

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): **April 28, 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

Item 2.02. Results of Operations and Financial Condition

On April 28 2021, VSE Corporation (the “Company”) issued a press release reporting its financial results for the first quarter ended March 31, 2021. 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 April 28, 2021, entitled, "VSE Corporation Announces First Quarter 2021 Results."](#)

[99.2 VSE Corporation Earnings Presentation for the First Quarter 2021](#)

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: April 28, 2021

By: /s/ Stephen D. Griffin

Stephen D. Griffin

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)



VSE Corporation Announces First Quarter 2021 Results

ALEXANDRIA, Va., April 28, 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 supporting government and commercial markets, today announced results for the first quarter 2021.

FIRST QUARTER 2021 RESULTS *(as compared to the First Quarter 2020)*

- **Total Revenues** of \$165.0 million declined 7.0%
- **GAAP Net Income** of \$5.1 million increased 53.4%
- **Adjusted Net Income** of \$5.3 million declined 45.6%
- **Adjusted EBITDA** of \$15.6 million declined 31.5%

For the three months ended March 31, 2021, the Company reported total revenue of \$165.0 million, versus \$177.4 million for the same period ended 2020. The Company reported adjusted net income of \$5.3 million or \$0.44 per adjusted diluted share, compared to \$9.8 million or \$0.89 per adjusted diluted share in the prior-year period. Adjusted EBITDA declined to \$15.6 million in the first quarter 2021, versus \$22.7 million for the same period in 2020.

Fleet segment revenue increased 2.9% on a year-over-year basis, as growth in commercial fleet and e-commerce fulfillment offset a slight decline in U.S. Postal Service-related revenue. For the first quarter, Federal and Defense segment revenue was essentially flat on a year-over-year basis, as new contract wins offset the previously announced completion of a DoD program. Aviation segment revenue, excluding the previously divested Prime Turbines and CT Aerospace assets, declined 12.0% on a year-over-year basis in first quarter 2021, as lower airline revenue passenger miles resulted in reduced commercial MRO activity. During the first quarter, Aviation segment revenue increased 15.1% when compared to fourth quarter 2020, representing the third consecutive quarter of sequential segment growth. Aviation segment performance was driven by continued market share gains within the Company's parts distribution business, together with improved business and general aviation (B&GA) customer demand. VSE Aviation distribution revenue returned to pre-pandemic levels during first quarter 2021, up 13.1% as compared to fourth quarter 2020. VSE Aviation MRO revenue increased 18.1%, compared to fourth quarter 2020.

VSE invested nearly \$35 million in new inventory during first quarter 2021 to support recent aviation program wins. These program wins include previously announced distribution agreements with global OEMs to support engine auxiliary power unit (APU), avionics, landing gear and telecommunications products.

STRATEGY UPDATE

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

- **Aviation segment new \$1 billion engine accessories distribution agreement.** In March 2021, VSE announced that it has entered into a 15-year distribution agreement valued at approximately \$1.0 billion with a global aircraft engine manufacturer. Under the terms of the agreement, VSE will be the provider for more than 6,000 flight-critical components used in more than 100 business and general aviation (B&GA) and regional jet engine platforms. VSE will support customers with new and exchange components. VSE will service more than 5,000 U.S.-based aircraft with on-demand, flight-critical components on a 24/7 basis to support AOG (aircraft on-ground).

- **Federal and Defense segment new contract awards.** In April 2021, the Company announced approximately \$37.5 million in combined new contract awards with the United States Air Force and a U.S. Government foreign ally, respectively. Revenue related to both of these contract awards is anticipated to commence in the second quarter of 2021. These contract awards reflect the continued execution of Federal and Defense segment's vehicle and aviation MRO strategy introduced last year, one that emphasizes multi-year growth in higher-margin segment backlog.
- **HAECO Special Services (HSS) acquisition and integration.** On March 1, 2021, VSE acquired HAECO Special Services, LLC (HSS) from HAECO Airframe Services, LLC, a division of HAECO Americas (HAECO), in an all cash transaction. HSS is a leading provider of fully integrated MRO support solutions for military and government aircraft. HSS offers scheduled depot maintenance, contract field deployment and unscheduled drop-in maintenance for a U.S. Department of Defense contract, specifically for the sustainment of the U.S. Air Force KC-10 fleet. Since March 1, 2021, HSS contributed \$3.2 million of revenue to VSE's first quarter 2021 consolidated results. Integration activity is underway, and HSS will be integrated into VSE's Federal and Defense segment as part of the aircraft maintenance and modernization business unit.
- **Fleet segment organic revenue growth in commercial end-markets.** Total commercial revenue, which excludes U.S. Postal Service and Government-related revenue, increased 63.6% on a year-over-year basis in first quarter 2021, driven by increased sales in the e-commerce fulfillment and commercial fleet channels. Commercial revenue represented 26.4% of total Fleet revenue in first quarter 2021, versus 16.6% in the prior-year period.

MANAGEMENT COMMENTARY

"We continued to leverage our unique value proposition across niche, high-value market verticals during the first quarter of 2021, while advancing our business transformation strategy through a combination of both organic and inorganic growth," stated John Cuomo, President and CEO of VSE Corporation. "Our change management and business transformation initiatives have begun to yield tangible results, as evidenced by new business wins, expanded relationships with commercial and government customers, and improved organizational efficiency."

