements, as such term is defined by the Securities Exchange Commission in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified in our reports filed with the Securities and Exchange Commission including our Annual Report on Form 10-K for the year ended December 31, 2019. All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

Included in this presentation are certain non-GAAP financial measures, such as EBITDA, Adjusted EBITDA and net leverage ratio, designed to complement the financial information presented in accordance with U.S. GAAP because management believes such measures are useful to investors and management. Management believes these non-GAAP financial measures, when taken together with the corresponding GAAP measures, provide incremental insight into the underlying factors and trends affecting our performance. These non-GAAP financial measures should be considered only as supplemental to, and not superior to, financial measures provided in accordance with GAAP. Please refer to the appendix of this presentation for a reconciliation of the historical non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP. Reconciliations of the non-GAAP measures used in this presentation are included or described in the tables attached to the appendix. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures. For the same reasons we are unable to address the probable significance of the unavailable information, which could be material to future results. EBITDA represents net income before interest expense, income taxes, amortization of intangible assets and depreciation and other amortization. Adjusted EBITDA represents EBITDA (as defined above) adjusted for executive succession costs, including our CEO and Federal Services Group President transitions, 1st Choice Aerospace acquisition-related costs and the gain on sale of an IT contract. Net leverage ratio represents a ratio of Adjusted EBITDA to net debt (our total debt less cash and cash equivalents).

OVERVIEW



Global Aftermarket Provider of Distribution/Repair Services For Land, Sea and Air Transportation Assets

Aviation Group

30% of 2019 Revenue

- > Provides parts supply and distribution, supply chain solutions, component and engine accessory repair services for global aftermarket commercial, business and general aviation customers

Supply Chain Management Group

28% of 2019 Revenue

- > Provides parts supply, inventory management, e-commerce fulfillment, logistics, data management and other services to support the United States Postal Service (USPS), United States Department of Defense, and commercial aftermarket high duty-cycle truck / fleet customers

Federal Services Group

42% of 2019 Revenue

- > Provides aftermarket refurbishment services to extend and maintain the life cycle of military vehicles, ships and aircraft for the U.S. Armed Forces, Federal Agencies and International Military and Defense customers; and provides energy consulting services, healthcare IT and IT data solutions

EXECUTIVE SUMMARY – VSE Corporation

Fourth Quarter and Full-Year 2019



VSE CORPORATION	
Total Revenue +7.9% y/y in 4Q2019; +7.9% y/y for Full-Year 2019	<ul style="list-style-type: none">▪ Broad-based growth in both services and products revenue in 4Q2019/2019
Net Income +8.1% y/y in 4Q2019; +5.5% y/y for Full-Year 2019	<ul style="list-style-type: none">▪ 4Q19 diluted EPS of \$0.90▪ Full-year 2019 diluted EPS of \$3.35
Total Adjusted EBITDA +15.9% y/y in 4Q2019; +16.2% for Full-Year 2019	<ul style="list-style-type: none">▪ 4Q2019 and full-year 2019 EBITDA driven by organic and inorganic revenue/margin growth in Aviation and margin expansion in Federal Services, offset by lower contributions from Supply Chain Management

EXECUTIVE SUMMARY – VSE Business Groups

Fourth Quarter and Full-Year 2019



VSE BUSINESS GROUPS	
Aviation Group Revenue +42.3% y/y in 4Q2019; 54.4% for Full-Year 2019	<ul style="list-style-type: none">▪ Excluding 1st Choice Aerospace acquisition, Aviation Group revenue organically increased 11% y/y in 2019, supported by growth in global distribution activity
Supply Chain Group Revenue +1.5% y/y in 4Q2019; Flat for Full-Year 2019	<ul style="list-style-type: none">▪ Increased commercial market penetration offset modest decline in USPS revenue
Federal Services Group Revenue (5.4%) y/y in 4Q2019; (7.0%) y/y for Full-Year 2019	<ul style="list-style-type: none">▪ Decrease due to anticipated reduced demand for services on U.S. Navy program and intentional shift toward less commoditized business

