

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): **March 4, 2021**
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

VSE CORPORATION

Item 2.02 Results of Operations and Financial Condition

On March 4, 2021, VSE Corporation (the “Company”) issued a press release reporting its financial results for the fourth quarter and full-year ended December 31, 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 March 4, 2021, entitled, "VSE Corporation Announces Fourth Quarter and Full-Year 2020 Results"](#)
[99.2](#) [VSE Corporation Earnings Presentation for the Fourth Quarter and Full-Year 2020](#)
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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: March 4, 2021

By:

/s/ Thomas M. Kiernan

Thomas M. Kiernan

Vice President, General Counsel and Secretary



VSE Corporation Announces Fourth Quarter and Full-Year 2020 Results

Strategic transformation underway, positioned for organic and inorganic growth in 2021

ALEXANDRIA, Va., March 4, 2021 - 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 fourth quarter and full-year 2020.

FOURTH QUARTER 2020 RESULTS

(As compared to the Fourth Quarter 2019)

- **Total Revenues** of \$150.0 million declined 23.2%
- **Total Revenues, excluding divestitures**, declined 19.6%⁽¹⁾
- **GAAP Net Income** of \$6.0 million declined 39.8%
- **Adjusted Net Income** of \$5.8 million declined 49.8%
- **Adjusted EBITDA** of \$17.3 million declined 25.2%

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

For the three months ended December 31, 2020, the Company reported total revenue of \$150.0 million, versus \$195.3 million for the same period ended 2019. The Company reported adjusted net income of \$5.8 million or \$0.52 per adjusted diluted share, compared to \$11.5 million or \$1.04 per adjusted diluted share in the prior-year period. Adjusted EBITDA declined to \$17.3 million in fourth quarter 2020, versus \$23.1 million for the same period in 2019. The Company reported negative free cash flow of \$0.9 million during the fourth quarter 2020, which includes \$10.7 million of inventory purchases supporting the recently announced new product distribution agreements in the Aviation segment.

Aviation segment revenue, excluding the previously divested Prime Turbines and CT Aerospace assets, declined 26.2% on a year-over-year basis in the fourth quarter 2020, as lower revenue passenger miles at major airline customers resulted in reduced commercial MRO activity. During the fourth quarter, Aviation segment revenue increased 6.5% when compared to the third quarter 2020, supported by a combination of market share gains within the parts distribution business, together with increased demand for parts and services from business and general aviation (B&GA) customers. Federal and Defense segment revenue declined 28.8% on a year-over-year basis in the fourth quarter 2020, primarily due to the completion of a DoD program during the first quarter 2020. Fleet segment revenue increased 0.7% on a year-over-year basis in the fourth quarter 2020, as growth in commercial fleet and e-commerce fulfillment offset a slight decline in U.S. Postal Service-related revenue.

For the twelve months ended December 31, 2020, the Company reported total revenue of \$661.7 million, versus \$752.6 million in 2019. The Company reported adjusted net income of \$29.1 million or \$2.63 per adjusted diluted share, compared to \$40.2 million or \$3.64 per adjusted diluted share in the prior-year period. Adjusted EBITDA declined to \$75.2 million in 2020, versus \$90.9 million for the same period in 2019. The Company generated \$31.3 million of free cash flow in 2020, versus \$8.4 million in 2019.

STRATEGY UPDATE

VSE continued to execute on a multi-year business transformation plan during the fourth quarter. The management team remains focused on accelerating the transformation with new business development initiatives and product and service line expansions, in conjunction with disciplined balance sheet management.

- **New Business Development.** Following a five-year, \$100 million exclusive distribution agreement with Triumph Group announced in third quarter 2020, VSE Aviation segment entered into a new exclusive, life-

of-program distribution agreement with Pratt & Whitney Canada (P&WC) in January 2021. This agreement expands the Company's relationship with P&WC into APU parts distribution while expanding its regional and business jet product portfolios. VSE Fleet segment commercial revenue increased 82.5% year-over-year in the fourth quarter and 92.8% for full-year 2020. VSE Federal and Defense segment increased bidding activity by 37% for the full-year 2020.

- **Completed Follow-on Equity Offering.** In the first quarter of 2021, VSE completed a follow-on equity offering resulting in net cash proceeds of approximately \$52 million. Net cash proceeds are expected to be used for general corporate purposes, program launches, and to support complementary, bolt-on acquisitions. VSE is focused on acquisition targets that expand customers and/or product and service capabilities within its existing segments.
- **Acquired HAECO Special Services.** On March 1, 2021, VSE acquired HAECO Special Services ("HSS"), a division of HAECO Americas ("HAECO"), a leading provider of fully integrated MRO support solutions for military and government aircraft, specifically the KC-10 fleet. This transaction expands VSE's value-added suite of MRO capabilities for military customers, while positioning the Company to capitalize on higher-margin technical service opportunities.
- **Continued 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 December 31, 2020, the Company had \$175.5 million in cash and excess availability under its line of credit. For the full-year 2020, VSE reduced total outstanding debt by \$19.3 million, supported by free cash flow from operations. On December 31, 2020, the ratio of net debt to our trailing twelve month Adjusted EBITDA was 3.3x, excluding the \$52 million in net cash proceeds received from a follow-on equity offering completed in early 2021.

MANAGEMENT COMMENTARY

"In 2020, we successfully navigated pandemic-related disruptions to the global aviation market while continuing to execute on our multi-year business transformation plan," stated President and CEO John Cuomo. "Throughout the year, we won new business, grew our presence within both new and existing markets, expanded our product and service capabilities into higher-margin verticals, increased our contract bidding activity, divested non-core assets, reduced overhead costs to align with demand conditions, and built a leadership team capable of driving operational excellence at every level of the organization. We are a leaner, more competitive business today than we were entering 2020, laying the foundation for profitable growth in 2021."

"During the fourth quarter, our Aviation segment reported a second consecutive quarter of sequential revenue growth, driven by a combination of continued share gains and improved demand within the domestic narrow-body aircraft and B&GA markets," continued Cuomo. "Within our Fleet segment, increased e-commerce fulfillment orders and strong demand from 'last-mile' commercial truck fleets contributed to improved year-over-year revenue growth. Although Federal and Defense segment revenue declined on a year-over-year basis, segment Adjusted EBITDA improved due to a more favorable contract mix."

"This week, in an all-cash transaction, we acquired HAECO Special Services, a leading provider of fully integrated MRO support solutions for military and government aircraft. This transaction is immediately accretive, and positions us to capitalize on higher-margin technical service opportunities within our Federal and Defense Services segment," continued Cuomo. "We continue to evaluate similar bolt-on acquisitions that accelerate new customer or capability expansion across each of our operating segments."

"During 2021, we intend to move forward with the next phase of our business transformation plan. This year, our focus turns toward expanding our product and service offerings, continuing to capture share gains within underserved markets, executing inorganic growth opportunities, and accelerating our cultural transformation for our customers and employees," concluded Cuomo.

"Given the net proceeds from our recently completed follow-on equity offering and the existing availability under our credit facilities, VSE is well-capitalized to support growth in 2021," stated Stephen Griffin, CFO of VSE Corporation. "This year, our primary capital allocation priorities include working capital investments associated with new distribution agreement wins and investments in additional bolt-on acquisitions. While we expect to allocate operating cash flow toward discretionary growth investments during the first half of 2021, debt reduction remains a key priority, consistent with our disciplined approach to long-term balance sheet management."

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 26.2% year-over-year to \$38.6 million in the fourth 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 increased 6.5%, when compared to the third quarter 2020. The Aviation segment recorded an operating loss of \$0.8 million in the fourth quarter, versus operating income of \$3.1 million in the prior-year period. Adjusted EBITDA decreased to \$1.4 million in the fourth quarter 2020.