"We remain highly focused on growing a backlog of higher-margin, multi-year contracts that position us to cross-sell our products and services into new and existing markets," continued Cuomo. "Within our Aviation segment, we recently announced a \$1 billion, 15-year agreement with a major engine manufacturer with the potential to generate approximately \$60 million in annual revenue upon full implementation. This transaction significantly expands our customer base across more than 100 B&GA and regional aviation engine platforms, while providing stable, long-term contract revenue. Within our Federal and Defense segment, we recently announced more than \$37 million in new contract awards with the both the U.S. Air Force and a U.S. Government foreign ally. In our Fleet segment, we continue to generate strong organic growth in commercial revenue. Collectively, these new wins reflect a sharpened organizational focus on new business development, while further validating our go-to-market strategies."

"Aviation segment revenue within distribution returned to pre-pandemic levels during the first quarter, ahead of our market peers, supporting our third quarter of sequential revenue growth in the segment," continued Cuomo. "While revenue passenger miles remain below historical levels, we anticipate that an increase in B&GA and commercial domestic travel will lead the recovery, creating new opportunities for our business as traffic levels improve into 2022."

"VSE remains well-capitalized to support the ongoing growth of the business," stated Stephen Griffin, CFO of VSE Corporation. "While our recently announced business wins will require working capital investments in new inventory during 2021, we anticipate significant returns on these investments in 2022 and beyond. Disciplined balance sheet management remains a priority for us and we anticipate that we will end 2021 in a similar leverage position as compared to 2020. We are targeting a long-term net leverage ratio of 2.5x."

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.

VSE Aviation segment revenue, less contributions from Prime Turbines (divested February 2020) and CT Aerospace (divested June 2020), decreased 12.0% year-over-year to \$44.4 million in the first quarter 2021. 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. The Aviation segment recorded an operating loss of \$0.3 million in the first quarter, versus an operating loss of \$1.9 million in the prior-year period. Segment Adjusted EBITDA decreased to \$2.2 million in the first quarter 2021, versus \$7.9 million in the prior-year period.

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.

VSE Fleet segment revenue increased 2.9% year-over-year to \$54.7 million in the first quarter 2021. Revenues from commercial customers increased approximately \$5.6 million or 63.6%, driven by growth in commercial fleet demand and our e-commerce fulfillment business. Operating income declined 16.9% year-over-year to \$5.7 million in the first quarter 2021 due to sales mix and related factors. Segment Adjusted EBITDA declined 15.6% year-over-year in the first quarter 2021 to \$8.1 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.

VSE Federal and Defense segment revenue declined 0.4% year-over-year to \$65.9 million in the first quarter 2021, as new contract awards served to offset previously announced contract expirations. Operating income increased 2.1% year-over-year to \$5.0 million in the first quarter, while Adjusted EBITDA increased 2.0% year-over-year to \$5.8 million in the period, due to a less favorable contract mix.

VSE Federal and Defense segment first quarter bookings declined 6.0% year-over-year to \$63 million. Funded backlog declined 6.5% year-over-year to \$188 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 focus on revitalizing this business by leveraging its improved technical competencies to capitalize on higher margin growth as evidenced in recent wins announced in April 2021.

FINANCIAL RESOURCES AND LIQUIDITY

As of March 31, 2021, the Company had \$167 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 March 31, 2021, VSE had total net debt outstanding of \$254 million and \$68.1 million of trailing-twelve months Adjusted EBITDA.

FIRST QUARTER RESULTS

(in thousands, except per share data)

	Three months ended March 31,		
	2021	2020	% Change
Revenues	\$ 164,981	\$ 177,418	(7.0) %
Operating income	\$ 9,603	\$ 9,734	(1.3) %
Net income	\$ 5,111	\$ 3,332	53.4 %
EPS (Diluted)	\$ 0.42	\$ 0.30	40.0 %

FIRST QUARTER SEGMENT RESULTS

The following is a summary of revenues and operating income (loss) for the three months ended March 31, 2021 and March 31, 2020:

(in thousands)

	Three months ended March 31,		
	2021	2020	% Change
Revenues:			
Aviation	\$ 44,371	\$ 58,080	(23.6)%
Fleet	54,747	53,204	2.9 %
Federal & Defense	65,863	66,134	(0.4)%
Total Revenues	\$ 164,981	\$ 177,418	(7.0)%
Operating Income (Loss):			
Aviation	\$ (332)	\$ (1,880)	(82.3)%
Fleet	5,741	6,906	(16.9)%
Federal & Defense	5,025	4,924	2.1 %
Corporate/unallocated expenses	(831)	(216)	284.7 %
Operating Income	\$ 9,603	\$ 9,734	(1.3)%

The Company reported \$2.1 million of total capital expenditures for three months ended March 31, 2021.

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

(in thousands)

	Three months ended March 31,		
	2021	2020	% Change
Net Income	\$ 5,111	\$ 3,332	53.4 %
Adjustments to Net Income:			
Acquisition related costs	310	—	— %
Earn-out adjustment	—	301	— %
Loss on sale of a business entity and certain assets	—	7,536	— %
Gain on sale of property	—	(1,108)	— %
	5,421	10,061	(46.1)%
Tax impact of adjusted items	(78)	(236)	— %
Adjusted Net Income	\$ 5,343	\$ 9,825	(45.6)%
Weighted Average Dilutive Shares	12,172	11,101	— %
Adjusted EPS (Diluted)	\$ 0.44	\$ 0.89	(50.6)%

Reconciliation of Consolidated EBITDA and Adjusted EBITDA to Net Income

(in thousands)

