

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): **October 28, 2020**

VSE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	000-03676 (Commission File Number)	54-0649263 (IRS Employer Identification Number)
6348 Walker Lane Alexandria, Virginia (Address of Principal Executive Offices)		22310 (Zip Code)

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

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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))

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

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. ☐

VSE CORPORATION

Item 2.02. Results of Operations and Financial Condition

On October 28 2020, VSE Corporation (the “Company”) issued a press release reporting its financial results for the third quarter ended September 30, 2020. 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, as amended (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, as amended 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 October 28, 2020, entitled, "VSE Corporation Announces Third Quarter 2020 Results."](#)

[99.2 VSE Corporation Earnings Presentation for the Third Quarter 2020](#)

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: October 28, 2020

By:

/s/ Thomas R. Loftus

Thomas R. Loftus

Executive Vice President and Chief Financial Officer



VSE Corporation Announces Third Quarter 2020 Results

*Aviation Segment Reports Quarter-over-Quarter Revenue Growth, Driven by New Business Wins
New Landing Gear Initiative Accelerated by \$100 million Aviation Distribution Contract Award
Positive Net Income and Free Cash Flow from Operations; Second Consecutive Quarter of Debt Reduction*

ALEXANDRIA, Va., October 28, 2020 - VSE Corporation (NASDAQ: VSEC, "VSE", or the "Company"), a leading provider of aftermarket distribution and maintenance, repair and overhaul (MRO) services for land, sea and air transportation assets for government and commercial markets, today announced results for the third quarter 2020.

THIRD QUARTER 2020 RESULTS

(as compared to the third quarter 2019)

- **Total Revenues** of \$165.5 million declined 16.5%
- **Total Revenues, excluding divestitures**, declined 12.0% *(1)*
- **GAAP Net Income** of \$8.1 million declined \$2.4 million
- **Adjusted Net Income** of \$6.8 million declined \$4.1 million
- **Total Adjusted EBITDA** of \$18.0 million declined \$6.5 million
- **GAAP EPS (Diluted)** of \$0.73/share declined \$0.22/share
- **Adjusted EPS (Diluted)** of \$0.62/share declined \$0.37/share
- **Operating Cash Flow** of \$12.4 million during the third quarter 2020
- **Free Cash Flow** of \$11.3 million during the third quarter 2020 *(2)*
- **Total Debt** reduced by \$10.4 million during the third quarter 2020

(1) Excludes the previously announced divestitures of Prime Turbines and CT Aerospace

(2) Cash provided by operating activities less capital expenditures

For the three months ended September 30, 2020, the Company reported total revenue of \$165.5 million, versus \$198.3 million for the same period ended 2019. The Company reported adjusted net income of \$6.8 million or \$0.62 per adjusted diluted share, compared to \$10.9 million or \$0.99 per adjusted diluted share in the prior-year period. Adjusted EBITDA declined to \$18.0 million in the third quarter 2020, versus \$24.5 million for the same period in 2019. The Company generated \$11.3 million in free cash flow during the third quarter 2020. VSE reduced total debt outstanding by \$10.4 million during the third quarter 2020.

Aviation segment revenue, excluding the previously announced divestiture of Prime Turbines and CT Aerospace assets, declined 26.0% on a year-over-year basis in the third quarter 2020, as lower revenue passenger miles at major airline customers resulted in reduced commercial MRO activity. On a sequential quarter basis, excluding Prime Turbines and CT Aerospace, Aviation segment revenue increased 16.1%, supported by market share gains in our distribution business, and early indications of stabilization within the business and general aviation market customers. Federal & Defense segment revenue declined 21.7% on a year-over-year basis primarily due to the completion of a DoD program during the first quarter 2020. Fleet segment revenue increased 15.1% on a year-over-year basis due to growth within the commercial fleet business, together with a non-recurring order for personal protective equipment (PPE) from a government customer.

STRATEGY UPDATE

VSE continued to execute on a multi-year business transformation strategy during the third quarter, one that includes improved organizational design, rebranding and consolidation of business entities, new business development initiatives, the introduction of new products and services, and a continued focus on disciplined balance sheet management.

- **New business development.** Within the Aviation segment, VSE announced an exclusive distribution agreement with a leading global manufacturer of hydraulic landing gear components. The agreement, which is scheduled to commence in the first quarter of 2021, has a total estimated value of approximately \$100 million over five years. The Federal & Defense segment won both new contracts and recompetes awards during the third quarter. Within this segment, the total number of contract bids increased by more than 46% during the first nine months of 2020 when compared to the same period in 2019. The Fleet segment grew commercial sales by 107.3% in the third quarter, when compared to the prior-year period.
- **Aviation product and service line expansion.** Earlier this year, VSE launched an Aviation Landing Gear initiative. The Company is developing a comprehensive landing gear solution suite for global airline and MRO customers that includes services such as gear sales, exchanges and repair management, together with the distribution of proprietary and specialty products, kitting, 24/7 AOG service and other just-in-time value added services. This solution suite, coupled with the newly announced OEM product partnership, simplifies the sourcing process, while reducing working capital requirements for customers.
- **Balance sheet discipline.** VSE is committed to maintaining sufficient liquidity to support the long-term growth of the business, while continuing to support a quarterly cash dividend and conservative net leverage profile. As of September 30, 2020, the Company had \$190 million in cash and excess availability under its line of credit. During the third quarter, VSE reduced total debt outstanding by \$10.4 million, due to free cash flow generated from operations in the period.

MANAGEMENT COMMENTARY

"During the third quarter, we further advanced a multi-year business transformation plan in support of our long-term strategy, while effectively navigating the near-term, pandemic-related disruption to the global aviation market," stated John Cuomo, President and CEO of VSE Corporation. "In recent months, we streamlined our organizational structure, improved systems and processes to support business expansion, won multiple new customer awards and recompetes, introduced new product and service lines within underserved niche markets, and removed fixed overhead from operations, consistent with cost reductions announced earlier this year."

"Our Aviation, Federal & Defense and Fleet segments each reported sequential revenue growth in the third quarter, as compared to the second quarter, excluding the previously announced divestitures and a non-recurring PPE order from a government customer," continued Cuomo. "We generated positive free cash flow from operations for the third consecutive quarter, supporting a \$10.4 million reduction in our debt outstanding. With more than \$190 million in cash and excess availability on our credit facilities, we believe we are well-capitalized to support the growth of the business."

"While our team is intensely focused on repositioning the business for long-term growth, we've continued to execute against near-term performance objectives, as reflected by our strong third quarter results. Fleet segment commercial sales increased by more than 100% on a year-over-year basis in the third quarter, providing further validation for our commercial market expansion strategy, while in the Federal & Defense segment, we won new contracts and recompetes awards, supported by increased bidding and business development activities."

"Within our Aviation segment, the introduction of new product and service lines in niche markets remains an integral part of our long-term organic growth strategy," continued Cuomo. "We launched a landing gear solution pilot program for global airline and MRO customers earlier this year, and we enhanced this offering with a recently announced five-year exclusive distribution agreement with a leading global manufacturer of landing gear parts and components. The agreement, which is scheduled to commence during the first quarter of 2021, has a total estimated value of approximately \$100 million over five years. We look forward to this new partnership and to providing a full solution suite of landing gear products and service solutions for our global customers."

"Looking ahead to the fourth quarter, we expect to generate sequential revenue growth within our Aviation segment, as continued market share gains and a continued gradual recovery within our business and general aviation markets serve to offset lower repair activity with commercial airline customers," continued Cuomo. "During a period of market disruption and uncertainty, our aviation customers continue to focus on reducing fixed overhead and working capital requirements. As a trusted, well-capitalized partner with proven global supply chain and MRO solutions, customers are turning to VSE to help them better compete with next-level operating efficiency. Looking forward, our aviation team remains focused on achieving margin expansion and above-market organic growth through targeted share gains."

"In October, we announced the appointment of two new senior executives to our leadership team," continued Cuomo. "We are excited to welcome Steve Griffin, our incoming CFO, and Ben Thomas, our new President of the Aviation segment, as they join a world-class team committed to building market-leading positions in both new and existing markets."

SEGMENT RESULTS

AVIATION

Distribution & MRO Services

VSE's **Aviation** segment provides aftermarket MRO and distribution services to commercial, cargo, business and general aviation, military/defense and rotorcraft customers globally. Core services include parts distribution, component and engine accessory MRO services, rotatable exchange and supply chain services.