FLEET

Distribution & Fleet Services

VSE's **Fleet** segment provides parts, inventory management, e-commerce fulfillment, logistics, supply chain support and other services for commercial aftermarket medium- and heavy-duty truck customers and for the United States Postal Service (USPS) and the United States Department of Defense (DoD). 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 0.7% year-over-year to \$54.0 million in the fourth quarter 2020. Revenues from commercial customers increased approximately \$5.8 million or 82.5%, driven by growth in commercial fleet demand and the e-commerce fulfillment business. Operating income declined 17.2% year-over-year to \$6.2 million in the fourth quarter 2020 due to a less favorable sales mix in the period and investment in the business to support continued commercial growth. VSE Fleet segment Adjusted EBITDA declined 16.1% year-over-year in the fourth quarter to \$8.5 million.

FEDERAL & DEFENSE

Logistics & Sustainment Services

VSE's **Federal and 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 and Defense segment revenue declined 28.8% year-over-year to \$57.4 million in the fourth quarter 2020, primarily due to the expiration of DoD contracts during the first and third quarters of 2020. Operating income increased 52.0% year-over-year to \$7.9 million in the fourth quarter 2020, while Adjusted EBITDA increased 44.4% year-over-year to \$8.5 million in the period, due to a more favorable contract mix.

Federal and Defense segment fourth quarter bookings increased 97.4% year-over-year to \$75 million. Funded backlog declined 14.1% year-over-year to \$183 million. The decline in funded backlog was attributable to the expiration of contracts in the first and third quarters of 2020. The Company continues to focus on revitalizing this business with an emphasis on higher margin growth based on increased technical competencies.

FINANCIAL RESOURCES AND LIQUIDITY

The Company generated \$31.3 million of free cash flow in 2020, versus \$8.4 million in 2019. As of December 31, 2020, the Company had \$175.5 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.

On January 29, 2021, the company priced a previously announced underwritten public offering of common stock that resulted in approximately \$52 million net proceeds to the company. VSE expects to use the net proceeds from this offering for general corporate purposes, which may include among other things, financing strategic acquisitions, working capital requirements for new program launches, and repaying outstanding borrowings under its revolving credit facility.

CONFERENCE CALL

A conference call will be held Friday, March 5, 2021 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:

Toll Free: 1-877-407-0789
Toll/International: 1-201-689-8562

To listen to a replay of the teleconference through March 19, 2021:

Toll Free: 1-844-512-2921
Toll/International: 1-412-317-6671
Replay Pin Number: 13715744

FOURTH QUARTER RESULTS

(in thousands, except per share data)

	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenues	\$ 150,021	\$ 195,271	(23.2)%	\$ 661,659	\$ 752,627	(12.1)%
Operating income	\$ 11,914	\$ 14,813	(19.6)%	\$ 13,923	\$ 60,257	(76.9)%
Net income (loss)	\$ 6,013	\$ 9,996	(39.8)%	\$ (5,171)	\$ 37,024	(114.0)%
EPS (Diluted)	\$ 0.54	\$ 0.90	(40.0)%	\$ (0.47)	\$ 3.35	(114.0)%

FOURTH QUARTER SEGMENT RESULTS

The following is a summary of revenues and operating income (loss) for the three and twelve months ended December 31, 2020 and December 31, 2019:

(in thousands)	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenues:						
Aviation	\$ 38,551	\$ 60,993	(36.8)%	\$ 165,070	\$ 224,546	(26.5)%
Fleet	54,025	53,642	0.7 %	242,170	214,520	12.9 %
Federal and Defense	57,445	80,636	(28.8)%	254,419	313,561	(18.9)%
Total revenues	\$ 150,021	\$ 195,271	(23.2)%	\$ 661,659	\$ 752,627	(12.1)%
Operating Income (Loss):						
Aviation	\$ (833)	\$ 3,081	(127.0)%	\$ (35,513)	\$ 17,901	(298.4)%
Fleet	6,150	7,431	(17.2)%	26,659	29,819	(10.6)%
Federal and Defense	7,868	5,176	52.0 %	26,309	18,144	45.0 %
Corporate/unallocated expenses	(1,271)	(875)	45.3 %	(3,532)	(5,607)	(37.0)%
Operating Income	\$ 11,914	\$ 14,813	(19.6)%	\$ 13,923	\$ 60,257	(76.9)%

The Company reported total capital expenditures in the fourth quarter and full-year 2020 of \$1.5 million and \$4.4 million, 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 December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 6,013	\$ 9,996	(39.8)%	\$ (5,171)	\$ 37,024	(114.0)%
Adjustments to Net Income (Loss):						
Acquisition and CEO transition costs	—	259	(100.0)%	—	2,403	(100.0)%
Executive transition costs	1,026	—	— %	1,026	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment (1)	(2,447)	1,900	(228.8)%	(5,541)	1,900	(391.6)%
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	—	— %
	5,724	12,155	(52.9)%	33,025	41,327	(20.1)%
Tax impact of adjusted items	70	(620)	(111.3)%	(3,973)	(1,153)	244.6 %
Adjusted Net Income	\$ 5,794	\$ 11,535	(49.8)%	\$ 29,052	\$ 40,174	(27.7)%
Weighted Average Dilutive Shares	11,141	11,071	0.6 %	11,034	11,045	(0.1)%
Adjusted EPS (Diluted)	\$ 0.52	\$ 1.04	(50.0)%	\$ 2.63	\$ 3.64	(27.7)%

(1) includes impact of a Section 338(h)(10) election on corporate expenses

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

(in thousands)	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 6,013	\$ 9,996	(39.8)%	\$ (5,171)	\$ 37,024	(114.0)%
Interest Expense	3,408	3,568	(4.5)%	13,496	13,830	(2.4)%
Income Taxes	2,493	1,249	99.6 %	5,598	9,403	(40.5)%
Amortization of Intangible Assets	4,159	4,332	(4.0)%	17,504	19,317	(9.4)%
Depreciation and Other Amortization	1,472	1,759	(16.3)%	5,575	6,997	(20.3)%
EBITDA	17,545	20,904	(16.1)%	37,002	86,571	(57.3)%
Acquisition and CEO transition costs	—	259	(100.0)%	—	2,403	(100.0)%
Executive transition costs	1,026	—	— %	1,026	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment (1)	(2,447)	1,900	(228.8)%	(5,541)	1,900	(391.6)%
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	\$ 17,256	\$ 23,063	(25.2)%	\$ 75,198	\$ 90,874	(17.3)%

(1) includes impact of a Section 338(h)(10) election on corporate expenses

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

(in thousands)	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Aviation						
Operating Income (Loss)	\$ (833)	\$ 3,081	(127.0)%	\$ (35,513)	\$ 17,901	(298.4)%
Depreciation and Amortization	2,667	2,687	(0.7)%	10,698	12,420	(13.9)%
EBITDA	1,834	5,768	(68.2)%	(24,815)	30,321	53.4 %
Executive transition costs	322	—	— %	322	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment	(1,905)	1,900	(200.3)%	(5,000)	1,900	(363.2)%
Loss on sale of a business entity and certain assets	—	—	— %	8,214	—	— %
Gain on sale of property	—	—	— %	(1,108)	—	— %
Severance	—	—	— %	382	—	— %
Goodwill and intangible impairment	—	—	— %	33,734	—	— %
Adjusted EBITDA	\$ 1,383	\$ 7,668	(82.0)%	\$ 12,861	\$ 32,221	(60.1)%
Fleet						
Operating Income	\$ 6,150	\$ 7,431	(17.2)%	\$ 26,659	\$ 29,819	(10.6)%
Depreciation and Amortization	2,361	2,713	(13.0)%	9,983	10,979	(9.1)%
EBITDA and Adjusted EBITDA	\$ 8,511	\$ 10,144	(16.1)%	\$ 36,642	\$ 40,798	(10.2)%
Federal and Defense						
Operating Income	\$ 7,868	\$ 5,176	52.0 %	\$ 26,309	\$ 18,144	45.0 %
Depreciation and Amortization	604	691	(12.6)%	2,630	3,047	(13.7)%
EBITDA	8,472	5,867	44.4 %	28,939	21,191	36.6 %
Severance	—	—	— %	112	—	— %
Adjusted EBITDA	\$ 8,472	\$ 5,867	44.4 %	\$ 29,051	\$ 21,191	37.1 %

Reconciliation of Operating Cash to Free Cash Flow

(in thousands)	Three months ended December 31,		For the years ended December 31,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 526	\$ 555	\$ 35,761	\$ 17,994
Capital expenditures	(1,471)	(1,941)	(4,427)	(9,630)
Free cash flow	\$ (945)	\$ (1,386)	\$ 31,334	\$ 8,364

Reconciliation of Debt to Net Debt

(in thousands)	For the years ended December 31,	
	2020	2019
Principal amount of debt	\$ 253,461	\$ 272,800
Debt issuance costs	(2,368)	(2,789)
Cash and cash equivalents	(378)	(734)
Net debt	\$ 250,715	\$ 269,277

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, net debt 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, facility closures, 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 December 31, 2020. Net debt is defined as total debt less cash and cash equivalents. 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 www.vsecorp.com.