	Three months ended March 31,		
	2021	2020	% Change
Net Income	\$ 5,111	\$ 3,332	53.4 %
Interest Expense	3,030	3,486	(13.1)%
Income Taxes	1,462	2,916	(49.9)%
Amortization of Intangible Assets	4,288	4,723	(9.2)%
Depreciation and Other Amortization	1,360	1,521	(10.6)%
EBITDA	15,251	15,978	(4.6)%
Acquisition related costs	310	—	— %
Earn-out adjustment	—	301	— %
Loss on sale of a business entity and certain assets	—	7,536	— %
Gain on sale of property	—	(1,108)	— %
Adjusted EBITDA	\$ 15,561	\$ 22,707	(31.5)%

Reconciliation of Segment EBITDA and Adjusted EBITDA to Operating Income

(in thousands)

	Three months ended March 31,		
	2021	2020	% Change
Aviation			
Operating Income (Loss)	\$ (332)	\$ (1,880)	(82.3)%
Depreciation and Amortization	2,554	3,066	(16.7)%
EBITDA	2,222	1,186	87.4 %
Earn-out adjustment	—	301	— %
Loss on sale of a business entity and certain assets	—	7,536	— %
Gain on sale of property	—	(1,108)	— %
Adjusted EBITDA	\$ 2,222	\$ 7,915	(71.9)%
Fleet			
Operating Income	\$ 5,741	\$ 6,906	(16.9)%
Depreciation and Amortization	2,340	2,672	(12.4)%
EBITDA and Adjusted EBITDA	\$ 8,081	\$ 9,578	(15.6)%
Federal & Defense			
Operating Income	\$ 5,025	\$ 4,924	2.1 %
Depreciation and Amortization	754	739	2.0 %
EBITDA and Adjusted EBITDA	\$ 5,779	\$ 5,663	2.0 %

Reconciliation of Operating Cash to Free Cash Flow

(in thousands)

	Three months ended March 31,	
	2021	2020
Net cash (used in) provided by operating activities	\$ (36,367)	\$ 6,758
Capital expenditures	(2,109)	(724)
Free cash flow	\$ (38,476)	\$ 6,034

Reconciliation of Debt to Net Debt

(in thousands)

	March 31,	December 31,
	2021	2020
Principal amount of debt	\$ 255,635	\$ 253,461
Debt issuance costs	(2,072)	(2,368)
Cash and cash equivalents	(347)	(378)
Net debt	\$ 253,216	\$ 250,715

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, 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 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. Net debt is defined as total debt less cash and cash equivalents. Free cash flow represents operating cash flow less capital expenditures.

CONFERENCE CALL

A conference call will be held Thursday, April 29, 2021 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=144084>

To listen to a replay of the teleconference through May 31, 2021:

Domestic Replay: (844) 512-2921
International Replay: (412) 317-6671
Replay PIN Number: 13718038

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 April 29, 2021 for more details on our first quarter 2021 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

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 347	\$ 378
Receivables, net	63,552	55,471
Unbilled receivables, net	43,694	22,358
Inventories, net	282,771	253,422
Other current assets	29,169	23,328
Total current assets	419,533	354,957
Property and equipment, net	38,318	36,363
Intangible assets, net	105,914	103,595
Goodwill	238,126	238,126
Operating lease right-of-use asset	22,181	20,515
Other assets	29,016	26,525
Total assets	\$ 853,088	\$ 780,081
Liabilities and Stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 21,316	\$ 20,379
Accounts payable	73,816	72,682
Accrued expenses and other current liabilities	50,882	45,172
Dividends payable	1,142	995
Total current liabilities	147,156	139,228
Long-term debt, less current portion	232,247	230,714
Deferred compensation	17,186	16,027
Long-term lease obligations under operating leases	23,673	22,815
Deferred tax liabilities	16,523	14,897
Other long-term liabilities	2,000	83
Total liabilities	438,785	423,764
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 12,691,570 and 11,055,037, respectively	635	553
Additional paid-in capital	85,296	31,870
Retained earnings	329,064	325,097
Accumulated other comprehensive loss	(692)	(1,203)
Total stockholders' equity	414,303	356,317
Total liabilities and stockholders' equity	\$ 853,088	\$ 780,081

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Income

(in thousands except share and per share amounts)

	For the three months ended March 31,	
	2021	2020
Revenues:		
Products	\$ 78,580	\$ 76,342
Services	86,401	101,076
Total revenues	164,981	177,418
Costs and operating expenses:		
Products	70,712	65,527
Services	80,340	90,758
Selling, general and administrative expenses	38	248
Amortization of intangible assets	4,288	4,723
Total costs and operating expenses	155,378	161,256
	9,603	16,162
Loss on sale of a business entity and certain assets	—	(7,536)
Gain on sale of property	—	1,108
Operating income	9,603	9,734
Interest expense, net	3,030	3,486
Income before income taxes	6,573	6,248
Provision for income taxes	1,462	2,916
Net income	\$ 5,111	\$ 3,332
Basic earnings per share	\$ 0.42	\$ 0.30
Basic weighted average shares outstanding	12,076,509	11,000,204
Diluted earnings per share	\$ 0.42	\$ 0.30
Diluted weighted average shares outstanding	12,171,828	11,100,506
Dividends declared per share	\$ 0.09	\$ 0.09

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Cash Flows

(in thousands)