GAAP FINANCIAL SUMMARY

Fourth Quarter and Full-Year 2019



Stable Revenue Growth

- > Organic and acquisition revenue growth in Aviation offset by decline in Federal Services

Total Revenue
(\$MM)



Operating Income
(\$MM)



Margin Expansion

- > Operating margin increased 20 bps y/y to 8.0% in 2019

Net Income
(\$MM)



Diluted Earnings Per Share
(\$ Per Share)



Profitability

- > Net income increased 5.5% y/y in 2019

NON-GAAP FINANCIAL SUMMARY

Fourth Quarter and Full-Year 2019

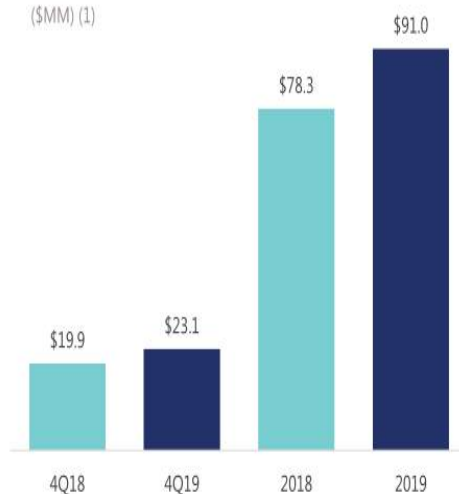


Improved Margin Capture

- > Adjusted EBITDA margin increased in 4Q19 and 2019, 80 bps and 90 bps, respectively

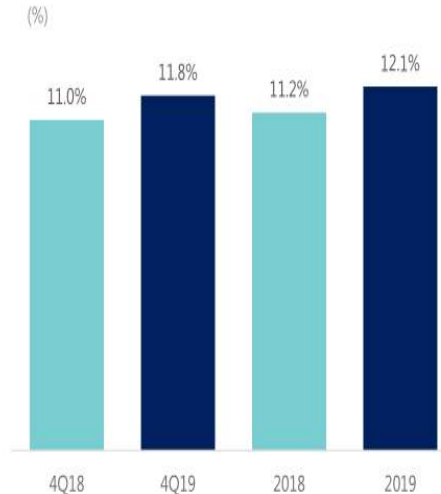
Total Adjusted EBITDA

(\$MM) (1)



Adjusted EBITDA Margin

(%)



(1) Adjusted EBITDA defined as net income before interest expense, income taxes, amortization of intangible assets and depreciation and other amortization; adjusted for executive succession costs, including our CEO and Federal Services Group President transitions, 1st Choice Aerospace acquisition-related costs and the gain on sale of an IT contract.

4Q 2018 vs. 4Q 2019 PERFORMANCE BRIDGE

Fourth Quarter and Full-Year 2019



Core Business Remains Stable

- > Generated y/y revenue and EBITDA growth of 7.9% and 8.2%, respectively in 4Q2019

Aviation Drove Revenue Growth

- > 1st Choice Aerospace acquisition was the primary driver of y/y revenue growth in 4Q2019

Federal Services Drove Margin

- > \$1.3 million y/y improvement in Federal Services EBITDA

Total Revenue Bridge

(\$MM)



Total EBITDA Bridge

(\$MM)



FULL-YEAR 2018 vs. 2019 PERFORMANCE BRIDGE

Fourth Quarter and Full-Year 2019



Mixed Revenue Performance

- > Aviation drove growth, which was partially offset by 7% decline in Federal Services