Please refer to the Form 10-K that will be filed with the Securities and Exchange Commission (SEC) on or about March 5, 2021 for more details on our fourth quarter 2020 results. Also, refer to VSE's Annual Report on Form 10-K for the year ended December 31, 2020 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, 2020. 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

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investors@vsecorp.com



Fourth Quarter & Full-Year 2020 Results Conference Call

5 March 2021

Forward-Looking Statements

This presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. All such statements are intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions. "Forward-looking" statements, as such term is defined by the SEC in its rules, regulations and releases, represent VSE Corporation's (the "Company") expectations or beliefs, including, but not limited to, statements concerning its 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 speak only as of the date of this presentation and the Company undertakes no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this presentation, and relate to, among other things, the Company's intent, belief or current expectations with respect to: its future financial condition, results of operations or prospects; our business and growth strategies; and our financing plans and forecasts. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in or implied by the forward-looking statements as a result of various factors, some of which are unknown, including, without limitation the factors identified in the Company's reports filed or expected to be filed with the SEC including its Annual Report on Form 10 K for the year ended December 31 2020.

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, trailing-twelve month Adjusted EBITDA, net debt and free cash flow (FCF) 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. Net debt is defined as total debt less cash and cash equivalents. Free cash flow represents operating cash flow less capital expenditures. Net leverage ratio is calculated as net debt 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.

EXECUTIVE SUMMARY

4Q20 and Full-Year 2020 Financial Performance



Business Transformation Update

As of March 4, 2021

Aviation

Awarded exclusive life-of-program distribution agreement to support Pratt & Whitney Canada auxiliary power unit components

Fleet

Commercial Fleet diversification strategy success in 2021; Non-USPS revenue +93% y/y

Federal & Defense

Acquired HAECO Special Services to expand aircraft maintenance capabilities

Organization Update

4Q20 CFO transition with addition of Stephen Griffin and new Aviation Segment President Benjamin Thomas

Follow-On Equity Offering

Completed oversubscribed equity raise with net proceeds of approximately \$52 million in Feb '21 to support general corporate purposes, including financing strategic acquisitions, working capital requirements for new program launches, and repaying outstanding borrowings under revolving credit facility.

4Q20 Results

Financial Performance

Maintained Profitability, Despite Pandemic

Reported GAAP net income and adj. net income of \$6.0 million and \$5.8 million, respectively, in 4Q20

Directed FCF Toward Growth

(\$0.9) million FCF in 4Q20 includes acquisition of \$10.7 million in new inventory related to recent Aviation program wins

Aviation Recovery Underway

Reported second consecutive quarter of sequential revenue growth in Aviation segment

Federal & Defense Bookings Increased Y/Y

Second consecutive quarter of y/y growth in bookings

Fleet Revenue Growth Continues

Y/Y growth in Fleet revenues, driven by improved commercial fleet and e-commerce fulfillment revenues

Full-Year 2020 Results

Financial Performance

Sustained Profitability

Reported GAAP net loss and adj. net income of (\$5.2) million and \$29.1 million, respectively, in 2020⁽¹⁾

Significant Y/Y Growth in FCF

Despite lower base of revenue due to pandemic-related market conditions, increased FCF by \$23 million on a y/y basis

Targeted Debt Reduction

Allocated FCF toward debt reduction, while continuing to target less than 3x net leverage

Continued Support Stable Cash Dividend

VSE has paid cash dividends since 1973, with an increasing dividend each year since 2004

⁽¹⁾ Includes \$33.7 million non-cash impairment within the Aviation segment during the second quarter 2020

VSE ACQUIRES HAECO SPECIAL SERVICES



US Airforce Depot Maintenance

- Depot maintenance supporting US Air Force's KC-10 fleet
- Strong backlog and contract revenue visibility into 2025

Strategic Fit & Opportunities for Growth

- Expands VSE Federal & Defense segment existing Aircraft MRO capabilities with higher margin technical services
- Provides VSE with access to new capabilities, technical expertise and contract past-performance required to provide end-to-end support for government aircraft fleet
- New contract opportunities to further diversify contract mix beyond the KC-10 contract, targeting both prime and subcontractor roles on various aircraft sustainment and modification programs

Financials

- Immediately financially accretive transaction
- HSS's value-added service offerings support the higher margin, technical services strategic focus for the segment



GAAP FINANCIAL SUMMARY

4Q20 and Full-Year 2020 – Y/Y Comparisons



- 4Q20 revenue growth in Fleet, offset by declines in Aviation and Federal & Defense
- Second consecutive quarter of sequential revenue growth in Aviation; we believe 2Q20 represented bottom of revenue decline
- Full-year results include \$33.7 million non-cash impairment taken in Aviation segment in 2Q20

Total Revenue

(\$MM)



Operating Income (Loss)⁽¹⁾

(\$MM)



Net Income (Loss)⁽¹⁾

(\$MM)



Diluted Earnings (Loss) Per Share⁽¹⁾

(\$ Per Share)



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

NON-GAAP FINANCIAL SUMMARY

4Q20 and Full-Year 2020 – Y/Y Comparisons



- Maintained profitability in both 4Q and full-year 2020, despite pandemic-related disruptions; Adjusted net income (50%) y/y in 4Q20; (28%) y/y in 2020
- Market-wide decline in revenue passenger miles during 2020 adversely impacted demand for aftermarket products and MRO services within the Aviation segment; Adjusted EBITDA (25%) y/y in 4Q20 and (17%) y/y in 2020
- Favorable contract mix supported margin expansion within FDS, which was offset by margin contraction within Aviation and Fleet

Adjusted Net Income
(\$MM)



Adjusted Diluted Earnings Per Share
(\$ Per Share)



Adjusted EBITDA
(\$MM)



Adjusted EBITDA Margin
(%)



CONSOLIDATED PERFORMANCE BRIDGE



	Revenue	Adj. EBITDA	Adj. EBITDA %
4Q19	\$195.3	\$23.1	11.8%
Aviation	(\$22.4)	(\$6.3)	(2.1) pts
FDS	(\$23.2)	\$2.6	+3.2 pts
Fleet	\$0.4	(\$1.6)	(1.1) pts
Corporate	-	(\$0.5)	(0.3) pts
4Q20	\$150.0	\$17.3	11.5%
2019	\$752.6	\$90.9	12.1%
Aviation	(\$59.6)	(\$19.3)	(1.8) pts
FDS	(\$59.1)	\$8.0	+2.2 pts
Fleet	\$27.7	(\$4.2)	(1.2) pts
Corporate	-	(\$0.2)	-
2020	\$661.7	\$75.2	11.4%