	For the three months ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 5,111	\$ 3,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,944	6,475
Deferred taxes	1,457	1,592
Stock-based compensation	1,415	897
Loss on sale of a business entity and certain assets	—	7,536
Gain on sale of property and equipment	—	(1,127)
Earn-out obligation fair value adjustment	—	301
Changes in operating assets and liabilities, net of impact of acquisitions:		
Receivables	(2,787)	(163)
Unbilled receivables	(17,341)	(2,041)
Inventories	(28,910)	(8,255)
Other current assets and noncurrent assets	(10,306)	2,777
Accounts payable and deferred compensation	1,051	395
Accrued expenses and other current and noncurrent liabilities	7,999	(4,961)
Net cash (used in) provided by operating activities	(36,367)	6,758
Cash flows from investing activities:		
Purchases of property and equipment	(2,109)	(724)
Proceeds from the sale of property and equipment	14	2,424
Proceeds from payments on notes receivable	412	427
Proceeds from the sale of a business entity and certain assets	—	20,700
Cash paid for acquisitions, net of cash acquired	(14,785)	—
Net cash (used in) provided by investing activities	(16,468)	22,827
Cash flows from financing activities:		
Borrowings on loan agreement	146,431	131,148
Repayments on loan agreement	(144,257)	(127,692)
Proceeds from issuance of common stock, net of underwriters' discounts and issuance costs	52,017	—
Earn-out obligation payments	—	(31,701)
Payments of taxes for equity transactions	(390)	(543)
Dividends paid	(997)	(988)
Net cash provided by (used in) financing activities	52,804	(29,776)
Net decrease in cash and cash equivalents	(31)	(191)
Cash and cash equivalents at beginning of period	378	734
Cash and cash equivalents at end of period	\$ 347	\$ 543



First Quarter 2021 Results Conference Call

April 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

First Quarter 2021



Business Transformation Update

as of April 29, 2021

Aviation Segment: Transformational New Agreement

Announced \$1 billion 15-year engine accessories distribution agreement win in April 2021 – another partnership with a major global OEM

Fleet Segment: Commercial Growth & Customer Diversification

Commercial fleet diversification strategy and commercial growth success; +64% revenue y/y in 1Q'21

Federal & Defense Segment: Organic Growth

Announced \$37.5 million in new contract award commitments in April 2021

Inorganic Growth: HAECO Special Services (HSS) Acquisition

HSS acquisition supports higher-margin aircraft modernization and sustainment MRO within Federal & Defense segment. Acquisition performance ahead of initial plan; Acquisition closed March 1, 2021.

Capital Deployment to Support New Program Wins in 2021

For the full-year 2021, the company currently anticipates continued inventory investment to support revenue and margin capture in 2022+, which includes \$56 million to support the new engine accessories OEM program win within Aviation segment.

First Quarter 2021

Key Performance Highlights

Execution on Growth Strategy

Combination of market share gains across all segments, together with first month of revenue contribution from HSS acquisition

Operational & Profit Execution Across All Segments

Generated positive Adjusted EBITDA across all three segments in 1Q'21; reported GAAP net income of \$5.1 million and adjusted net income of \$5.3 million, \$0.44 per diluted share

Outpacing Aviation Recovery Continues, Led by Aviation Distribution

Third consecutive quarter of sequential revenue growth within Aviation segment; +15% q/q, driven by new business wins. Distribution and improved B&GA demand lead the recovery.

Accelerating Higher-Margin Capability Expansion in Federal & Defense

Focused on building MRO and technical capabilities within higher margin niche markets; HSS accelerates this strategy

Fleet Revenue Growth Driven by Commercial Sales

Commercial was 26% of Fleet revenue in 1Q'21 vs. 17% in 1Q'20; USPS revenue down less than 7% y/y; near flat on a q/q basis

Continued Business Transformation through Market Share Gains, Expanded Service Capabilities & Inorganic Growth

\$1 BILLION ENGINE ACCESSORIES AGREEMENT



15-year agreement anticipated to generate ~\$60 million annually upon full implementation

Agreement Overview

At \$60 million annually, represents ~35%+ increase in 2020 VSE Aviation revenue

Long-term, Transformational Distribution Agreement

15-year distribution agreement valued at approximately \$1 billion over the life of the contract with a global aircraft engine manufacturer commencing in 2Q'21.

Serving More than 100 B&GA Engine Platforms

VSE Aviation will be the distributor for more than 6,000 flight-critical components used in more than 100 business and general aviation (B&GA) and regional aviation engine platforms. VSE will support customers with both new and exchange components.

Installed Base of More than 5,000 U.S.-based Aircraft

VSE will service 5,000+ U.S.-based aircraft with on-demand, flight-critical components to support scheduled line maintenance and AOG (aircraft on-ground) events.

Stable Contractual Revenue through 2036

VSE expects program revenue to be approximately \$12 million in 2021 and \$45 million in 2022. Once fully implemented, the program is estimated to generate ~\$60+ million in annual revenue.

Key Strategic Benefits

Leveraging our unique value proposition across both Distribution & MRO

Directly Servicing Business & General Aviation Customers

VSE Aviation will be the first point of contact for B&GA owners, operators and maintenance providers, supplying critical engine components and on-demand part and repair solutions.

Significant Opportunity to Cross-sell Complementary Offerings

This agreement positions VSE to provide complementary product and service offerings, supporting long-term market share gains within attractive B&GA customer verticals.

Leveraging Existing VSE Expertise in Parts Distribution and MRO

VSE Aviation is a well-established leader in engine accessory repair and technical proprietary parts distribution. This agreement significantly expands the Company's service of both new and existing engine platforms. This OEM partnership expands VSE's repair capabilities to service additional engine accessory exchange units.