Supply Chain Was Flat

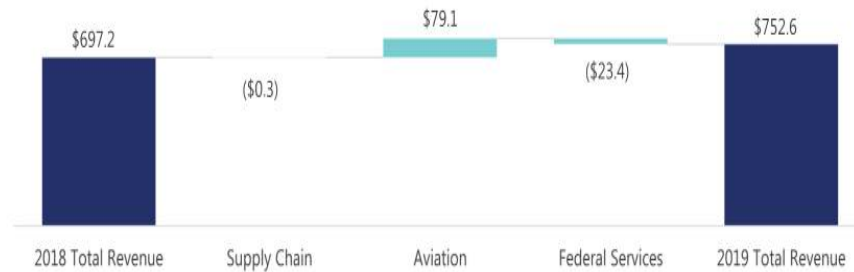
- > Gradual decline in USPS business being replaced with increased commercial sector activity

Margin Expansion

- > EBITDA margin improved 90 bps y/y to 12.1% in 2019

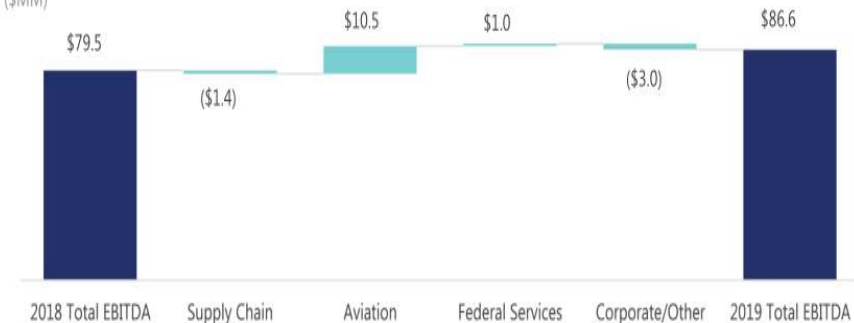
Total Revenue Bridge

(\$MM)



Total EBITDA Bridge

(\$MM)



AVIATION GROUP PERFORMANCE SUMMARY

Fourth Quarter and Full-Year 2019



1st Choice Ahead of Plan

- > Acquisition performing ahead of plan on revenue, operating income and EBITDA

Organic Growth Continues

- > Excluding 1st Choice, the Aviation Group generated 11% organic revenue growth in 2019

Increased Commercial Activity

- > Commercial aviation growth supported by growth in global parts distribution

Aviation Group Revenue

(\$MM)



Aviation Group Operating Income

(\$MM)



Aviation Group EBITDA

(\$MM)



Aviation Group EBITDA Margin

(%)



(1) Reflects \$63.0 million in revenue resulting from the acquisition of 1st Choice Aerospace in Jan. 2019.

SUPPLY CHAIN GROUP PERFORMANCE SUMMARY

Fourth Quarter and Full-Year 2019



USPS Update

- > USPS contract represented 78% of total Supply Chain Group revenue in 2019 compared to 82% in 2018

Strong Margin Capture

- > Consistently generating stable EBITDA margins in the 19-20% range

Growth Opportunities

- > Building the channel with aftermarket commercial fleets, positioning VSE as the truck parts distributor and supply chain partner of choice

Supply Chain Group Revenue

(\$MM)



Supply Chain Group Operating Income

(\$MM)



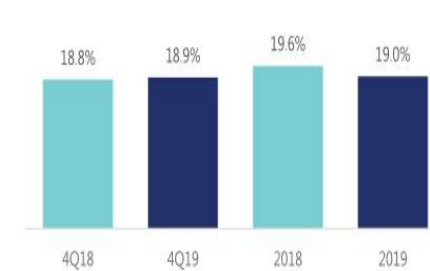
Supply Chain Group EBITDA

(\$MM)



Supply Chain Group EBITDA Margin

(%)



SUPPLY CHAIN GROUP GROWING NON-USPS REVENUE

Focus on Customer Diversification and Growing Group Revenue In Commercial Channels