Fourth Quarter 2020

- Aviation revenue and profit lower driven by COVID-19 impact on global revenue passenger miles
- Federal and Defense revenue lower driven by the expiration of previously announced DoD program in January 2020; profit offset by higher margin fixed price contracts
- Within Fleet, revenue growth supported by higher sales in commercial fleet and e-commerce fulfillment offset a slight decline U.S. Postal Service-related revenue

Full-Year 2020

- Aviation lower vs. 2019 from COVID-19; two quarters of sequential growth as business gains market share
- Federal and Defense volume lower driven by the expiration of lower margin contracts; continuing to build new capabilities and maximize portfolio profitability
- Fleet growth driven primarily by previously disclosed non-recurring COVID-19 related personal protective equipment (PPE) order; continuing to diversify revenue and execute growth strategies for non-USPS customers

AVIATION

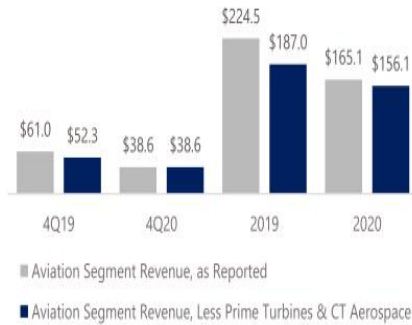


Second consecutive quarter of revenue growth and market share gains; well-positioned for recovery

- 4Q20 revenue increased +6.5% sequentially, driven by share gains in distribution business and faster recovery with B&GA customers
- Announced an exclusive, life-of-program distribution agreement with Pratt & Whitney Canada expanding into APU parts distribution with business and regional jet product portfolios
- Continuing to invest in MRO capabilities to gain incremental share of wallet

Aviation Segment Revenue

(\$MM)



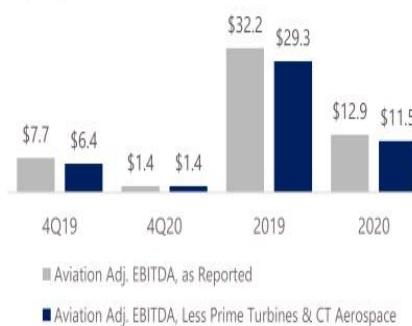
Aviation Segment Operating Income (Loss)

(\$MM)



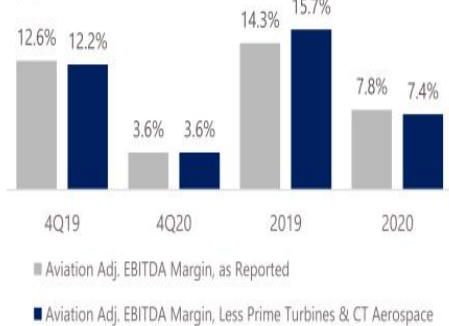
Aviation Segment Adjusted EBITDA

(\$MM)



Aviation Segment Adjusted EBITDA Margin

(%)



FLEET

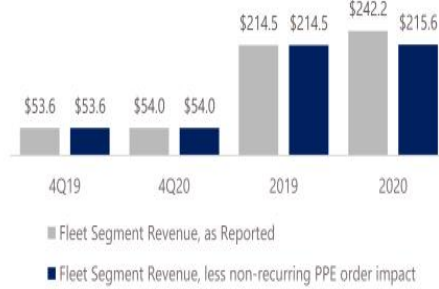


Sustained growth in commercial fleet revenue partially offset by lower USPS activity

- Diversifying sales mix to include a larger proportion of commercial fleet and e-commerce fulfillment business; non-USPS revenue +83% vs. 4Q'19 and +93% 2020 vs. 2019
- Optimizing USPS product offerings to support customers refurbishment plans; non-recurring PPE order added \$26.6 million revenue in 2020

Fleet Segment Revenue

(\$MM)(1)



Fleet Segment Operating Income

(\$MM)(1)



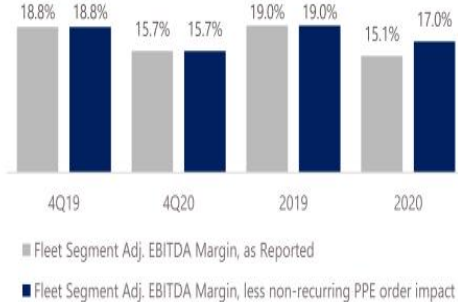
Fleet Segment Adjusted EBITDA

(\$MM)(1)



Fleet Segment Adjusted EBITDA Margin

(%)(1)



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

FEDERAL & DEFENSE

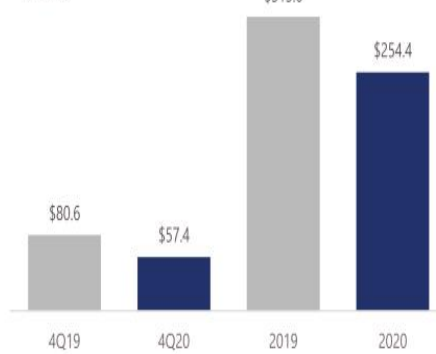


4Q20 Bookings +97% vs. 4Q19; focused on driving segment profitability

- Diversifying services offerings to optimize portfolio profitability
- Segment bookings increased +97% y/y in 4Q20 to \$75 million; contract bidding activity +37% 2020 vs. 2019
- Lower 4Q20 revenue driven by the expiration of DoD award in January more than offset higher margin fixed price contracts; +460 bps Adjusted EBITDA margin expansion in 2020

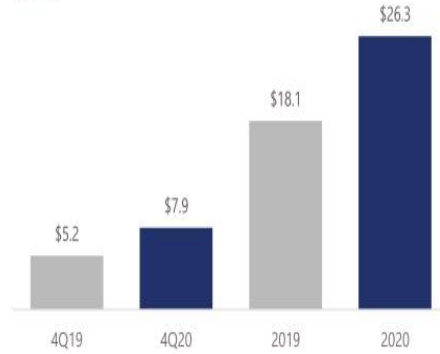
Federal & Defense Segment Revenue

(\$MM)



Federal & Defense Segment Operating Income

(\$MM)



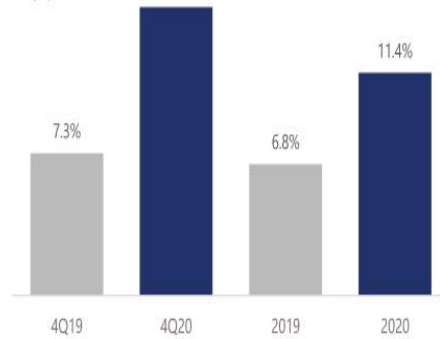
Federal & Defense Segment Adjusted EBITDA

(\$MM)



Federal & Defense Segment Adjusted EBITDA Margin

(%)



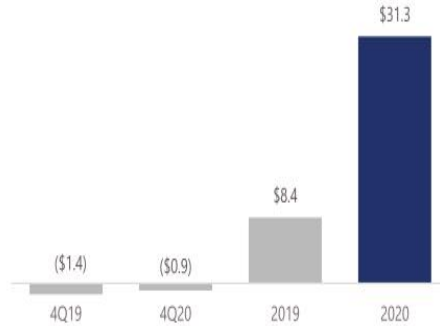
MAINTAINING BALANCE SHEET OPTIONALITY

\$19 million of debt reduction; ~\$175 million of excess availability on lending facilities

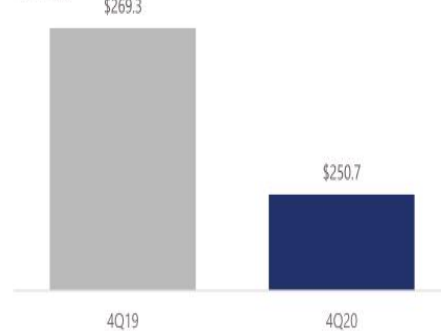


- (\$0.9) million FCF in 4Q20 includes acquisition of \$10.7 million inventory to support new Pratt & Whitney Canada APU distribution agreement
- Strong FCF in 2020 demonstrated resiliency and ability to pay down debt despite turbulent end markets
- On 1/29/21, VSE priced a previously announced underwritten public offering of common stock that resulted in approximately \$52 million net proceeds to the company
- Capital allocation priorities include financing bolt-on acquisitions, working capital requirements for new program launches, and repayment of outstanding borrowings under the revolving credit facility