Transformational Agreement Supports Organic Growth Strategy & Reflects Continued B&GA Market Focus

VSE FINANCIAL SUMMARY



(\$ in millions except EPS)	1Q'21	1Q'20	4Q'20	vs 1Q'20	vs 4Q'20
Revenue	\$165.0	\$177.4	\$150.0	(7)%	10%
Adjusted EBITDA	\$15.6	\$22.7	\$17.3	(31)%	(10)%
Adjusted EBITDA %	9.5%	12.8%	11.5%	(3.3)pts	(2.0)pts
Operating Income	\$9.6	\$9.7	\$11.9	(1)%	(19)%
Net Income	\$5.1	\$3.3	\$6.0	55%	(15)%
Adjusted Net Income	\$5.3	\$9.8	\$5.8	(46)%	(9)%
Diluted EPS	\$0.42	\$0.30	\$0.54	40%	(22)%
Adjusted Diluted EPS	\$0.44	\$0.89	\$0.52	(52)%	(15)%

- 1Q'21 revenue of \$165M decreased (3)% y/y ⁽¹⁾
- Q/Q revenue growth across all segments: Aviation +15%, Federal & Defense +15%, Fleet +1%
- Continued investment in Distribution and MRO capabilities to gain market share and execute on organic growth strategy

(1) Excluding the 2020 revenue related to Prime Turbines/CT Aerospace divestitures, revenue is \$165.0 million in 1Q'21, versus \$169.5 million in the same period of 2020

3rd Consecutive Quarter of Revenue Growth; Continued Progress on Growth Plans with New Wins & Program Launches

CONSOLIDATED PERFORMANCE BRIDGE



	Revenue	Adj. EBITDA	Adj. EBITDA Margin %
4Q'20	\$150.0	\$17.3	11.5%
Aviation	\$5.8	\$0.9	+0.1 pts
FDS	\$8.5	(\$2.7)	(2.1) pts
Fleet	\$0.7	(\$0.4)	(0.3) pts
Corporate	-	\$0.5	+0.3 pts
1Q'21	\$165.0	\$15.6	9.5%

Q/Q comparisons:

- Aviation segment revenue and profit increased, with three quarters of sequential growth supported by execution of market share gains and recovery in business and general aviation market
- Federal & Defense (FDS) segment revenue increase driven by Department of Justice program and HSS acquisition, with profit declines due to contract mix
- Fleet segment revenue growth supported by higher sales in commercial fleet and e-commerce fulfillment, offset by slight decline in U.S. Postal Service and DoD-related revenue

1Q'20	\$177.4	\$22.7	12.8%
Aviation	(\$13.7)	(\$5.7)	(2.4) pts
FDS	(\$0.2)	\$0.1	+0.1 pts
Fleet	\$1.5	\$(1.5)	(1.0) pts
Corporate	-	-	-
1Q'21	\$165.0	\$15.6	9.5%

Y/Y comparisons:

- Aviation revenue and profit decline driven by COVID-19 impact on global revenue passenger miles
- Federal & Defense (FDS) lower revenue driven by completion of previously announced expiring programs with progress on new capabilities in MRO to maximize portfolio profitability
- Fleet growth driven primarily by commercial fleet and e-commerce fulfillment offset by a slight decline U.S. Postal Service and DoD-related revenue

AVIATION SEGMENT



(\$ in millions)	1Q'21	vs 1Q'20	vs 4Q'20
Revenue	\$44.4	(24)%	+15%
Revenue, less divestitures (1)	\$44.4	(12)%	+15%
Adjusted EBITDA	\$2.2	(72)%	+61%
Adjusted EBITDA %	5%	(8.6) pts	+1.5 pts
Operating Income	\$(0.3)	+82%	+60%
<u>Revenue by Type:</u>			
Distribution Adjusted ⁻⁽¹⁾	\$26.1	+18%	+13%
Repair Adjusted ⁻⁽¹⁾	\$18.3	(34)%	+18%

- 1Q'21 Aviation revenue increased +15% sequentially, led by growth in Distribution business
- Excluding the contribution of Prime Turbines and CT Aerospace divestitures, 1Q'21 revenue decreased (12)% versus same period of 2020
- Announced a ~\$1 billion exclusive, life-of-program distribution agreement, expanding into engine accessory distribution with B&GA customers

(1) Excludes 2020 revenue related to Prime Turbines/CT Aerospace divestitures

3rd Consecutive Quarter of Revenue Growth & New Program Wins; Distribution at Pre-Pandemic Revenue

FLEET SEGMENT



(\$ in millions)	1Q'21	vs 1Q'20	vs 4Q'20
Revenue	\$54.7	+3%	+1%
Adjusted EBITDA	\$8.1	(16)%	(5)%
Adjusted EBITDA %	14.8%	(3.3) pts	(1) pts
Operating Income	\$5.7	(17)%	(7)%
<u>Revenue by Customer:</u>			
Other Government	\$37.2	(7)%	-%
DoD	\$3.1	(33)%	(19)%
Commercial	\$14.4	+64%	+12%

- 1Q'21 revenue increased +1% sequentially, driven by commercial fleet revenue growth
- Y/Y revenue increases supported by commercial fleet and ecommerce fulfillment business, +64% y/y
- Margin impacted by sales mix and investment in commercial fleet sales infrastructure