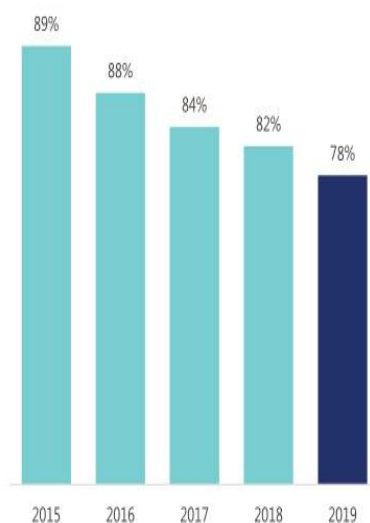
Replacing USPS Revenue

- > Significant gains replacing lost USPS revenue since 2015

Non-USPS Revenue Growing

- > Generated 19% growth in non-USPS revenue in 2019 tied to increased commercial activity

USPS as % of Total Supply Chain Group Revenue
(\$MM)



Supply Chain Group Revenue, Ex-USPS
(\$MM)



FEDERAL SERVICES PERFORMANCE SUMMARY

Fourth Quarter and Full-Year 2019



Revenue Focus

- > Phase One: Prioritize strategic focus and new business development / revenue pipeline
- > Phase Two: Margin expansion

Rebuilding Backlog

- > In recent years, business development was insufficient, resulting in lower Group revenue

Fixed-Price Contract Shift

- > Transition from cost-plus contracts creates margin uplift opportunity

Federal Services Group Revenue

(\$MM)



Federal Services Group Operating Income

(\$MM)



Federal Services Group EBITDA

(\$MM)



Federal Services Group EBITDA Margin

(%)



DISCIPLINED BALANCE SHEET MANAGEMENT

Maintaining Balance Sheet Optionality



Significant Access to Liquidity

- > Approximately ~\$200 million of cash and availability on lending facilities

Total Cash & Unused Commitments on Term Loan and Revolving Credit Facility

(\$ MM) (1)

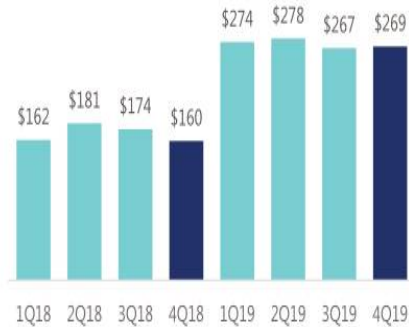


Reducing Net Leverage

- > Net leverage has declined for four consecutive quarters

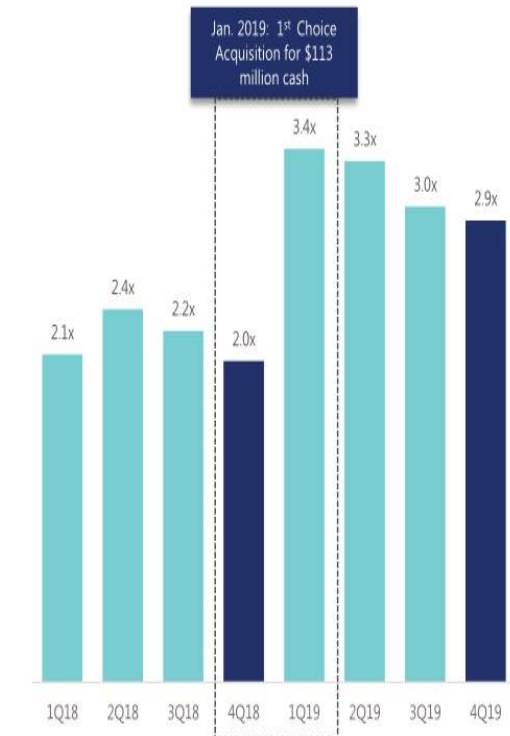
Total Net Debt

(\$ MM)



Net Debt / TTM Adjusted EBITDA (net leverage ratio)

(%) (2)



(1) On Dec. 2, 2019 we announced an amended loan agreement with our bank group. Under the terms of the amended agreement, our bank group increased total availability on the Company's term loan and revolving credit facility by a combined \$100 million. Following the close of the transaction, total committed capital under the amended loan agreement increased from \$373 million to \$473 million.

(2) Net Debt is defined as total debt less cash and cash equivalents and TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) calendar months.

