

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **October 27, 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 October 27, 2021, the Company issued a press release reporting its financial results for the third quarter ended September 30, 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 October 27, 2021, entitled, "VSE Corporation Announces Third Quarter 2021 Results."](#)

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

104 Cover Page Interactive Data File

VSE CORPORATION AND SUBSIDIARIES

SIGNATURES

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

VSE CORPORATION

(Registrant)

Date: October 27, 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 Third Quarter 2021 Results

ALEXANDRIA, VIRGINIA, October 27, 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 third quarter 2021.

THIRD QUARTER 2021 RESULTS

(As compared to the Third Quarter 2020)

- **Total Revenues** of \$200.6 million increased 21.2%
- **GAAP Net Income** of \$9.0 million increased 11.3%
- **Adjusted Net Income** of \$9.7 million increased 42.5%
- **Adjusted EBITDA** of \$21.4 million increased 18.7%

For the three months ended September 30, 2021, the Company reported total revenue of \$200.6 million, versus \$165.5 million for the same period of 2020. Excluding a non-recurring order for pandemic-related personal protective equipment (PPE) in the third quarter 2020, total revenue increased 26.6% on a year-over-year basis in the third quarter 2021, the highest quarterly revenue run-rate since the fourth quarter 2016. The Company reported adjusted net income of \$9.7 million or \$0.76 per adjusted diluted share, compared to \$6.8 million or \$0.62 per adjusted diluted share in the prior-year period.

Adjusted EBITDA increased to \$21.4 million in the third quarter 2021, versus \$18.0 million for the same period in 2020. The Company generated total free cash flow, as defined by operating cash flow less total capital expenditures, of \$21.0 million in the third quarter 2021, versus \$11.3 million in the same period of 2020.

Aviation segment revenue increased 101.9% on a year-over-year basis, driven by organic growth within both distribution and MRO markets, initial contributions from program implementation of recent contract wins, and market share gains within the business and general aviation (B&GA) market, supported by the acquisition of Global Parts Group completed in July 2021. Aviation distribution and MRO revenue increased 187% and 8%, respectively, in the third quarter 2021 versus the prior-year period, with distribution revenue currently above pre-pandemic levels.

Fleet segment revenue increased 6.4% on a year-over-year basis, excluding a non-recurring order for pandemic-related PPE fulfilled in the prior-year period. Fleet segment growth was driven by higher commercial fleet and e-commerce fulfillment sales, while U.S. Postal Service-related revenue was flat in the period.

Federal & Defense segment revenue increased 2.5% on a year-over-year basis, given contributions from the March 2021 acquisition of HAECO Special Services and recent contract wins.

STRATEGIC UPDATE

VSE continued to successfully execute on its multi-year business transformation and organic and inorganic growth plans during the third quarter. The management team remains focused on accelerating the business transformation through new business wins, product line and service expansion, execution on new program awards, and accretive bolt-on acquisitions supporting and accelerating the strategy.

Aviation segment's B&GA focus driving sustained revenue growth and margin expansion. During the past twelve months, VSE Aviation expanded its base of small and medium sized business jet customers from approximately 100 to more than 3,000 through a combination of new contract wins and complementary, bolt-on acquisitions. These actions have contributed to significant sustaining growth in Aviation segment revenue, together with opportunity for margin expansion. VSE Aviation expects to gain further traction in this market as both new and existing business jet customers leverage the full breadth of the Company's combined repair and distribution capabilities.

Aviation segment executing multiple program implementations in support of new contract wins . On a year-to-date basis, VSE Aviation has announced more than \$100 million of new annualized contract revenue from multi-year distribution agreements with leading global OEMs. During June 2021, VSE Aviation commenced implementation of a 15-year, \$1 billion engine accessories distribution agreement in support of B&GA engine operators and maintenance providers located throughout the United States. To date, program implementation and revenue are in line with initial expectations.

Aviation segment continues to secure multi-year contract extensions with OEM customers. In October 2021, VSE Aviation announced a 5-year extension of an existing distribution agreement valued at approximately \$125 million with a global aircraft engine manufacturer. Under the terms of the agreement, VSE Aviation will remain the distributor of new fuel control systems and associated spare parts to the B&GA and rotorcraft markets for this leading global OEM. The agreement, which was initially scheduled to terminate in 2024, has been extended through 2029 and builds on VSE Aviation's multi-year pipeline of higher-value contractual revenue with both new and existing partners.