Customer Diversification Progress & Growth in Commercial Fleet Revenue

FEDERAL & DEFENSE SEGMENT



(\$ in millions)	1Q'21	vs 1Q'20	vs 4Q'20
Revenue	\$65.9	-%	+15%
Adjusted EBITDA	\$5.8	+2%	(32)%
Adjusted EBITDA %	8.8%	+0.2 pts	(6) pts
Operating Income	\$5.0	+2%	(36)%
<u>Contract Backlog:</u>			
Bookings	\$63	(6)%	(16)%
Backlog	\$188	(7)%	+3%

- 1Q'21 revenue increased +15% sequentially, led by strong revenue performance on U.S. Department of Justice program and HSS acquisition
- Awarded ~\$37.5M in combined new contracts to provide on-demand MRO services to U.S. and allied foreign militaries, expanding capabilities in the higher-margin technical services market
- Expanding market focus and strategic position to grow backlog

Focus on Backlog Building, Expanding Service Capabilities & Profitability Enhancement

BALANCE SHEET OPTIONALITY



(\$ in millions)	1Q'21	1Q'20	4Q'20
Net Debt	\$253	\$273	\$251
Free Cash Flow	\$(38.5)	\$6.0	\$(0.9)
Net leverage ratio	3.7X	2.9X	3.3X
Unused Commitments	\$167	\$176	\$175

- 1Q'21 capital allocation priorities include investments for new Aviation segment program launches. Inventory investments in Aviation Distribution programs for 1Q'21 include:
 - Engine Accessories: \$20 million
 - Auxiliary Power Unit: \$10 million
 - Landing Gear: \$5 million
- Strong liquidity profile with \$167M cash and unused commitment availability under \$350M revolving credit facility due 2023
- Maintaining long-term target of 2.5x net leverage ratio; Anticipating FY'21 ratio to be in line with FY'20

Inventory Investments Supporting New Distribution Program and Future Revenue/Margin

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



APPENDIX



VSE EXECUTIVE TEAM



John Cuomo
President and CEO

Background & Responsibilities

- 19+ 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

INVESTMENT HIGHLIGHTS



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



Note: Figures above reflect TTM 3/31/21



Global provider of aftermarket distribution, maintenance, repair, and overhaul ("MRO"), and other services



Balanced commercial and defense customer base provides resilience through economic and market cycles



Strong customer/supplier relationships with embedded services enhance long-term opportunities and revenue stability



Fragmented end-markets provide for market share capture and high return acquisition opportunities



Cultural transformation driving higher margin sustainable growth

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 & parts distribution
- » Maintenance, repair & overhaul (MRO) services
- » Component & engine accessory maintenance
- » Rotable exchanges & 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 & warehousing
- » Just-in-Time supply chain management
- » Kitting; alternative product sourcing
- » Engineering & 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 & supply chain management
- » Aircraft, vehicle & marine sustainment services
- » IT services & Clean Energy consulting