STRATEGIC PRIORITIES



Introducing Go-Forward Strategy on 1Q 2020 Earnings Call

VSE Corporation

CREATE LEAN CORPORATE STRUCTURE

Support business groups with growth strategy and differentiated value propositions. Integrate acquired businesses within business groups to capture value and leverage synergies

FEDERAL SERVICES GROUP

IMPROVE CONTRACT MIX

> Augment existing USPS business with incremental revenue opportunities within the commercial space

AVIATION GROUP

REFOCUS CORE OFFERINGS

> Focus on high quality growth-focused aftermarket repair and distribution, providing strong growth markets and higher margin mix opportunity

SUPPLY CHAIN MANAGEMENT GROUP

GROW COMMERCIAL REVENUE

> Build backlog, reweight business to balanced fixed-price contract model (away from cost-plus); margin uplift opportunity

INVESTMENT OPPORTUNITY

Increased Aftermarket Commercial Focus, Strong FCF Generation, Balance Sheet Optionality



Customer / market segment shift from traditional federal base to more balanced global, federal and commercial aftermarket customer mix



Re-focusing core business to support growth markets where VSE has well-defined and differentiated value proposition



Focus on increasing free cash flow to support strategic investments in growth



Conservative balance sheet management



Targeting complementary, accretive bolt-on acquisitions



New CEO to introduce corporate strategy mid-year 2020

GAAP to NON-GAAP RECONCILIATIONS

EBITDA and Adjusted EBITDA



(in thousands)

	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Net Income	\$9,996	\$9,243	8.1%	\$37,024	\$35,080	5.5%
Interest Expense	3,568	2,285	56.1%	13,830	8,982	54.0%
Income Taxes	1,249	1,557	(19.8)%	9,403	10,168	(7.5)%
Amortization of Intangible Assets	4,332	4,004	8.2%	19,317	16,017	20.6%
Depreciation and Other Amortization	1,759	2,236	(21.3)%	6,996	9,207	(24)%
EBITDA	20,904	19,325	8.2%	86,570	79,454	9.0%
Earn-out adjustment	1,900	—		1,900	—	
Acquisition Related and Executive Succession Costs	259	569		2,549	569	
Gain on sale of IT Contract	—	—		—	(1,700)	
Adjusted EBITDA	\$23,063	\$19,894	15.9%	\$91,019	\$78,323	16.2%

GAAP to NON-GAAP RECONCILIATIONS

Segment EBITDA



(in thousands)

	Three months ended December 31,			For the years ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Aviation Group						
Operating Income	\$3,081	\$3,785	(18.6)%	\$17,901	\$11,076	61.6%
Depreciation and Amortization	2,687	2,183	23.1%	12,385	8,674	42.8%
EBITDA	\$5,768	\$5,968	(3.4)%	\$30,286	\$19,750	53.4%
Supply Chain Group						
Operating Income	\$7,431	\$7,079	5.0%	\$29,819	\$30,626	(2.6)%
Depreciation and Amortization	2,713	2,851	(4.8)%	10,947	11,494	(4.8)%
EBITDA	\$10,144	\$9,930	2.2%	\$40,766	\$42,120	(3.2)%
Federal Services Group						
Operating Income	\$5,176	\$3,527	46.8%	\$18,144	\$15,797	14.9%
Depreciation and Amortization	691	1,072	(35.5)%	2,981	4,364	(31.7)%
EBITDA	\$5,867	\$4,599	27.6%	\$21,125	\$20,161	4.8%

GAAP to NON-GAAP RECONCILIATIONS

Net leverage ratio



(in thousands)

	December 31,	
	2019	2018
Principal amount of debt	\$272,800	\$162,734
Less: Debt issuance costs	(2,789)	(2,135)
Less: Cash and cash equivalents	(734)	(162)
Net debt	\$269,277	\$160,437
TTM Adjusted EBITDA₍₁₎	91,019	78,323
Net leverage ratio	2.9x	2.0x

(1) TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) period ending December 31, 2019 and December 31, 2018, respectively.