Fleet segment continues to generate strong revenue growth and diversification across commercial fleet and eCommerce fulfillment businesses. During a period of global supply chain disruption and part shortages, commercial fleets have increased their reliance on VSE's Wheeler Fleet Solutions subsidiary as a critical supplier of parts, including higher-margin private label brands. This dynamic, coupled with strong e-commerce demand, resulted in a 65.9% year-over-year increase in total Fleet segment commercial revenue during the third quarter 2021, as compared to the prior-year period. Commercial revenue represented 34.3% of total Fleet revenue in the third quarter 2021, versus 22.0% in the prior-year period when excluding the non-recurring PPE order, in line with the continued revenue diversification strategy.

Federal & Defense segment building funded backlog through new foreign military sales wins, contract extensions. In conjunction with a programmatic business development focus, Federal & Defense segment has expanded its bidding activity with both the U.S. armed forces and allied foreign militaries. These actions contributed to a 23% year-over-year increase in funded backlog during the third quarter 2021 and a strong qualified pipeline of new business opportunities.

MANAGEMENT COMMENTARY

"We continued to execute on our aftermarket distribution and MRO strategies during the third quarter, while positioning the business to generate above-market revenue growth in higher-margin, niche verticals that leverage our unique value proposition," stated John Cuomo, President and CEO of VSE Corporation. "New contract wins, long-term program extensions, strong program execution, commercial e-commerce growth, together with contributions from recently completed acquisitions, have created a strong, recurring base of business driving continued growth and margin expansion opportunities for VSE."

"Our Aviation segment had a strong third quarter, as revenue increased more than 100% versus the prior year period, while Adjusted EBITDA margins grew materially on both a sequential and year-over-year basis, driven by new program wins and improved demand across both our distribution and MRO businesses," continued Cuomo. "In June, we commenced service under our 15-year, \$1 billion engine accessories distribution agreement. This program is currently performing in line with our previously communicated forecasts, driven by strong B&GA customer demand and solid execution from the VSE Aviation team."

"We remain committed to building upon existing, long-term customer relationships that align with our broader commercial strategy," continued Cuomo. "In October, we announced VSE Aviation won a five-year extension to an existing distribution agreement valued at approximately \$125 million with a global aircraft engine manufacturer. Our ability to both retain and expand upon decades-long partnerships that provide higher-value, multi-year contractual revenue streams is integral to the continued success of our long-term organic growth strategy."

"Our Fleet segment generated strong revenue growth across commercial and e-commerce channels during the third quarter, serving as a reliable partner to customers during a period of global supply chain disruption," continued Cuomo. "Fleet adjusted EBITDA margins increased 80 basis points sequentially. Within our Federal and Defense segment, revenue increased year-over-year on several new program awards and extensions, while funded backlog increased more than 20% versus the prior-year period. Our business development teams have built a strong

qualified pipeline of high-margin, niche capability opportunities to support the future of this segment,” concluded Cuomo.

“VSE remains focused on improving profitability as we execute our strategic growth initiatives. Our EBITDA margin was 10.7% in the third quarter as the Aviation Segment margin rate grew to 10.0%, up 340 basis points versus the prior year period. VSE generated strong free cash flow in the third quarter of \$21 million and ended the period with more than \$117 million of liquidity,” stated Stephen Griffin, CFO of VSE Corporation. We remain focused on growing the business both organically and inorganically, and are pleased with the early progress made with the recently completed Global Parts acquisition. We continue to stay focused on achieving our net leverage target of 2.5x by year-end 2022 through meaningful growth in EBITDA as a result of the recent investments in working capital made throughout 2021.”

SEGMENT RESULTS

AVIATION

Distribution & MRO Services

VSE's **Aviation** segment provides aftermarket MRO and distribution services to commercial, business and general aviation, cargo, 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 increased 101.9% year-over-year to \$73.1 million in the third quarter 2021. The year-over-year revenue improvement was attributable to contributions from recently announced contract wins and market share gains, specifically within the B&GA markets, as well as contributions from the acquisition of Global Parts. The Aviation segment reported operating income of \$3.7 million in the third quarter, compared to \$1.6 million in the same period of 2020. Segment Adjusted EBITDA more than doubled on a year-over-year basis to \$7.3 million in the third quarter 2021, versus \$2.4 million in the prior-year period. Aviation segment Adjusted EBITDA margins were 10.0%, up 340 basis points versus the period year period as the aviation industry recovers and new programs materialize into incremental revenue.