Aviation segment revenue, less contributions from divested Prime Turbines and CT Aerospace businesses, decreased 26% year-over-year to \$36.2 million in the third quarter 2020. The year-over-year revenue decline was attributable to the adverse impact of the COVID-19 pandemic on commercial air traffic, resulting in lower customer demand. On a sequential basis, Aviation segment revenue, less contributions from Prime Turbines and CT Aerospace, increased 16.1%, when compared to the second quarter 2020. The Aviation segment recorded operating income of \$1.6 million in the third quarter, versus operating income of \$6.6 million in the prior-year period. Adjusted EBITDA decreased 75.9% to \$2.4 million in the third quarter 2020. On a sequential basis, Aviation segment Adjusted EBITDA increased 102%.

FLEET

Distribution & Fleet Services

VSE's **Fleet** segment provides parts, inventory management, e-commerce fulfillment, logistics, supply chain support and other services to support the commercial aftermarket medium- and heavy-duty truck market, the United States Postal Service (USPS), and the United States Department of Defense. Core services include parts distribution, sourcing, IT solutions, customized fleet logistics, warehousing, kitting, just-in-time supply chain management, alternative product sourcing, engineering and technical support.

Fleet segment revenue increased 15.1% year-over-year to \$63.7 million in the third quarter 2020. Revenues included pass-through sales of approximately \$7.1 million for the completion of a non-recurring \$26.6 million order for COVID-19 PPE supplies.

Revenues from commercial customers increased approximately \$6.5 million or 107.3%, driven by growth in the e-commerce fulfillment business. Operating income declined 16.0% year-over-year to \$6.6 million in the third quarter of 2020 due to customer and product mix for the quarter. Fleet segment Adjusted EBITDA decreased 15.0% year-over-year in the third quarter 2020 to \$9.0 million.

FEDERAL & DEFENSE

Logistics & Sustainment Services

VSE's **Federal & Defense** segment provides aftermarket MRO and logistics services to improve operational readiness and to extend the life cycle of military vehicles, ships and aircraft for the U.S. Armed Forces, federal agencies and international defense customers. Core services include base operations support, procurement, supply chain management, vehicle, maritime and aircraft sustainment services, IT services and energy consulting.

Federal & Defense segment revenue declined 21.7% year-over-year to \$65.6 million in the third quarter of 2020 primarily due to the completion of a DoD program during the first quarter 2020. Operating income increased 49.1% year-over-year to \$6.7 million in the third quarter. Federal & Defense segment Adjusted EBITDA increased 40.6% year-over-year to \$7.4 million in the third quarter.

Federal & Defense segment third quarter bookings increased 23.9% year-over-year to \$83 million. Funded backlog declined 29.8% year-over-year to \$177 million. The decline in funded backlog was attributable to the expiration of a

contract in the first quarter 2020 and the delay of new business awards. The Company continues to be focused on revitalizing this business, with an emphasis on growing backlog and developing a channel of new customer activity.

FINANCIAL RESOURCES AND LIQUIDITY

As of September 30, 2020, the Company had \$190 million in cash and unused commitment availability under its \$350 million revolving credit facility maturing in 2023. The Company's existing credit facility includes a \$100 million accordion provision, subject to customary lender commitment approvals. As of September 30, 2020, VSE had total net debt outstanding of \$250 million and \$81 million of trailing-twelve months Adjusted EBITDA.

CONFERENCE CALL

A conference call will be held Thursday, October 29, 2020 at 8:30 A.M. ET 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
Audio Webcast: <http://public.viavid.com/index.php?id=141402>

To listen to a replay of the teleconference through November 12, 2020:

Domestic Replay: (844) 512-2921
International Replay: (412) 317-6671
Replay PIN Number: 13709168

THIRD QUARTER RESULTS

(in thousands, except per share data)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues	\$ 165,505	\$ 198,326	(16.5)%	\$ 511,638	\$ 557,356	(8.2)%
Operating income	\$ 14,185	\$ 17,215	(17.6)%	\$ 2,009	\$ 45,444	(95.6)%
Net income (loss)	\$ 8,108	\$ 10,527	(23.0)%	\$ (11,184)	\$ 27,028	(141.4)%
EPS (Diluted)	\$ 0.73	\$ 0.95	(23.2)%	\$ (1.01)	\$ 2.45	(141.2)%

THIRD QUARTER SEGMENT RESULTS

The following is a summary of revenues and operating income (loss) for the three and nine months ended September 30, 2020 and September 30, 2019:

(in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Revenues:						
Aviation	\$ 36,218	\$ 59,186	(38.8)%	\$ 126,519	\$ 163,553	(22.6)%
Fleet	63,719	55,369	15.1 %	188,145	160,878	16.9 %
Federal & Defense	65,568	83,771	(21.7)%	196,974	232,925	(15.4)%
Total Revenues	\$ 165,505	\$ 198,326	(16.5)%	\$ 511,638	\$ 557,356	(8.2)%
Operating Income (Loss):						
Aviation	\$ 1,586	\$ 6,568	(75.9)%	\$ (34,680)	\$ 14,820	(334.0)%
Fleet	6,589	7,843	(16.0)%	20,509	22,388	(8.4)%
Federal & Defense	6,746	4,524	49.1 %	18,441	12,968	42.2 %
Corporate/unallocated expenses	(736)	(1,720)	(57.2)%	(2,261)	(4,732)	(52.2)%
Operating Income	\$ 14,185	\$ 17,215	(17.6)%	\$ 2,009	\$ 45,444	(95.6)%

The Company reported \$1.1 million and \$3.0 million of total capital expenditures for three and nine months ended September 30, 2020, respectively.

NON-GAAP MEASURES

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), this earnings release also contains Non-GAAP financial measures. The reasons why we believe these measures provide useful information to investors and a reconciliation of these measures to the most directly comparable GAAP measures and other information relating to these Non-GAAP measures are included in the supplemental schedules attached.

NON-GAAP FINANCIAL INFORMATION

Reconciliation of Adjusted Net Income and Adjusted EPS to Net Income (Loss)

(in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 8,108	\$ 10,527	(23.0)%	\$ (11,184)	\$ 27,028	(141.4)%
Adjustments to Net Income (Loss):						
Acquisition and CEO Transition Costs	—	518	— %	—	2,290	— %
Earn-out adjustment	(1,695)	—	— %	(3,095)	—	— %
Loss on sale of a business entity and certain assets	—	—	— %	8,214	—	— %
Gain on sale of property	—	—	—	(1,108)	—	— %
Severance	—	—	— %	739	—	— %
Goodwill and intangible impairment	—	—	— %	33,734	—	— %
	6,413	11,045	(41.9)%	27,300	29,318	(6.9)%
Tax impact of adjusted items	423	(126)	— %	(4,043)	(533)	— %
Adjusted Net Income	\$ 6,836	\$ 10,919	(37.4)%	\$ 23,257	\$ 28,785	(19.2)%
Weighted Average Dilutive Shares	11,100	11,060	— %	11,028	11,036	— %
Adjusted EPS (Diluted)	\$ 0.62	\$ 0.99	(37.4)%	\$ 2.11	\$ 2.61	(19.2)%

Reconciliation of Consolidated EBITDA and Adjusted EBITDA to Net Income (Loss)

(in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 8,108	\$ 10,527	(23.0)%	\$ (11,184)	\$ 27,028	(141.4)%
Interest Expense	3,530	3,706	(4.7)%	10,088	10,262	(1.7)%
Income Taxes	2,547	2,982	(14.6)%	3,105	8,154	(61.9)%
Amortization of Intangible Assets	4,158	5,014	(17.1)%	13,345	14,985	(10.9)%
Depreciation and Other Amortization	1,351	1,739	(22.3)%	4,103	5,637	(27.2)%
EBITDA	19,694	23,968	(17.8)%	19,457	66,066	(70.5)%
Acquisition and CEO transition costs	—	518	— %	—	2,290	— %
Earn-out adjustment	(1,695)	—	— %	(3,095)	—	— %
Loss on sale of a business entity and certain assets	—	—	— %	8,214	—	— %
Gain on sale of property	—	—	— %	(1,108)	—	— %
Severance	—	—	— %	739	—	— %
Goodwill and intangible impairment	—	—	— %	33,734	—	— %
Adjusted EBITDA	\$ 17,999	\$ 24,486	(26.5)%	\$ 57,941	\$ 68,356	(15.2)%