100% Aftermarket Services

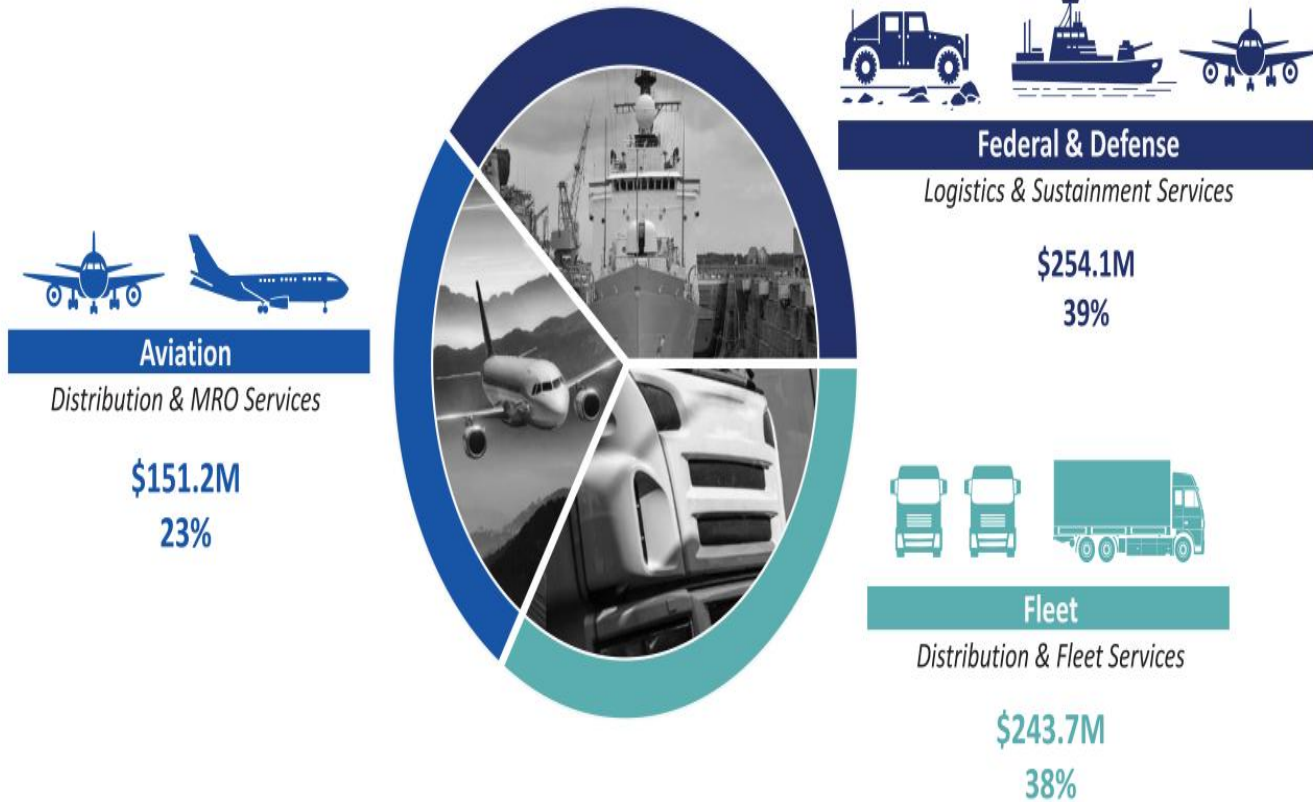
BALANCED AFTERMARKET BUSINESS SEGMENTS

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



Diverse End Markets Deliver Tailwinds for Growth

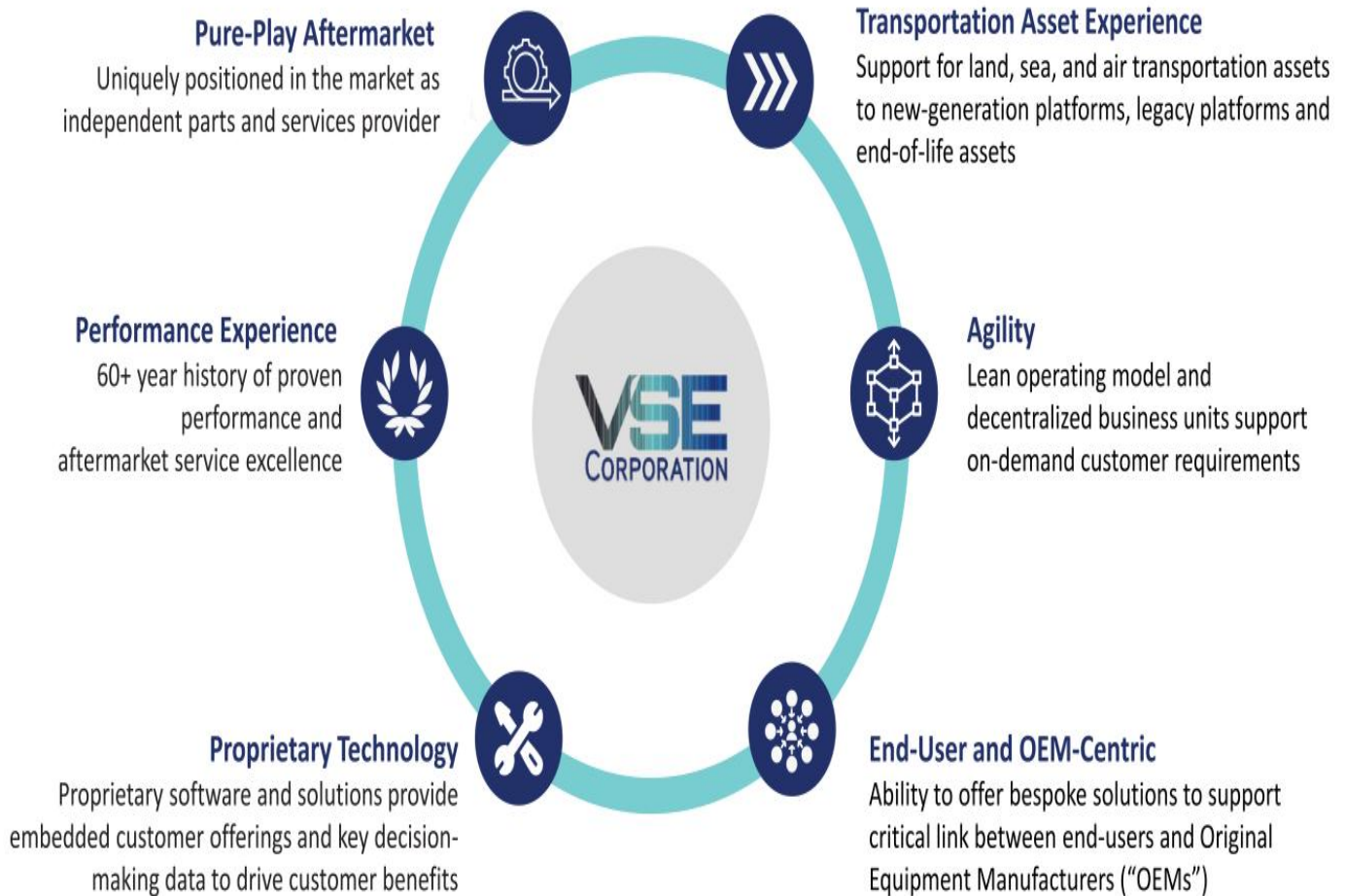
(\$ and % TTM 3/31/21 Revenue)



UNIQUE VALUE PROPOSITION



Differentiation drives market share gains, long-term sustainable revenue & margin 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 eCommerce proprietary technology and eCommerce 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
- Expansion of higher-margin offerings 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 & 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 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 & e-commerce fulfillment
- ✓ Customized fleet logistics & IT solutions
- ✓ Technical support, engineering, sourcing, warehousing & 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 & freight services
- ✓ Logistics, procurement & supply chain support
- ✓ Engineering & technical solutions
- ✓ IT & 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



GAAP TO NON-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)