FLEET

Distribution & Fleet Services

VSE's **Fleet** segment provides parts, inventory management, e-commerce fulfillment, logistics, supply chain support and other services to 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 6.4% year-over-year to \$60.3 million in the third quarter 2021, excluding a \$7.1 million non-recurring order for pandemic-related PPE fulfilled in the prior-year period. Revenues from commercial customers increased 66% on a year-over-year basis, driven by growth in commercial fleet demand and the e-commerce fulfillment business. Segment Adjusted EBITDA declined 13.8% year-over-year in the third quarter 2021 to \$7.7 million, given lower contributions from USPS-related business, but increased by \$0.7 million on a sequential, quarter-over-quarter basis. Fleet segment Adjusted EBITDA margins grew to 12.8%, up 70 basis points versus the second quarter 2021 as the business continues to scale for commercial growth.

FEDERAL & DEFENSE

Logistics & Sustainment Services

VSE's **Federal & Defense** segment provides aftermarket MRO and logistics services to improve operational readiness and extend the lifecycle 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 and data management services and energy consulting.

VSE Federal & Defense segment revenue increased 2.5% year-over-year to \$67.2 million in the third quarter 2021, driven by contributions from the recent acquisition of HAECO Special Services, contract wins and successful recompetes. Segment Adjusted EBITDA declined 12.0% year-over-year to \$6.5 million in the period, in line with previously communicated expectations, as a result of a favorable mix of fixed priced awards in the third quarter

2020. VSE Federal & Defense funded backlog increased 23.2% year-over-year to \$218.0 million, as the business continues to execute and focus on higher margin, more technical services.

FINANCIAL RESOURCES AND LIQUIDITY

As of September 30, 2021, the Company had \$116.5 million in cash and unused commitment availability under its \$350 million revolving credit facility maturing in 2024. The business generated \$21.0 million of free cash flow in the quarter and, on a year-to-date basis, has invested more than \$50 million in new programs, primarily within the Aviation segment to support long-term growth. As of September 30, 2021, VSE had total net debt outstanding of \$294 million and \$73.1 million of trailing-twelve months Adjusted EBITDA, which excludes full-year contributions from the recently completed HAECO Special Services and Global Parts acquisitions.

THIRD QUARTER RESULTS

(in thousands, except per share data)

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|-------------------|----------------------------------|------------|----------|---------------------------------|-------------|-----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Revenues | \$ 200,582 | \$ 165,505 | 21.2 % | \$ 540,675 | \$ 511,638 | 5.7 % |
| Operating income | \$ 13,892 | \$ 14,185 | (2.1) % | \$ 10,781 | \$ 2,009 | 436.6 % |
| Net income (loss) | \$ 9,021 | \$ 8,108 | 11.3 % | \$ 1,766 | \$ (11,184) | (115.8) % |
| EPS (Diluted) | \$ 0.71 | \$ 0.73 | (2.7) % | \$ 0.14 | \$ (1.01) | (113.9) % |

THIRD QUARTER SEGMENT RESULTS

The following is a summary of revenues and operating income (loss) for the three and nine months ended September 30, 2021 and September 30, 2020:

(in thousands)

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---------------------------------|----------------------------------|-------------------|----------------|---------------------------------|-------------------|----------------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Revenues: | | | | | | |
| Aviation | \$ 73,124 | \$ 36,218 | 101.9 % | \$ 165,010 | \$ 126,519 | 30.4 % |
| Fleet | 60,268 | 63,719 | (5.4) % | 173,072 | 188,145 | (8.0) % |
| Federal & Defense | 67,190 | 65,568 | 2.5 % | 202,593 | 196,974 | 2.9 % |
| Total Revenues | \$ 200,582 | \$ 165,505 | 21.2 % | \$ 540,675 | \$ 511,638 | 5.7 % |
| Operating income (loss): | | | | | | |
| Aviation | \$ 3,719 | \$ 1,586 | 134.5 % | \$ (18,885) | \$ (34,680) | (45.5) % |
| Fleet | 5,387 | 6,589 | (18.2) % | 15,128 | 20,509 | (26.2) % |
| Federal & Defense | 5,386 | 6,746 | (20.2) % | 17,410 | 18,441 | (5.6) % |
| Corporate/unallocated expenses | (600) | (736) | (18.5) % | (2,872) | (2,261) | 27.0 % |
| Operating income | \$ 13,892 | \$ 14,185 | (2.1) % | \$ 10,781 | \$ 2,009 | 436.6 % |

The Company reported \$2.4 million and \$7.6 million of total capital expenditures for three and nine months ended September 30, 2021, 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. 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 is included in the supplemental schedules attached.