Reconciliation of Segment EBITDA and Adjusted EBITDA to Operating Income (Loss)

(in thousands)

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Aviation						
Operating Income (Loss)	\$ 1,586	\$ 6,568	(75.9)%	\$ (34,680)	\$ 14,820	(334.0)%
Depreciation and Amortization	2,493	3,314	(24.8)%	8,031	9,733	(17.5)%
EBITDA	4,079	9,882	(58.7)%	(26,649)	24,553	(208.5)%
Earn-out adjustment	(1,695)	—	— %	(3,095)	—	— %
Loss on sale of a business entity and certain assets	—	—	— %	8,214	—	— %
Gain on sale of property	—	—	— %	(1,108)	—	— %
Severance	—	—	— %	382	—	— %
Goodwill and intangible asset impairment	—	—	— %	33,734	—	— %
Adjusted EBITDA	\$ 2,384	\$ 9,882	(75.9)%	\$ 11,478	\$ 24,553	(53.3)%
Fleet						
Operating Income	\$ 6,589	\$ 7,843	(16.0)%	\$ 20,509	\$ 22,388	(8.4)%
Depreciation and Amortization	2,378	2,711	(12.3)%	7,622	8,266	(7.8)%
EBITDA and Adjusted EBITDA	\$ 8,967	\$ 10,554	(15.0)%	\$ 28,131	\$ 30,654	(8.2)%
Federal & Defense						
Operating Income	\$ 6,746	\$ 4,524	49.1 %	\$ 18,441	\$ 12,968	42.2 %
Depreciation and Amortization	638	728	(12.4)%	2,026	2,356	(14.0)%
EBITDA	\$ 7,384	\$ 5,252	40.6 %	\$ 20,467	\$ 15,324	33.6 %
Severance	—	—	— %	112	—	— %
Adjusted EBITDA	\$ 7,384	\$ 5,252	40.6 %	\$ 20,579	\$ 15,324	34.3 %

The non-GAAP Financial Information set forth in this document is not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") under SEC Regulation G. We consider Adjusted Net Income, Adjusted EPS (Diluted), EBITDA, Adjusted EBITDA, trailing-twelve months Adjusted EBITDA and free cash flow as non-GAAP financial measures and important indicators of performance and useful metrics for management and investors to evaluate our business' ongoing operating performance on a consistent basis across reporting periods. These non-GAAP financial measures, however, should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP. Adjusted Net Income represents Net Income adjusted for executive succession costs, 1st Choice Aerospace acquisition-related costs including any earn-out adjustments, loss on sale of a business entity and certain assets, gain on sale of property, and related tax impact. Adjusted EPS (Diluted) is computed by dividing net income, adjusted for the discrete items as identified above and the related tax impacts, by the diluted weighted average number of common shares outstanding. 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 discrete items as identified above, and trailing-twelve months Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period ending September 30, 2020. Free cash flow represents operating cash flow less capital expenditures.

ABOUT VSE CORPORATION

VSE is a leading provider of aftermarket distribution and repair services for land, sea and air transportation assets for government and commercial markets. Core services include maintenance, repair and overhaul (MRO) services, parts distribution, supply chain management and logistics, engineering support, and consulting and training services for global commercial, federal, military and defense customers. VSE also provides information technology and energy consulting services. For additional information regarding VSE's services and products, visit us at www.vsecorp.com.

Please refer to the Form 10-Q that will be filed with the Securities and Exchange Commission (SEC) on or about September 30, 2020 for more details on our third quarter 2020 results. Also, refer to VSE's Annual Report on Form 10-K for the year ended December 31, 2019 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.

FORWARD LOOKING STATEMENTS

This document 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 document. 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 (the "SEC") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, the impact of widespread health developments, such as the ongoing COVID-19 outbreak, the health and economic impact thereof, and the governmental, commercial, consumer and other responses thereto, 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, the uncertainty surrounding the ongoing COVID-19 outbreak and the other factors identified in our reports filed or expected to be filed with the SEC 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. Readers are cautioned not to place undue reliance on these forward looking-statements, which reflect management's analysis only as of the date hereof. 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

Noel Ryan
(720) 778-2415
investors@vsecorp.com

VSE Corporation and Subsidiaries
Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 551	\$ 734
Receivables, net	59,135	70,630
Unbilled receivables, net	26,953	46,279
Inventories, net	230,816	218,627
Other current assets	24,874	19,071
Total current assets	342,329	355,341
Property and equipment, net	36,264	43,465
Intangible assets, net	107,754	132,175
Goodwill	238,126	276,450
Operating lease right-of-use asset	21,399	20,943
Other assets	24,759	17,490
Total assets	\$ 770,631	\$ 845,864
Liabilities and Stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 19,441	\$ 16,883
Accounts payable	63,011	68,099
Current portion of earn-out obligation	1,905	31,700
Accrued expenses and other current liabilities	48,746	46,514
Dividends payable	994	987
Total current liabilities	134,097	164,183
Long-term debt, less current portion	230,580	253,128
Deferred compensation	18,905	18,146
Long-term operating lease obligations	24,136	24,441
Earn-out obligation, less current portion	—	5,000
Deferred tax liabilities	12,456	17,865
Total liabilities	420,174	482,763
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 11,043,246 and 10,970,123, respectively	552	549
Additional paid-in capital	31,494	29,411
Retained earnings	320,080	334,246
Accumulated other comprehensive loss	(1,669)	(1,105)
Total stockholders' equity	350,457	363,101
Total liabilities and stockholders' equity	\$ 770,631	\$ 845,864

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Income (Loss)

(in thousands except share and per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Revenues:				
Products	\$ 80,942	\$ 79,467	\$ 243,031	\$ 230,167
Services	84,563	118,859	268,607	327,189
Total revenues	165,505	198,326	511,638	557,356
Costs and operating expenses:				
Products	72,526	67,675	214,575	195,788
Services	73,751	107,881	238,441	298,228
Selling, general and administrative expenses	885	541	2,428	2,911
Amortization of intangible assets	4,158	5,014	13,345	14,985
Total costs and operating expenses	151,320	181,111	468,789	511,912
	14,185	17,215	42,849	45,444
Loss on sale of a business entity and certain assets	—	—	(8,214)	—
Gain on sale of property	—	—	1,108	—
Goodwill and intangible asset impairment	—	—	(33,734)	—
Operating income	14,185	17,215	2,009	45,444
Interest expense, net	3,530	3,706	10,088	10,262
Income (loss) before income taxes	10,655	13,509	(8,079)	35,182
Provision for income taxes	2,547	2,982	3,105	8,154
Net income (loss)	\$ 8,108	\$ 10,527	\$ (11,184)	\$ 27,028
Basic earnings (loss) per share	\$ 0.73	\$ 0.96	\$ (1.01)	\$ 2.47
Basic weighted average shares outstanding	11,043,246	10,970,123	11,028,283	10,953,581
Diluted earnings (loss) per share	\$ 0.73	\$ 0.95	\$ (1.01)	\$ 2.45
Diluted weighted average shares outstanding	11,100,356	11,060,081	11,028,283	11,035,951
Dividends declared per share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.26

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	For the nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss) income	\$ (11,184)	\$ 27,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,213	20,622
Deferred taxes	(2,089)	(1,230)
Stock-based compensation	1,723	2,592
Loss on sale of a business entity and certain assets	8,214	—
Gain on sale of property and equipment	(928)	—
Goodwill and intangible asset impairment	33,734	—
Earn-out obligation fair value adjustment	(3,094)	—
Changes in operating assets and liabilities, net of impact of acquisitions:		
Receivables	4,068	(2,380)
Unbilled receivables	15,099	(12,896)
Inventories	(27,566)	(29,540)
Other current assets and noncurrent assets	(2,119)	(481)
Accounts payable and deferred compensation	(3,290)	11,793
Accrued expenses and other current and noncurrent liabilities	4,454	1,931
Net cash provided by operating activities	35,235	17,439
Cash flows from investing activities:		
Purchases of property and equipment	(2,956)	(7,689)
Proceeds from the sale of property and equipment	2,847	4
Proceeds from the sale of a business entity and certain assets	20,753	—
Cash paid for acquisitions, net of cash acquired	—	(112,660)
Net cash provided by (used in) investing activities	20,644	(120,345)
Cash flows from financing activities:		
Borrowings on loan agreement	340,679	382,501
Repayments on loan agreement	(360,794)	(274,969)
Earn-out obligation payments	(31,701)	—
Payment of debt financing costs	(636)	—
Payments of taxes for equity transactions	(635)	(955)
Dividends paid	(2,975)	(2,738)
Net cash (used in) provided by financing activities	(56,062)	103,839
Net (decrease) increase in cash and cash equivalents	(183)	933
Cash and cash equivalents at beginning of period	734	162
Cash and cash equivalents at end of period	\$ 551	\$ 1,095



VSEC Third Quarter 2020 Conference Call

29 October 2020

Forward-Looking Statements

This document 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 document. 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 (the "SEC") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, the impact of widespread health developments, such as the ongoing COVID-19 outbreak, the health and economic impact thereof, and the governmental, commercial, consumer and other responses thereto, 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, the uncertainty surrounding the ongoing COVID-19 outbreak and the other factors identified in our reports filed or expected to be filed with the SEC 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. Readers are cautioned not to place undue reliance on these forward looking-statements, which reflect management's analysis only as of the date hereof. 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.

Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), this document also contains Non-GAAP financial measures. We consider Adjusted Net Income, Adjusted EPS (Diluted), EBITDA, Adjusted EBITDA, net leverage ratio, trailing-twelve month Adjusted EBITDA and free cash flow as non-GAAP financial measures and important indicators of performance and useful metrics for management and investors to evaluate our business's ongoing operating performance on a consistent basis across reporting periods. Adjusted Net Income represents Net Income adjusted for discrete items. Adjusted EPS (Diluted) is computed by dividing net income, adjusted for the discrete items and the related tax impacts, by the diluted weighted average number of common shares outstanding. EBITDA represents net income before interest expense, income taxes, amortization of intangible assets and depreciation and other amortization. Adjusted EBITDA represents EBITDA adjusted for discrete items, and free cash flow represents operating cash flow less capital expenditures. Net leverage ratio is calculated as net debt (total principal debt less cash) divided by trailing twelve month Adjusted EBITDA. The reasons why we believe these measures provide useful information to investors and a reconciliation of these measures to the most directly comparable GAAP measures and other information relating to these Non-GAAP measures are included in the supplemental schedules attached.

BUSINESS UPDATE

Focused on business improvement, new business development and long-term strategy execution



ORGANIC GROWTH			INORGANIC GROWTH
Business Development	Product Line Expansion	Change Management	Acquisition Focus
<ul style="list-style-type: none"> ▪ Aviation: \$100 million, 5-year exclusive distribution agreement with major landing gear components manufacturer ▪ Federal & Defense: Contract bidding activity +46% y/y YTD 2020; won recompetes YTD 2020, in addition to new contract awards ▪ Fleet: Non-USPS revenue increased +54% y/y in 3Q20 and +48% on a TTM basis 	<ul style="list-style-type: none"> ▪ Aviation: Launched Landing Gear Initiative: <ol style="list-style-type: none"> (1) Comprehensive landing gear solution suite for global airline and MRO customers; (2) Parts distribution of proprietary and specialty products; (3) Services include: gear sales, exchanges, repair management, kitting, 24/7 AOG service 	<ul style="list-style-type: none"> ▪ Incoming CFO: Announced Steve Griffin as Chief Financial Officer successor (Q4 2020) ▪ New Segment President: Appointed Ben Thomas as President of Aviation segment ▪ Aviation MRO system integration/migration and corporate standardization, system integrations and entity consolidations in process ▪ COVID-related cost reductions complete (announced April 2020) 	<ul style="list-style-type: none"> ▪ Launched initiative seeking accretive, net leverage-neutral acquisition targets ▪ Targeting “bolt-on” integration of complementary assets into existing business segment structure ▪ Current focus on aviation and federal services, with concentration on capabilities and/or customer expansion

3Q20 CONSOLIDATED PERFORMANCE



Generated positive net income and free cash flow, while reducing debt outstanding

Sequential Revenue Growth

- **\$165.5 million (16.5% y/y)**; excluding Prime Turbines and CT Aerospace (12.0% y/y)
- **Q/Q revenue growth** across all three segments in 3Q20, excluding non-recurring items
- **Commercial customer revenue** of \$49 million (22% y/y); Government customer revenue of \$116.5 million (14% y/y)

Sustained Profitability

- **GAAP net income** of \$8.1 million, or \$0.73 per diluted share
- **Adjusted net income** of \$6.8 million, or \$0.62, per diluted share

Positive Free Cash Flow

- **Operating cash flow** of \$12.4 million (7.4% y/y); free cash flow of \$11.3 million (6.3% y/y); TTM 3Q20 free cash flow of \$30.9 million
- **Total adjusted EBITDA** of \$18.0 million (26.5% y/y); Aviation: \$2.4 (75.9% y/y); Fleet: \$9.0 million (15.0% y/y); FDS: \$7.4 million, +40.6% y/y

Targeted Debt Reduction

- **Total cash and availability** +3.3% q/q to \$190.0 million
- **Reduced total debt outstanding** by \$10.4 million q/q in 3Q20
- **Net debt to TTM adjusted EBITDA** as of 9/30/2020 was 3.1x

GAAP FINANCIAL SUMMARY

3Q20 and TTM⁽¹⁾ – Y/Y comparisons



- Y/Y revenue growth in Fleet offset by declines in Aviation and Federal & Defense

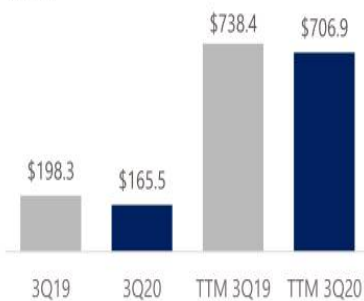
- Q/Q growth across all segments, less non-recurring items: Aviation +16.1%, Fleet +9.5%, Federal & Defense +1%

- TTM 3Q20 results include \$33.7 million non-cash impairment taken in Aviation segment in 2Q20

- Maintained profitability during a period of pandemic-related disruption

Total Revenue

(\$MM)



Operating Income (Loss)⁽²⁾

(\$MM)



Net Income (Loss)⁽²⁾

(\$MM)



Diluted Earnings (Loss) Per Share⁽²⁾

(\$ Per Share)



(1) TTM is defined as the trailing twelve (12) month period ended September 30, 2020 and September 30, 2019, respectively.

(2) Includes \$33.7 million non-cash impairment within the Aviation segment during the second quarter 2020.

NON-GAAP FINANCIAL SUMMARY

3Q20 and TTM – Y/Y comparisons



- Adjusted net income (38%) y/y in 3Q20; (9%) on a TTM 3Q20 basis

- Adjusted EBITDA (27%) y/y in 3Q20 and (8%) on a TTM 3Q20 basis

- Adjusted EBITDA margin growth in Federal & Defense offset by margin contraction in both Aviation and Fleet

- 3Q20 adjusted net income results exclude \$1.3 million of non-recurring tax adjusted impact from the 1st Choice Aerospace earnout

Adjusted Net Income

(\$MM)



Adjusted Diluted Earnings Per Share

(\$ Per Share)



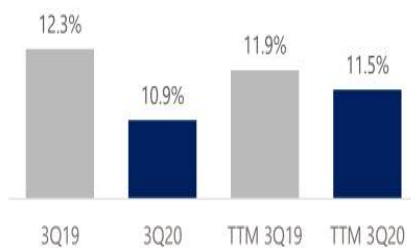
Adjusted EBITDA

(\$MM)



Adjusted EBITDA Margin

(%)



CONSOLIDATED PERFORMANCE BRIDGE

3Q19 vs. 3Q20 – Y/Y comparisons



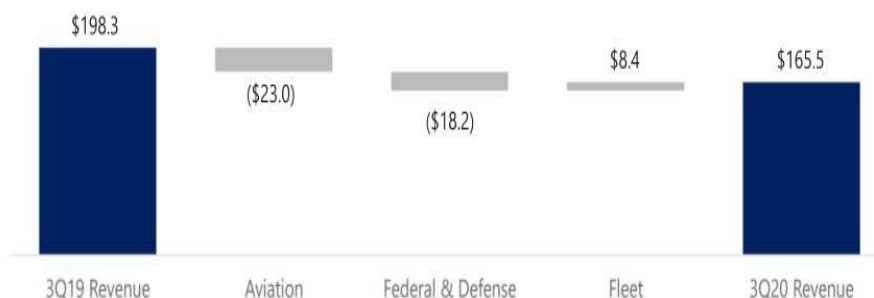
- **Aviation:** Y/Y revenue decline attributable to the adverse impact of the COVID-19 pandemic on commercial air traffic, resulting in lower customer activity