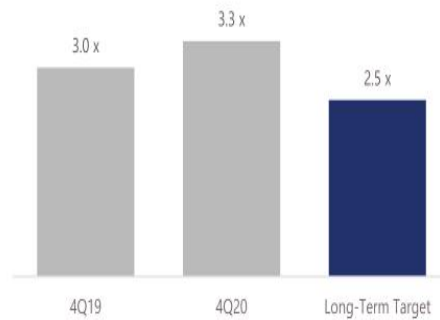
Free Cash Flow
(\$ MM)



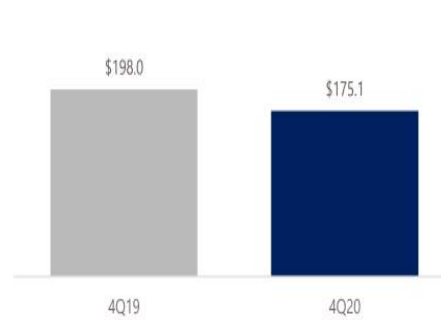
Total Net Debt
(\$ MM)



Ratio of Net Debt to TTM
Adjusted EBITDA



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



INVESTMENT PRIORITIES

Market dynamics create both organic and inorganic opportunities for capital deployment

Process & Criteria

Organic

Investments in
Distribution Inventory
& Differentiated
Technology

Working capital requirements to support organic growth:

- New product additions
- Technology to support new programs
- New MRO and other capabilities
- Market share gain opportunities

Opportunities

Aviation Distribution

- Commercial landing gear
- Business/regional jet APU and Engine

Federal & Defense

- Supply Chain and Technical Services

Fleet

- E-commerce enhancements
- Commercial inventory

Inorganic

Strategic Acquisitions
to Expand Customers
& Capabilities

- Disciplined M&A Approach
- Full integration into existing business segment
- Support strategy of new product, customer, geography or capability expansion
- Market roll-up opportunities
- Significant pipeline of actionable opportunities
- Ability to achieve synergies and grow revenue and margin

Aviation

- B&GA market niche focused assets
- Component repair MRO capability enhancement
- Proprietary part distribution

Federal & Defense

- Aircraft MRO
- Supply chain/distribution

Fleet

- Regional commercial distribution expansion

KEYS TO SUCCESS FOR VSE IN 2021



AVIATION

- Continue to outpace market recovery and expand operating margins
- Execute on recently awarded distribution agreements
- Expand MRO capabilities and partnerships to capture incremental share

FLEET

- Drive above-market commercial growth from fleet customers, products and services
- Accelerate e-Commerce proprietary technology and e-Commerce fulfillment sales

FEDERAL & DEFENSE

- Integrate HAECO Special Services (HSS), realizing synergies and full transaction potential
- Build strong backlog from core capabilities and expanded supply chain, logistics and aircraft maintenance and sustainment offerings
- Continue focus on higher margin offerings and margin expansion

INVESTMENT OPPORTUNITY

Unique pure-play independent aftermarket services company poised for growth



MISSION-CRITICAL
AFTERMARKET SERVICES

WELL BALANCED
BUSINESS SEGMENTS

STRONG CUSTOMER
RELATIONSHIPS

FRAGMENTED
END-MARKETS

NEW EXPERIENCED
MANAGEMENT TEAM

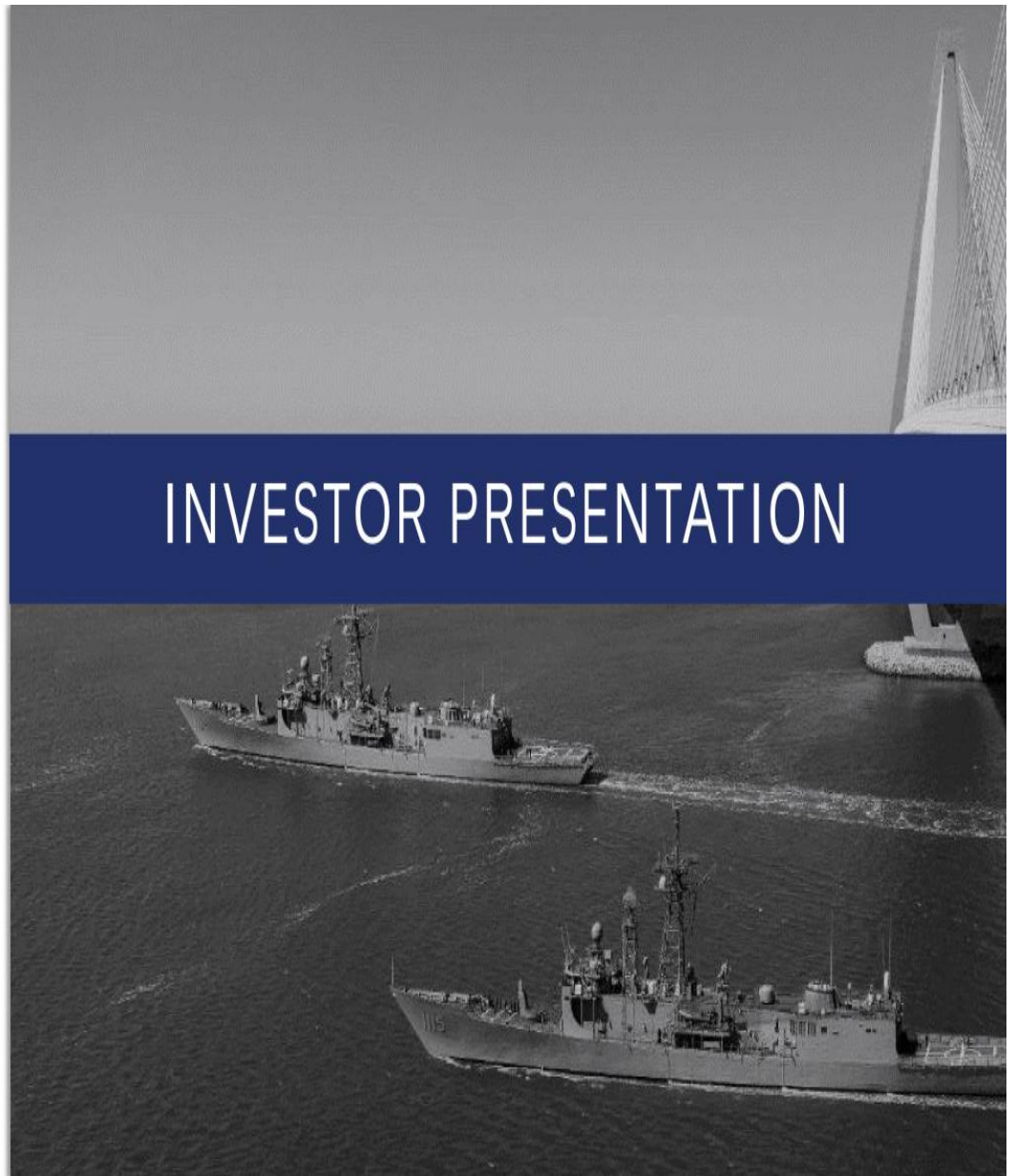
CULTURAL TRANSFORMATION
DRIVING GROWTH



Strategic Market Positioning, Strong Growth Strategy, Proven Execution Experience