In thousands (except per share data)	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
Net income (loss)	\$ 3,332	\$ (22,624)	\$ 8,108	\$ 6,013	\$ 5,111
Adjustments to Net Income (Loss):					
Acquisition related costs	—	—	—	—	310
Executive transition costs	—	—	—	1,026	—
German facility closure costs	—	—	—	1,132	—
Earn-out adjustment	301	(1,700)	(1,695)	(2,447)	—
Loss on sale of business entity and certain assets	7,536	678	—	—	—
Gain on sale of property	(1,108)	—	—	—	—
Severance	—	739	—	—	—
Goodwill and intangible impairment	—	33,734	—	—	—
	10,061	10,827	6,413	5,724	5,421
Tax impact on adjusted items ⁽¹⁾	(236)	(4,230)	423	70	(78)
Adjusted Net Income	\$ 9,825	\$ 6,597	\$ 6,836	\$ 5,794	\$ 5,343
Weighted Average Diluted Shares	11,101	11,041	11,100	11,141	12,172
Adjusted EPS (Diluted)	\$ 0.89	\$ 0.60	\$ 0.62	\$ 0.52	\$ 0.44

(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 (except per share data)	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
Net income (loss)	\$ 3,332	\$ (22,624)	\$ 8,108	\$ 6,013	\$ 5,111
Interest expense, net	3,486	3,072	3,530	3,408	3,030
Income taxes	2,916	(2,358)	2,547	2,493	1,462
Amortization of intangible assets	4,723	4,464	4,158	4,159	4,288
Depreciation and other amortization	1,521	1,231	1,351	1,471	1,360
EBITDA	15,978	(16,215)	19,694	17,545	15,251
Acquisition related costs	—	—	—	—	310
Executive transition costs	—	—	—	1,026	—
German facility closure costs	—	—	—	1,132	—
Earn-out adjustment	301	(1,700)	(1,695)	(2,447)	—
Loss on sale of business entity and certain assets	7,536	678	—	—	—
Gain on sale of property	(1,108)	—	—	—	—
Severance	—	739	—	—	—
Goodwill and intangible impairment	—	33,734	—	—	—
Adjusted EBITDA	\$ 22,707	\$ 17,236	\$ 17,999	\$ 17,256	\$ 15,561

GAAP TO NON-GAAP RECONCILIATIONS

Segment EBITDA and Adjusted EBITDA



In thousands	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
Aviation					
Operating Income (Loss)	\$ (1,880)	\$ (34,387)	\$ 1,586	\$ (833)	\$ (332)
Depreciation and Amortization	3,066	2,472	2,493	2,667	2,554
EBITDA	1,186	(31,915)	4,079	1,834	2,222
Executive transition costs	—	—	—	322	—
German facility closure costs	—	—	—	1,132	—
Earn-out adjustment	301	(1,700)	(1,695)	(1,905)	—
Loss on sale of a business entity and certain assets	7,536	678	—	—	—
Gain on sale of property	(1,108)	—	—	—	—
Severance	—	382	—	—	—
Goodwill and intangible impairment	—	33,734	—	—	—
Adjusted EBITDA	\$ 7,915	\$ 1,179	\$ 2,384	\$ 1,383	\$ 2,222

Fleet					
Operating Income	\$ 6,906	\$ 7,014	\$ 6,589	\$ 6,150	\$ 5,741
Depreciation and Amortization	2,672	2,572	2,378	2,361	2,340
EBITDA and Adjusted EBITDA	\$ 9,578	\$ 9,586	\$ 8,967	\$ 8,511	\$ 8,081

Federal and Defense					
Operating Income	\$ 4,924	\$ 6,772	\$ 6,746	\$ 7,868	\$ 5,025
Depreciation and Amortization	739	649	638	604	754
EBITDA	5,663	7,421	7,384	8,472	5,779
Severance	—	112	—	—	—
Adjusted EBITDA	\$ 5,663	\$ 7,533	\$ 7,384	\$ 8,472	\$ 5,779

GAAP TO NON-GAAP RECONCILIATIONS

Balance Sheet



Reconciliation of Operating Cash Flow to Free Cash Flows

In thousands	Three Months Ended				
	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Net cash provide by operating activities	\$ 6,758	\$ 16,050	\$ 12,427	\$ 526	\$ (36,367)
Capital expenditures	(724)	(1,104)	(1,128)	(1,471)	(2,109)
Free Cash Flow	<u>\$ 6,034</u>	<u>\$ 14,946</u>	<u>\$ 11,299</u>	<u>\$ (945)</u>	<u>\$ (38,476)</u>

Reconciliation of Debt to Net Debt

In thousands	Three Months Ended				
	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Principal amount of debt	\$ 276,256	\$ 263,075	\$ 252,685	\$ 253,461	\$ 255,635
Debt issuance costs	(2,556)	(2,959)	(2,664)	(2,368)	(2,072)
Cash and cash equivalents	(543)	(213)	(551)	(378)	(347)
Net Debt	<u>\$ 273,157</u>	<u>\$ 259,903</u>	<u>\$ 249,470</u>	<u>\$ 250,715</u>	<u>\$ 253,216</u>

Net Leverage Ratio

In thousands	Three Months Ended				
	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Net Debt	\$ 273,157	\$ 259,903	\$ 249,470	\$ 250,715	\$ 253,216
TTM Adjusted EBITDA ⁽¹⁾	93,646	87,754	81,036	75,198	68,052
Net Leverage Ratio	2.9x	3.0x	3.1x	3.3x	3.7x

⁽¹⁾ TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period