- **Federal & Defense:** Y/Y revenue decline attributable to previously disclosed contract expiration with DoD customer in 1Q20

- **Fleet:** Y/Y revenue growth supported by higher sales from commercial fleet, eCommerce fulfillment and completion of non-recurring PPE order

Total Revenue Bridge

(\$MM)



Total Adjusted EBITDA Bridge

(\$MM)



AVIATION



Revenue declined due to COVID impact on air travel, but increased +16% q/q

- **Strategic Focus:** Build scalable foundation for growth; target share gains; new product and service introductions

- **Sequential Growth:** 3Q20 revenue, less divestitures, increased 16% q/q due to share gains in distribution business & recovery in B&GA

- **Business Development:** Announced \$20 million distribution agreement w/ Honeywell in July; \$100 million landing gear distribution agreement with major OEM in October

- **New Leadership:** Ben Thomas named new President of Aviation segment in October 2020

Aviation Segment Revenue

(\$MM)



Aviation Segment Operating Income (Loss)

(\$MM)



Aviation Segment Adjusted EBITDA

(\$MM)



Aviation Segment Adjusted EBITDA Margin

(%)



FLEET



107% y/y growth in commercial (eCommerce fulfillment) offset lower USPS revenue in Q3

- **Strategic Focus:** Commercial fleet and e-commerce fulfillment market expansion opportunity

- **Shifting Sales Mix:** Increased mix of lower margin commercial revenue

- **Non-USPS Revenue Growth:** Increased ~54% y/y, supported by commercial fleet and other government customers

- **Rebranding Initiative:** Wheeler Bros. rebranded to Wheeler Fleet Solutions – repositioned for commercial fleet market

Fleet Segment Revenue

(\$MM)/(1)



Fleet Segment Adjusted EBITDA

(\$MM)/(1)



Fleet Segment Operating Income

(\$MM)/(1)



Fleet Segment Adjusted EBITDA Margin

(%)(1)



(1) Excludes non-recurring impact of PPE equipment order from a government customer; excludes revenue and corporate allocation impact.

FEDERAL & DEFENSE



Y/Y improvement in both margin realization and Adjusted EBITDA in 3Q20

- **Strategic Focus:** Expand market focus; increase bidding activity; grow funded backlog; build pipeline of new contract awards and successful recompetes

- **Increased Bidding Activity:** Nine months ended 2020, total contracts bids increased 46% y/y

- **Margin Expansion:** Favorable contract mix supported 500 bps expansion in adjusted EBITDA margin

Federal & Defense Segment Revenue



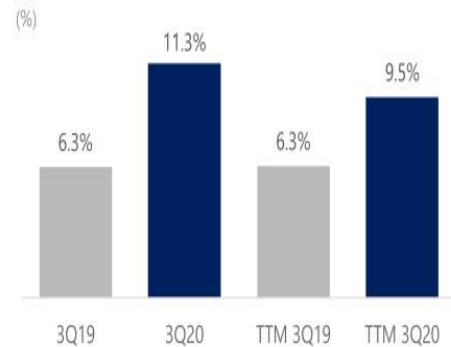
Federal & Defense Segment Operating Income



Federal & Defense Segment Adjusted EBITDA



Federal & Defense Segment Adjusted EBITDA Margin



MAINTAINING BALANCE SHEET OPTIONALITY



Second consecutive quarter of debt reduction; ~\$190 million of excess availability on lending facilities

- **Strategic Focus:** Long term target to reduce net leverage to below 3x; ROIC-driven capital allocation strategy

- **Free Cash Flow:** Despite lower revenue base, free cash flow declined only marginally on a y/y basis in 3Q20

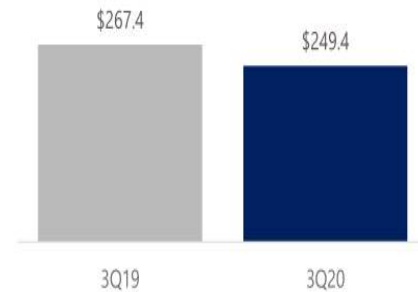
- **Debt Reduction:** Reduced total outstanding debt by \$10.4 million in 3Q20, driven by positive free cash flow generation

- **Strong liquidity profile:** Total availability on lending facilities increased \$87 million y/y to approximately \$190 million

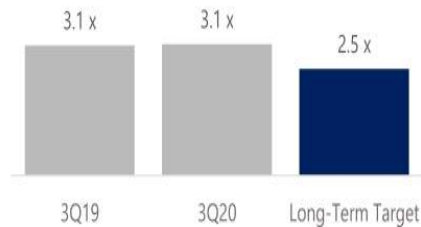
Free Cash Flow
(\$ MM)



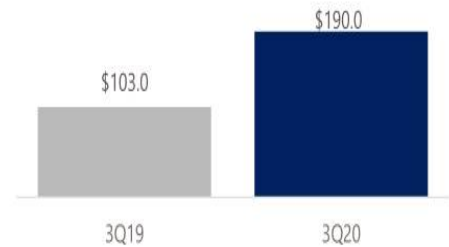
Total Net Debt
(\$ MM)



Ratio of Net Debt to TTM Adjusted EBITDA⁽¹⁾



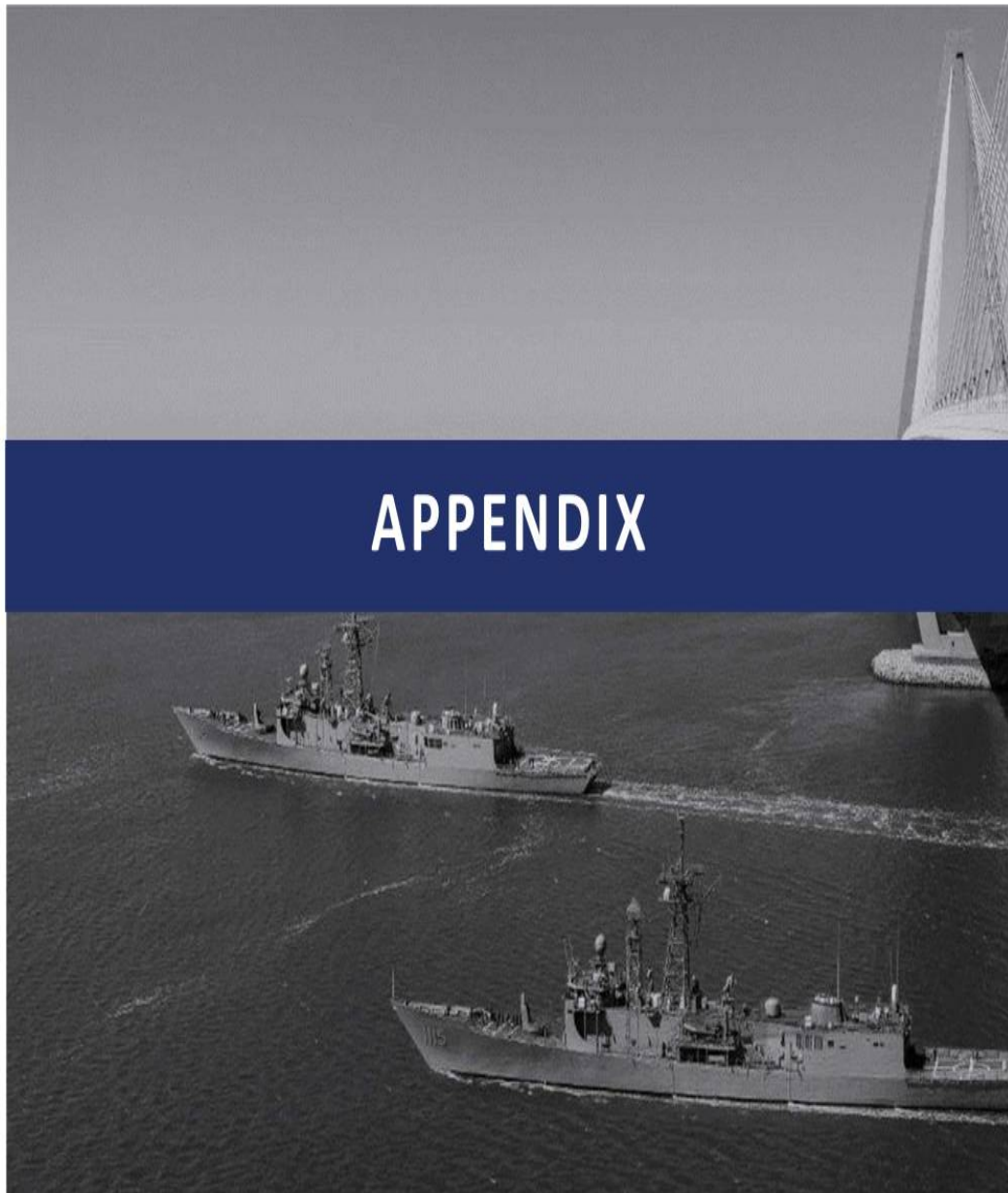
Unused Commitments on Term Loan and Revolving Credit Facility (\$ MM)