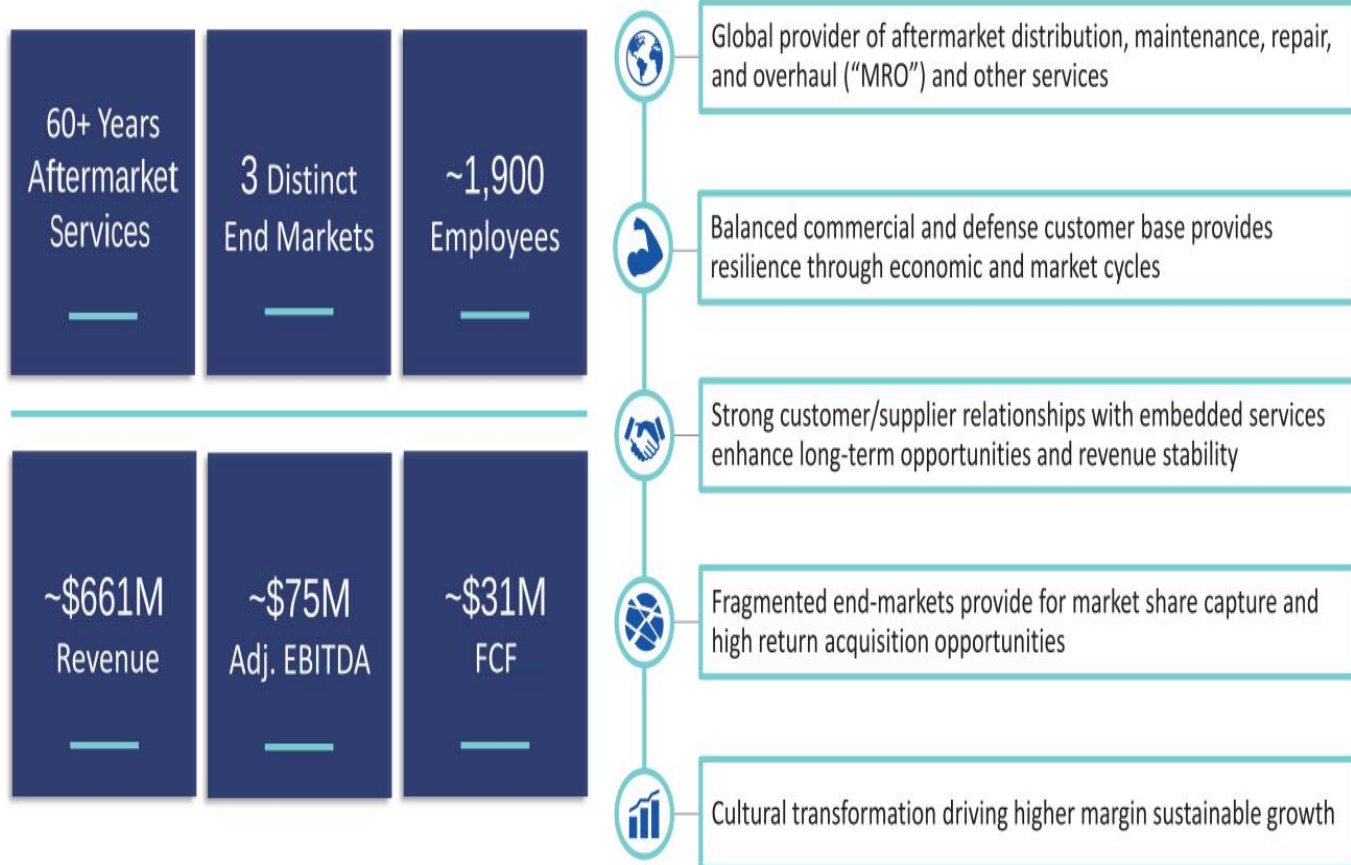
INVESTOR PRESENTATION



INVESTMENT HIGHLIGHTS



Pure-play independent aftermarket service provider with strong organic and inorganic growth opportunities