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



APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)



(in thousands)

	Three Months Ended September 30,		
	2020	2019	% Change
Net Income	\$8,108	\$10,527	(23)%
Adjustments to Net Income:			
Acquisition and CEO transition costs	—	518	
Earn-out adjustment	(1,695)	—	
Tax impact of adjusted items ⁽¹⁾	423	(126)	
Adjusted Net Income	\$6,836	\$10,919	(37)%
Diluted weighted average shares	11,100	11,060	
Adjusted EPS (Diluted)	\$0.62	\$0.99	(37)%

(1) Calculation uses an estimated statutory tax rate on non-GAAP tax deductible adjustments.

GAAP TO NON-GAAP RECONCILIATIONS

EBITDA and Adjusted EBITDA



(in thousands)

	Three Months Ended September 30,		
	2020	2019	% Change
Net Income	\$8,108	\$10,527	(23)%
Interest expense	3,530	3,706	(5)%
Income taxes	2,547	2,982	(15)%
Amortization of intangible assets	4,158	5,014	(17)%
Depreciation and other amortization	1,351	1,739	(22)%
EBITDA	\$19,694	\$23,968	(18)%
Acquisition and CEO transition costs	—	518	
Earn-out adjustment	(1,695)	—	
Adjusted EBITDA	\$17,999	\$24,486	(27)%

GAAP TO NON-GAAP RECONCILIATIONS



Segment EBITDA and Adjusted EBITDA (in thousands)

	Three Months Ended September 30,		
	2020	2019	% Change
<u>Aviation:</u>			
Operating Income	\$1,586	\$6,568	(76)%
Depreciation and Amortization	2,493	3,314	(25)%
EBITDA	\$4,079	\$9,882	(59)%
Earn-out adjustment	(1,695)	—	
Adjusted EBITDA	\$2,384	\$9,882	(76)%
<u>Fleet:</u>			
Operating Income	\$6,589	\$7,843	(16)%
Depreciation and Amortization	2,378	2,711	(12)%
EBITDA and Adjusted EBITDA	\$8,967	\$10,554	(15)%
<u>Federal & Defense:</u>			
Operating Income	\$6,746	\$4,524	49%
Depreciation and Amortization	638	728	(12)%
EBITDA and Adjusted EBITDA	\$7,384	\$5,252	41%

GAAP TO NON-GAAP RECONCILIATIONS

Net Leverage Ratio



<i>(in thousands)</i>	September 30,	
	2020	2019
Principal amount of debt	\$252,685	\$270,266
Less: Debt issuance costs	(2,664)	(1,735)
Less: Cash and cash equivalents	(551)	(1,095)
Net Debt	\$249,470	\$267,436
TTM Adjusted EBITDA⁽¹⁾	\$81,036	\$87,690
Net Leverage Ratio	3.1x	3.1x

⁽¹⁾ TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period ending September 30, 2020 and September 30, 2019, respectively.



CORPORATE OVERVIEW

CORPORATE PROFILE

Pure-Play Aftermarket & MRO Services Company



DIVERSIFIED REVENUE MIX



AVIATION

Distribution & MRO Services

- » **Aftermarket** repair and distribution services to commercial, cargo, general aviation, military/defense and rotorcraft customers globally
- » Supply chain and parts distribution
- » Maintenance, repair and overhaul (MRO) services
- » Component and engine accessory maintenance
- » Rotable exchanges and sales



FLEET

Distribution & Fleet Services

- » **Aftermarket** support, parts supply, inventory management, e-commerce fulfillment for medium- and heavy-duty truck/fleet owners
- » Customized fleet logistics
- » Parts distribution and warehousing
- » Just-in-Time supply chain management
- » Kitting; alternative product sourcing
- » Engineering and technical support



FEDERAL & DEFENSE

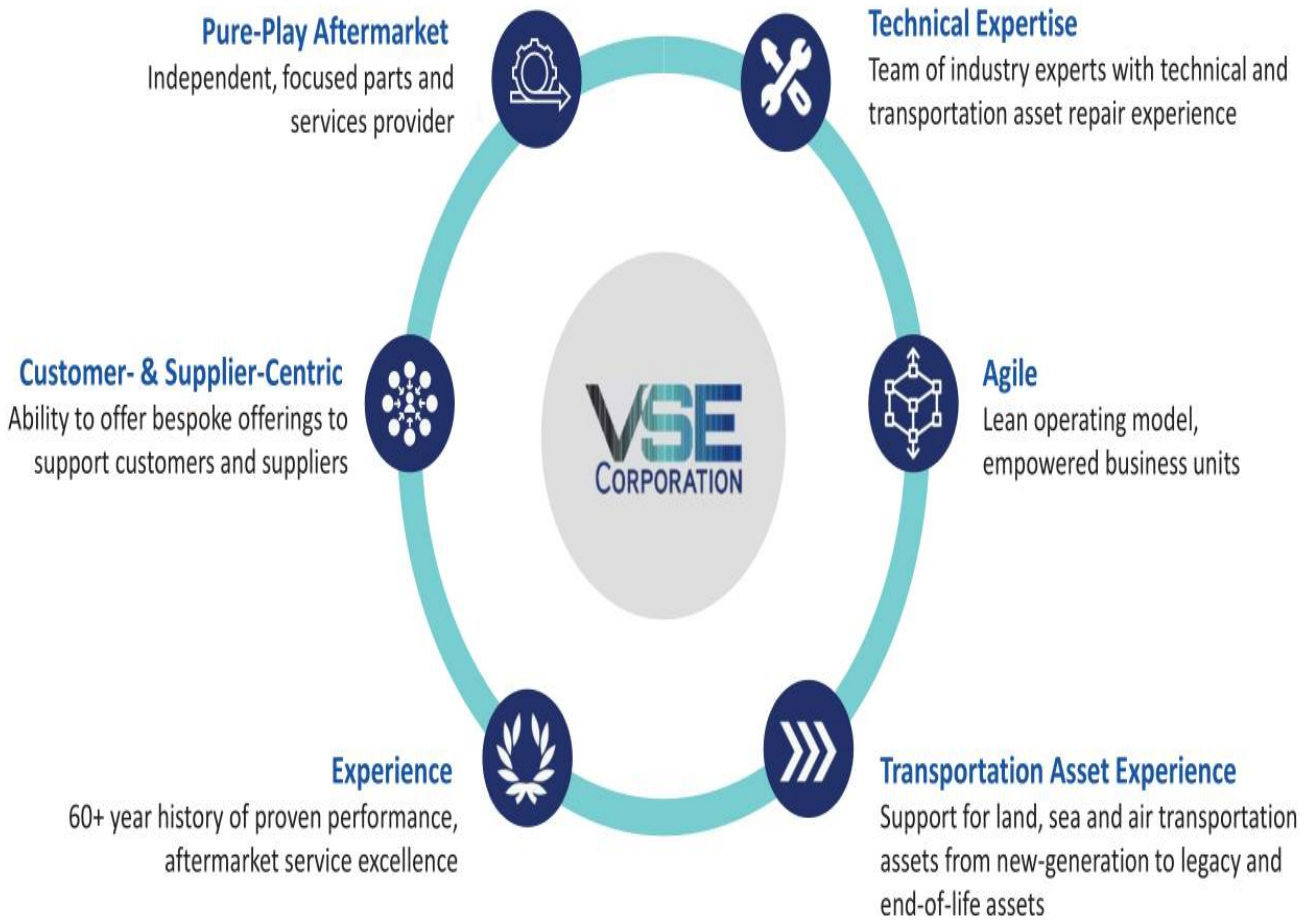
Logistics & Sustainment Services

- » **Aftermarket** maintenance, repair and overhaul (MRO) and logistics for military vehicles, ships and aircraft for federal and defense agencies
- » Base operations support (BOS)
- » Procurement and supply chain management
- » Aircraft, vehicle and marine sustainment services
- » IT services and energy consulting

100% Aftermarket Services

STRATEGIC OVERVIEW

Our Unique Value Proposition



CORPORATE LEADERSHIP TEAM



- 20+ years of aerospace distribution and services market industry experience
- Appointed Chief Executive Officer and President of VSE Corporation April 2019
- Previously served as Vice President and General Manager of Boeing Distribution Services
- 40+ years of aerospace, federal/defense and supply chain distribution experience
- CFO of VSE Corporation since 2002; retiring Dec. 31, 2020
- Manages the financial and accounting operations for the consolidated corporation
- 17+ years of experience in business development, integration and aerospace consulting
- Joined VSE as Chief of Staff and Corporate Vice President of Strategy in 2019
- Leads strategic planning, growth and business development initiatives
- 15+ years of experience in Human Resources, Learning and Organizational Development
- Joined VSE as the Chief Human Resources Officer January 2020
- Previously served as Vice President, Human Resources at Boeing Distribution Services
- 25+ years of experience in the aerospace/defense industry
- Joined VSE as President of Federal & Defense Services in 2019
- Extensive leadership experience with DoD and Federal agencies providing Engineering, Logistics and Sustainment solutions
- 11+ years experience in the aerospace aftermarket distribution & services sectors
- Appointed President of VSE Aviation October 2020
- Previously managed aftermarket growth strategies for Boeing Global Services and KLX Aerospace Solutions
- 30+ years of supply chain industry experience
- President of Fleet segment/Wheeler since 2013
- Executive management of operations, government contract administration, supply chain initiatives and business development

INVESTMENT OPPORTUNITY

Diversified Aftermarket/MRO Play with Stable End-Market Exposure



Experience

60+ years of aftermarket experience and service excellence supporting 80% recompetete success rate on multi-year government contracts

Leadership

CEO from KLX-Boeing, public-company experienced growth leader; Chairman is former Commander-in-Chief, NORAD & U.S. Northern Command

Balance

Stable, balanced customer mix; ~60% government revenue balanced with ~40% higher-margin potential commercial customers

Agile

Entrepreneurial and decentralized organization aligned to support customers, suppliers and shareholders

Focused

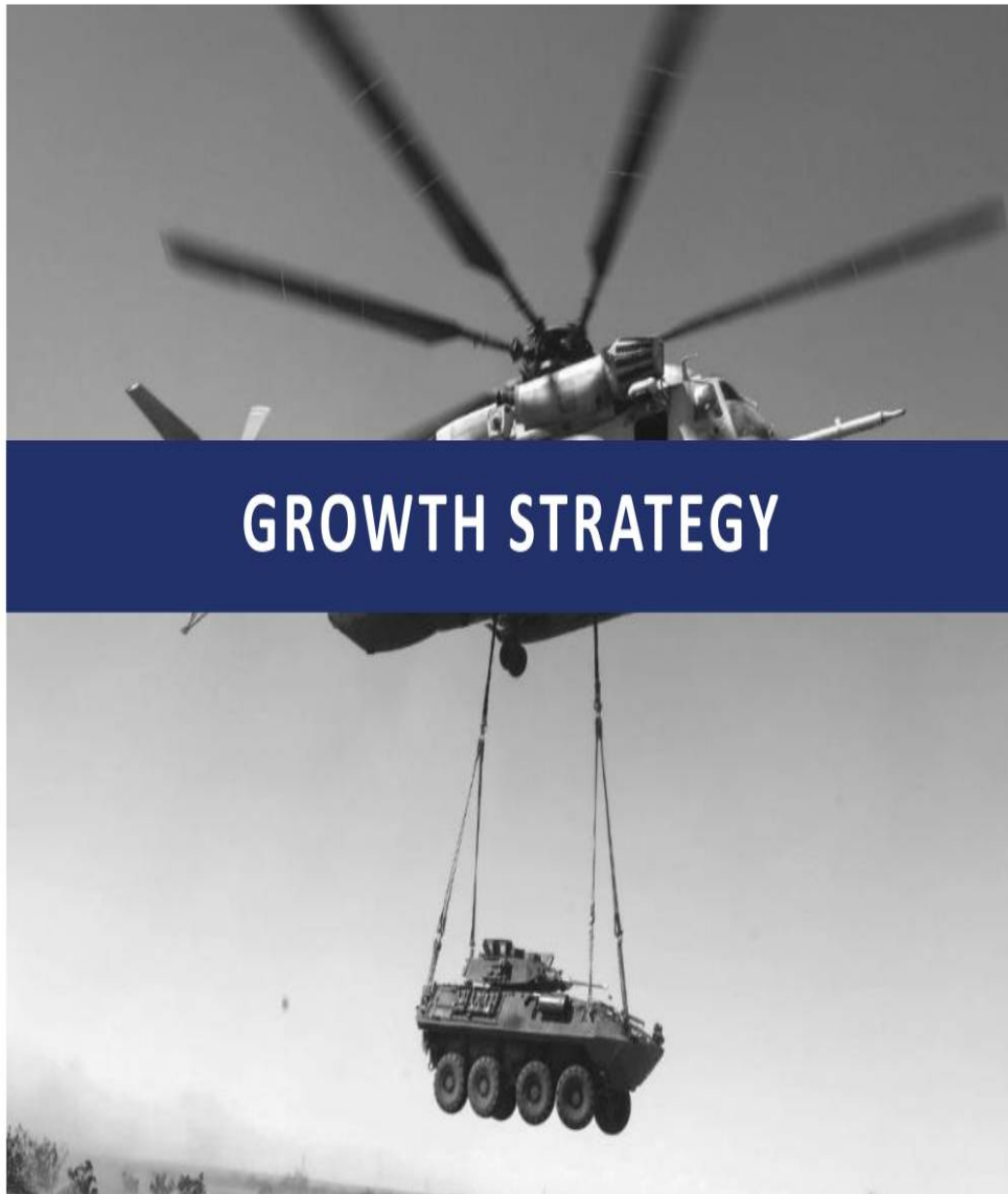
Shift toward leveraging core competencies to support customer, product and service organic growth opportunities

Well-Capitalized

Efficient capital structure and liquidity to support growth; targeting net leverage below 3x



GROWTH STRATEGY



STRATEGIC OVERVIEW

Roadmap for Growth



Organic Growth Factors

- Increase market penetration of new/existing accounts
- Geographic expansion outside North America
- Targeted growth of new product additions
- Expand repair, logistic and capability service offering
- Focus on select, higher margin offerings

Inorganic Growth Requirements

Focused, disciplined acquisition strategy targeting:

- Product, customer, service or geographic expansion
- Full integration into existing business segment
- Financially accretive approach and process
- Net leverage neutral acquisitions

| AVIATION SEGMENT OVERVIEW

AVIATION

Providing aftermarket MRO and distribution services to commercial, cargo, business and general aviation, military/defense and rotorcraft customers globally.