Note: Figures reflect TTM 12/31/20

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

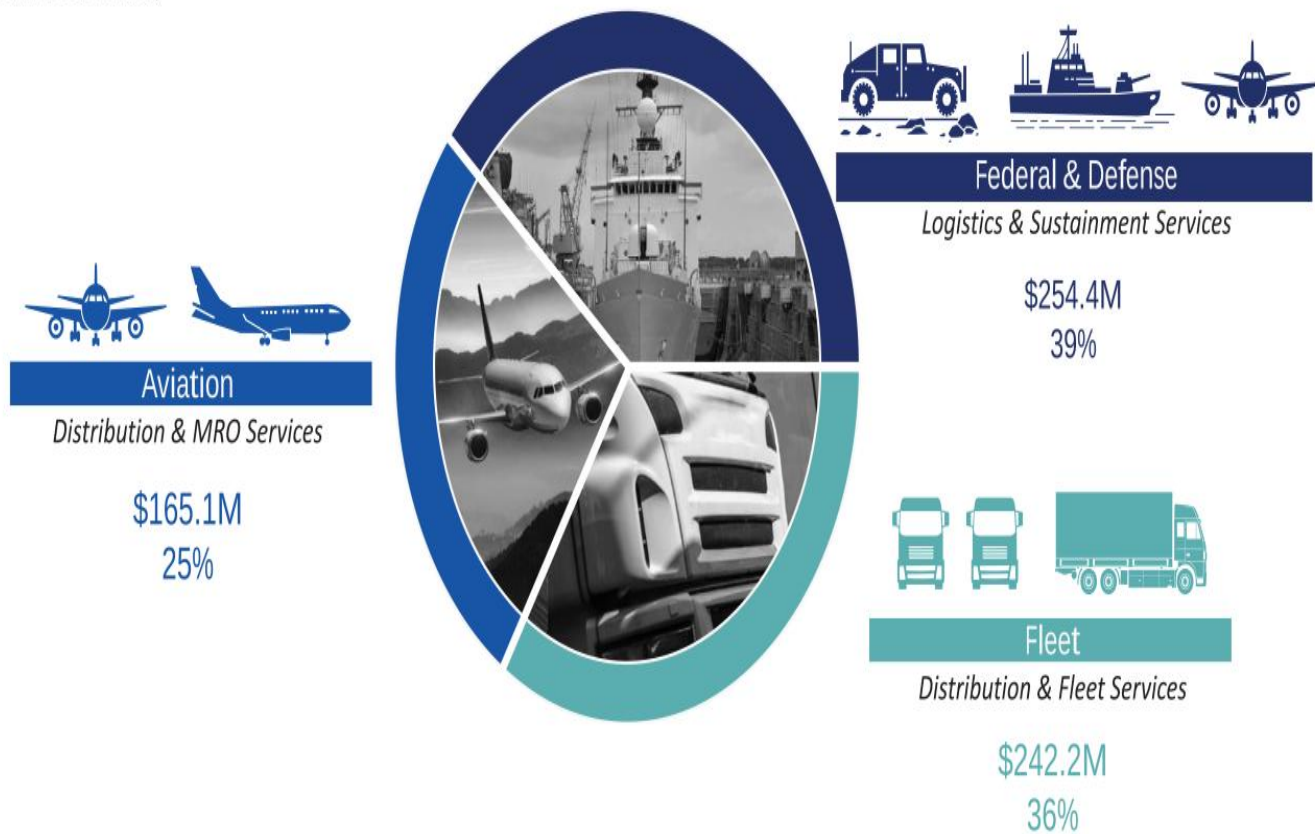
BALANCED AFTERMARKET BUSINESS SEGMENTS

100% aftermarket services supporting critical link between OEMs and end-users



Diverse End Markets Deliver Tailwinds for Growth

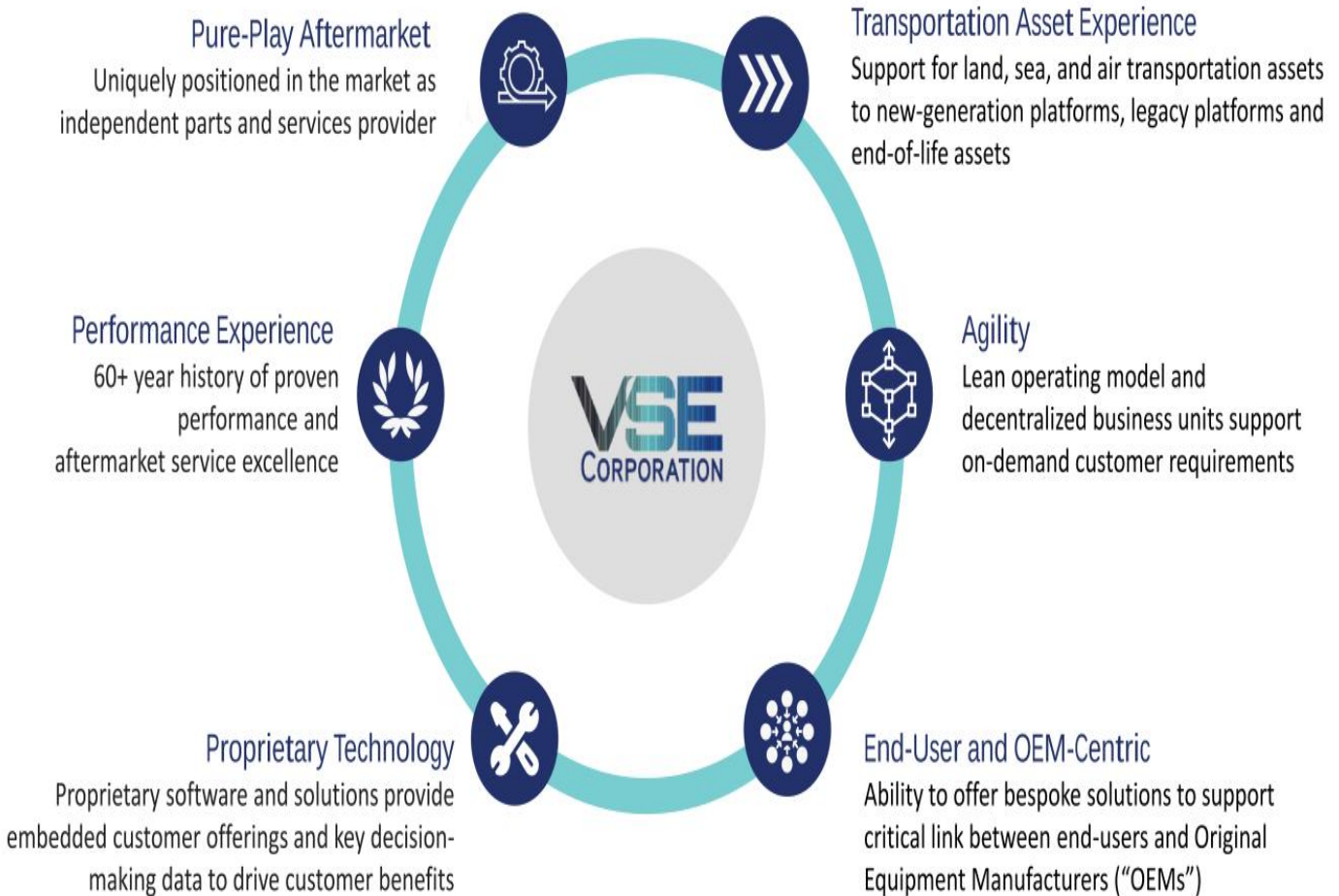
(\$ and % 2020 Revenue)



UNIQUE VALUE PROPOSITION



Differentiation drives market share gains, long-term sustainable revenue and margin expansion



AVIATION SEGMENT OVERVIEW



Refocused Strategy: Higher growth, higher margin commercial and B&GA distribution and MRO

Key Capabilities

- ✓ Commercial and business & general aviation proprietary product distribution
- ✓ Supply chain & logistics services
- ✓ Landing gear market specialist
- ✓ Component and engine MRO services
- ✓ Rotable exchanges and sales

Growth Drivers

MRO Capability Development

- New MRO offerings to support range of components and engine accessory repairs including: fuel and hydraulics, engine components and accessories, interiors, auxiliary power units, and avionics

Distribution Product Expansion

- New proprietary OEM product additions to support aftermarket landing gear, airframes, engine accessories, avionics, and interiors

International Expansion

- Expansion in core aerospace markets for MRO and distribution

Business and General Aviation ("B&GA")

- Ability to support underserved B&GA market niche with proprietary part distribution and component and accessory MRO

Representative Customers



FLEET SEGMENT OVERVIEW



Refocused Strategy: High growth, market disrupting Class 4-8 commercial distribution and e-commerce

Key Capabilities

- ✓ High-duty cycle, Class 4-8 (medium to heavy) vehicle parts distribution
- ✓ Just-in-time supply chain management
- ✓ E-commerce and e-commerce fulfillment
- ✓ Customized fleet logistics and IT solutions
- ✓ Technical support, engineering, sourcing, warehousing and kitting
- ✓ Private label products

Growth Drivers

Commercial Customer Diversification

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

Wallet Share Expansion

- Product expansion to existing just-in-time clients

E-commerce

- Customized technology platform to support class 4-8 vehicles parts

E-commerce Fulfillment

- Inventory sales through 3rd-party channels

Product Expansion

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

Representative Customers



FEDERAL & DEFENSE SEGMENT OVERVIEW



Refocused Strategy: Higher margin, differentiated supply chain, MRO and technical services

Key Capabilities

- ✓ Transportation asset MRO services
- ✓ Base operations support
- ✓ Transportation and freight services
- ✓ Logistics, procurement, and supply chain support
- ✓ Engineering and technical solutions
- ✓ IT and Clean Energy consulting services

Growth Drivers

Market Expansion

- Increase military aviation services with products, supply chain and repair services

Capability Development

- Broaden DoD logistics and supply chain offering to support underserved market demand

International Growth

- Utilize success in foreign markets to support foreign military sales opportunities

Consulting/Technical Expansion

- IT and clean energy consulting services growth

Leverage Core Competency

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

Representative Customers





John Cuomo
President and CEO

Background & Responsibilities

- 18+ years of aerospace distribution and services market industry experience
- Appointed Chief Executive Officer and President of VSE Corporation in April 2019
- Previously served as Vice President and General Manager of Boeing Distribution Services and Group President, KLX Aerospace Solutions



Stephen Griffin
Chief Financial Officer

Background & Responsibilities

- 10+ years of senior finance leadership, most recently as CFO for GE Aviation Engine Services
- Appointed CFO of VSE Corporation in November 2020
- Manages the financial and accounting operations for the consolidated corporation