Offerings include:

1. Parts distribution and supply chain services
2. Component and engine accessory maintenance
3. Maintenance, repair and overhaul (MRO) services
4. Rotable exchanges and sales



Key Customers



AVIATION SEGMENT

>> MRO CAPABILITY DEVELOPMENT

New MRO offerings to support broadest range of aircraft components and engine accessory repair; specifically in fuel and hydraulics, engine components and accessories, interiors, auxiliary power units (APU), avionics

>> DISTRIBUTION PRODUCT EXPANSION

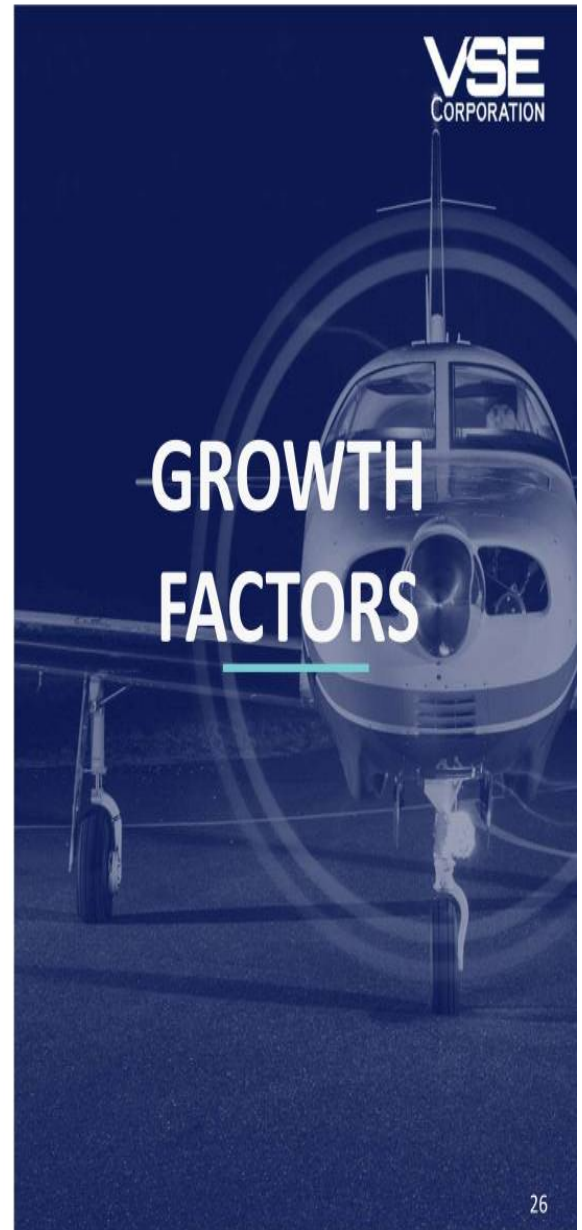
New proprietary OEM product additions to support aftermarket airframe, engine and interior platforms

>> INTERNATIONAL EXPANSION

Expansion in core aerospace markets for MRO and distribution

>> NEW CUSTOMERS

Market share gain for existing MRO and distribution capabilities with new Commercial and B&GA customers, and new market expansion into aerospace defense markets



| FLEET SEGMENT OVERVIEW

FLEET *(formerly Supply Chain Management Group)*

Providing parts, sourcing, inventory management, e-commerce fulfillment, logistics, supply chain management and other services to federal and commercial aftermarket truck and fleet owners.

Offerings include:

1. High-duty cycle, medium- and heavy-duty vehicle parts distribution
2. Just-in-Time supply chain management
3. Customized fleet logistics and IT solutions
4. Technical support, engineering, sourcing, warehousing and kitting



Key Customers



| FLEET SEGMENT

>> CUSTOMER DIVERSIFICATION

Expansion of commercial customer base to support new medium to large, high-duty cycle fleet customers

>> SHARE OF WALLET EXPANSION

Product expansion to existing Just-in-Time clients

>> MAINTAIN THE CORE

Continue to support USPS fleet and DoD vehicle parts

>> PRODUCT EXPANSION

Addition of both new product offerings and growth in private label product

>> GEOGRAPHIC EXPANSION

Geographic expansion beyond Northeast United States



| FEDERAL & DEFENSE SEGMENT OVERVIEW

FEDERAL & DEFENSE *(formerly Federal Services Group)*

Providing aftermarket maintenance, repair and overhaul (MRO) and logistics services to improve operational readiness and the useful life of military vehicles, marine vessels and aircraft for the U.S. armed forces, federal agencies and international defense customers.

Offerings include:

1. Equipment maintenance, repair and overhaul services
2. Base operations support
3. Transportation and freight services
4. Logistics, procurement and supply chain support
5. Engineering and technical solutions
6. IT and Energy consulting services



Key Customers



FEDERAL & DEFENSE SEGMENT

>> INVESTMENT

Expand core business development and contracting solutions to increase share of budget with current and new customers

>> LEVERAGE CORE COMPETENCY

Expand base operations support for U.S. Air Force, U.S. Army and U.S Navy

>> MARKET EXPANSION

Increase military aviation services with product/supply chain and repair services; transition toward higher mix of fixed-price contracts

>> CAPABILITY DEVELOPMENT

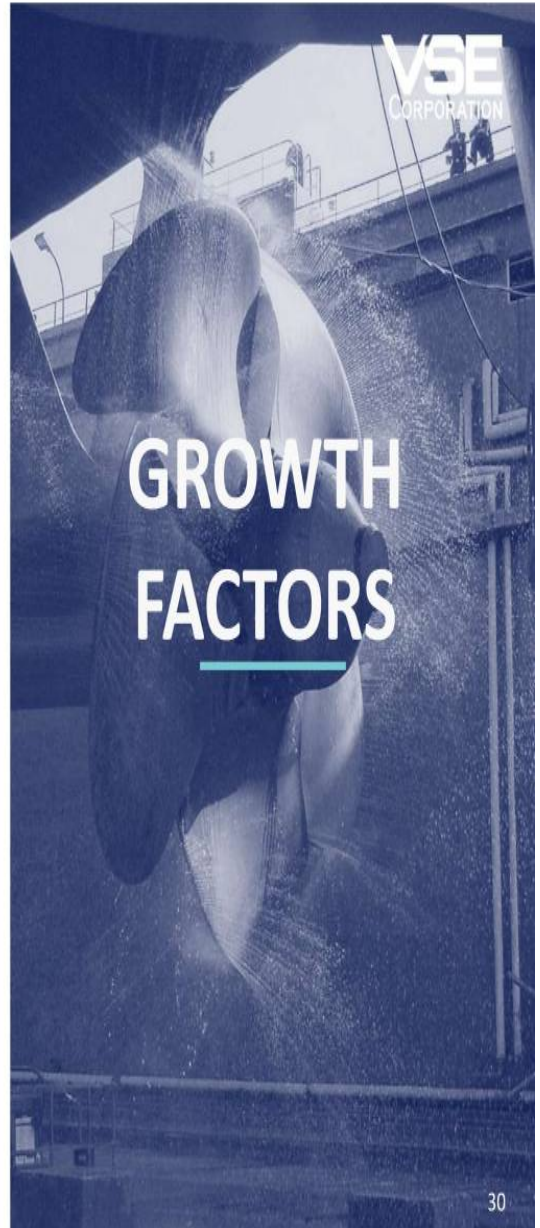
Broaden DoD logistics/supply chain offering to support market demand

>> INTERNATIONAL GROWTH

Utilize success in foreign markets to support foreign military sales opportunities

>> CONSULTING EXPANSION

IT and Energy consulting services growth



| AVIATION SEGMENT

>> INDEPENDENCE

Niche single-source aftermarket focus with only repair and distribution capabilities

>> AGILITY

Organization structure provides rapid response, reliable support and bespoke support for customers and OEM supplier partners

>> TECHNICAL EXPERTISE

Distribution and MRO product knowledge to support OEM product lines with application focus and repair with in-house testing and technical expertise

>> INVENTORY & PLANNING

Right-sized inventory forecasting model to capture unplanned aftermarket demand for parts supply, rotables and repair



FLEET SEGMENT

>> UNIQUE MARKET OFFERING

Stocking Distributor + Technology Solutions + Consigned Parts Provider

>> NICHE CUSTOMER FOCUS

Medium to large, high-duty cycle, delivery and vocational fleets;
500,000 stocking SKUs and 700+ manufacturers represented

>> PROPRIETARY INVENTORY MANAGEMENT

Just-in-Time inventory and fleet management software and systems

>> TECHNICAL CAPABILITIES

Reverse engineering, design analysis, rapid prototyping, short-run
production and in-house testing

>> PRIVATE LABEL PARTS

Customized engineered solutions, alternatives for out of service
product, and quality sourced at tier one level



FEDERAL & DEFENSE SEGMENT

>> PAST PERFORMANCE

60+ year history of program execution and past performance across all land, sea and air transportation platforms

>> INDUSTRY EXPERTISE

Technical, subject matter-experienced team with extensive repair knowledge to support difficult-to-maintain assets

>> LEGACY ASSET SPECIALIST

Product sourcing, supply chain and logistics for legacy and end of lifecycle assets

>> EXTENSIVE CAPABILITIES

Diverse capability offering to support programs from base operations support to supply chain and repair, IT and consulting

>> CAPABILITY CUSTOMIZATION

Partnering with customers for tailor-made solutions aligned with their specific mission needs



VSE CORPORATION