VSE Senior Leadership



Chad Wheeler
Group President,
Wheeler Fleet
Solutions



Robert Moore
Group President,
Federal & Defense
Services



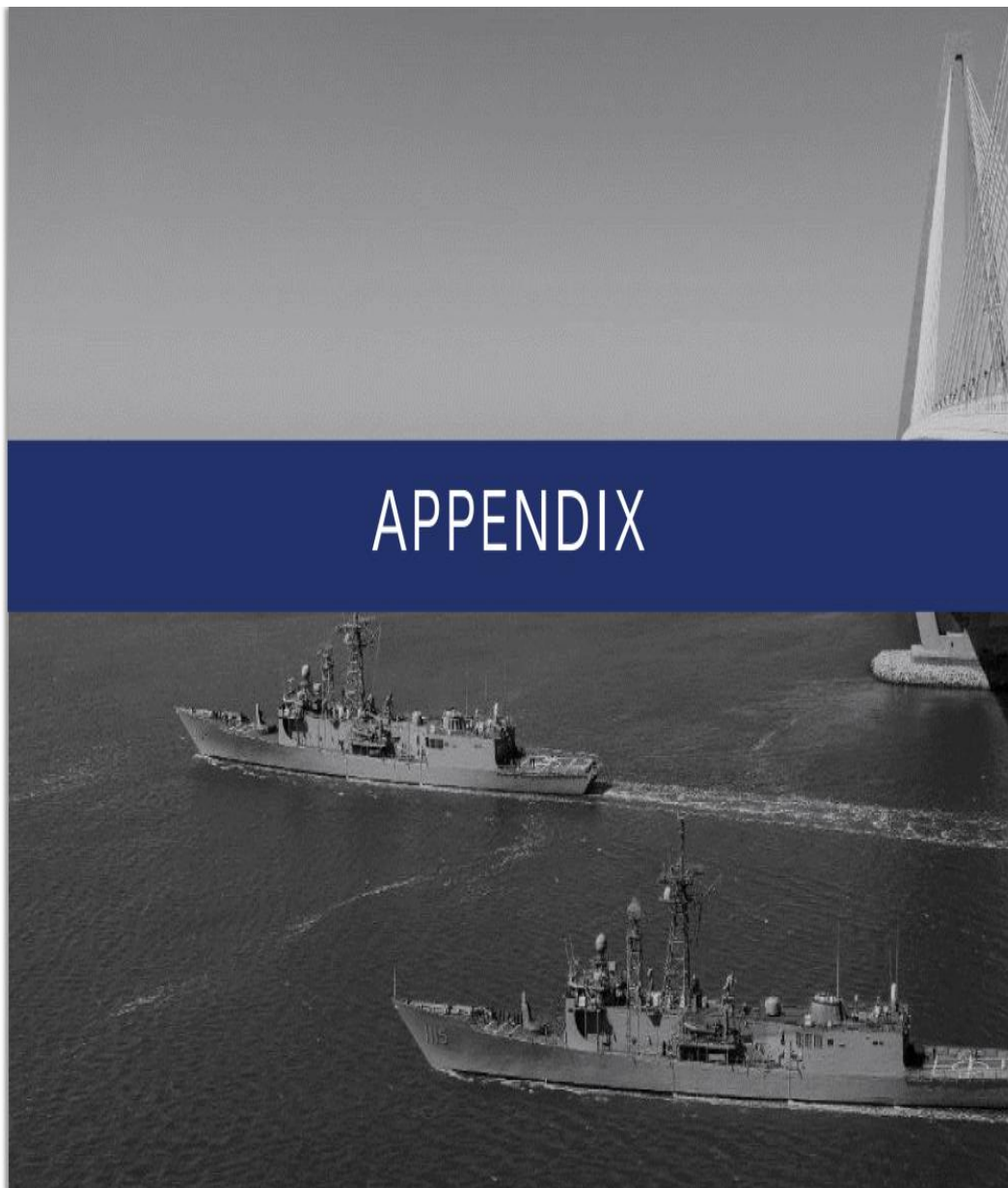
Ben Thomas
Group President,
Aviation



Krista Stafford
Chief Human
Resources Officer



APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)



(in thousands)	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 6,013	\$ 9,996	(39.8) %	\$ (5,171)	\$ 37,024	(114.0) %
Adjustments to Net Income (Loss):						
Acquisition and CEO transition costs	—	259	(100.0) %	—	2,403	(100.0) %
Executive transition costs	1,026	—	— %	1,026	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment	(2,447)	1,900	(228.8) %	(5,541)	1,900	(391.6) %
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	—	— %
	5,724	12,155	(52.9) %	33,025	41,327	(20.1) %
Tax impact of adjusted items (1)	70	(620)	(111.3) %	(3,973)	(1,153)	244.6 %
Adjusted Net Income	\$ 5,794	\$ 11,535	(49.8) %	\$ 29,052	\$ 40,174	(27.7) %
Weighted Average Dilutive Shares	11,141	11,071	0.6 %	11,034	11,045	(0.1) %
Adjusted EPS (Diluted)	\$ 0.52	\$ 1.04	(50.0) %	\$ 2.63	\$ 3.64	(27.7) %

(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 December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Net Income (Loss)	\$ 6,013	\$ 9,996	(39.8) %	\$ (5,171)	\$ 37,024	(114.0) %
Interest Expense	3,408	3,568	(4.5)%	13,496	13,830	(2.4)%
Income Taxes	2,493	1,249	99.6 %	5,598	9,403	(40.5)%
Amortization of Intangible Assets	4,159	4,332	(4.0)%	17,504	19,317	(9.4)%
Depreciation and Other Amortization	1,472	1,759	(16.3)%	5,575	6,997	(20.3)%
EBITDA	17,545	20,904	(16.1)%	37,002	86,571	(57.3)%
Acquisition and CEO transition costs	—	259	(100.0)%	—	2,403	(100.0)%
Executive transition costs	1,026	—	— %	1,026	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment	(2,447)	1,900	(228.8)%	(5,541)	1,900	(391.6)%
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	\$ 17,256	\$ 23,063	(25.2)%	\$ 75,198	\$ 90,874	(17.3)%

GAAP TO NON-GAAP RECONCILIATIONS

Segment EBITDA and Adjusted EBITDA



(in thousands)

	Three months ended December 31,			For the years ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Aviation						
Operating Income (Loss)	\$ (833)	\$ 3,081	(127.0)%	\$ (35,513)	\$ 17,901	(298.4)%
Depreciation and Amortization	2,667	2,687	(0.7)%	10,698	12,420	(13.9)%
EBITDA	1,834	5,768	(68.2)%	(24,815)	30,321	53.4 %
Executive transition costs	322	—	— %	322	—	— %
German facility closure costs	1,132	—	— %	1,132	—	— %
Earn-out adjustment	(1,905)	1,900	(200.3)%	(5,000)	1,900	(363.2)%
Loss on sale of a business entity and certain assets	—	—	— %	8,214	—	— %
Gain on sale of property	—	—	— %	(1,108)	—	— %
Severance	—	—	— %	382	—	— %
Goodwill and intangible impairment	—	—	— %	33,734	—	— %
Adjusted EBITDA	\$ 1,383	\$ 7,668	(82.0)%	\$ 12,861	\$ 32,221	(60.1)%
Fleet						
Operating Income	\$ 6,150	\$ 7,431	(17.2)%	\$ 26,659	\$ 29,819	(10.6)%
Depreciation and Amortization	2,361	2,713	(13.0)%	9,983	10,979	(9.1)%
EBITDA and Adjusted EBITDA	\$ 8,511	\$ 10,144	(16.1)%	\$ 36,642	\$ 40,798	(10.2)%
Federal and Defense						
Operating Income	\$ 7,868	\$ 5,176	52.0 %	\$ 26,309	\$ 18,144	45.0 %
Depreciation and Amortization	604	691	(12.6)%	2,630	3,047	(13.7)%
EBITDA	8,472	5,867	44.4 %	28,939	21,191	36.6 %
Severance	—	—	— %	112	—	— %
Adjusted EBITDA	\$ 8,472	\$ 5,867	44.4 %	\$ 29,051	\$ 21,191	37.1 %

GAAP TO NON-GAAP RECONCILIATIONS

Free Cash Flow



(in thousands)	Three months ended December 31,		For the years ended December 31,	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 526	\$ 555	\$ 35,761	\$ 17,994
Capital expenditures	(1,471)	(1,941)	(4,427)	(9,630)
Free cash flow	<u>\$ (945)</u>	<u>\$ (1,396)</u>	<u>\$ 31,334</u>	<u>\$ 8,364</u>

GAAP TO NON-GAAP RECONCILIATIONS

Net Leverage Ratio



(in thousands)	December 31,	
	2020	2019
Principal amount of debt	\$253,461	\$272,800
Less: Debt issuance costs	(2,368)	(2,789)
Less: Cash and cash equivalents	(378)	(734)
Net Debt	\$250,715	\$269,277
TTM Adjusted EBITDA ⁽¹⁾	\$75,198	\$90,874
Net Leverage Ratio	3.3x	3.0x

(1) TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period ending December 31, 2020 and December 31, 2019, respectively.