NON-GAAP FINANCIAL INFORMATION

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

| (in thousands) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------|----------|---------------------------------|-------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Net income (loss) | \$ 9,021 | \$ 8,108 | 11.3 % | \$ 1,766 | \$ (11,184) | (115.8)% |
| Adjustments to Net Income (Loss): | | | | | | |
| Acquisition and restructuring costs | 876 | — | — % | 1,422 | — | — % |
| Earn-out adjustment | — | (1,695) | — % | — | (3,095) | — % |
| Loss on sale of a business entity and certain assets | — | — | — % | — | 8,214 | — % |
| Gain on sale of property | — | — | — % | — | (1,108) | — % |
| Severance | — | — | — % | — | 739 | — % |
| Goodwill and intangible impairment | — | — | — % | — | 33,734 | — % |
| Executive transition costs | 84 | — | — % | 905 | — | — % |
| Inventory reserve | — | — | — % | 24,420 | — | — % |
| | 9,981 | 6,413 | 55.6 % | 28,513 | 27,300 | 4.4 % |
| Tax impact of adjusted items | (240) | 423 | — % | (5,838) | (4,043) | — % |
| Adjusted Net Income | \$ 9,741 | \$ 6,836 | 42.5 % | \$ 22,675 | \$ 23,257 | (2.5)% |
| Weighted Average Dilutive Shares | 12,775 | 11,100 | — % | 12,573 | 11,028 | — % |
| Adjusted EPS (Diluted) | \$ 0.76 | \$ 0.62 | 22.6 % | \$ 1.80 | \$ 2.11 | (14.7)% |

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

| (in thousands) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|-----------|----------|---------------------------------|-------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Net income (loss) | \$ 9,021 | \$ 8,108 | 11.3 % | \$ 1,766 | \$ (11,184) | (115.8)% |
| Interest Expense | 2,780 | 3,530 | (21.2)% | 8,476 | 10,088 | (16.0)% |
| Income Taxes | 2,091 | 2,547 | (17.9)% | 539 | 3,105 | (82.6)% |
| Amortization of Intangible Assets | 4,921 | 4,158 | 18.4 % | 13,812 | 13,345 | 3.5 % |
| Depreciation and Other Amortization | 1,599 | 1,351 | 18.4 % | 4,383 | 4,103 | 6.8 % |
| EBITDA | 20,412 | 19,694 | 3.6 % | 28,976 | 19,457 | 48.9 % |
| Acquisition and restructuring costs | 876 | — | — % | 1,422 | — | — % |
| Earn-out adjustment | — | (1,695) | — % | — | (3,095) | — % |
| Loss on sale of a business entity and certain assets | — | — | — % | — | 8,214 | — % |
| Gain on sale of property | — | — | — % | — | (1,108) | — % |
| Severance | — | — | — % | — | 739 | — % |
| Goodwill and intangible impairment | — | — | — % | — | 33,734 | — % |
| Executive transition costs | 84 | — | — % | 905 | — | — % |
| Inventory reserve | — | — | — % | 24,420 | — | — % |
| Adjusted EBITDA | \$ 21,372 | \$ 17,999 | 18.7 % | \$ 55,723 | \$ 57,941 | (3.8)% |

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

(in thousands)

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------|----------|---------------------------------|-------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Aviation | | | | | | |
| Operating income (loss) | \$ 3,719 | \$ 1,586 | 134.5 % | \$ (18,885) | \$ (34,680) | (45.5)% |
| Depreciation and Amortization | 3,062 | 2,493 | 22.8 % | 8,171 | 8,031 | 1.7 % |
| EBITDA | 6,781 | 4,079 | 66.2 % | (10,714) | (26,649) | (59.8)% |
| Acquisition and restructuring costs | 501 | — | — % | 501 | — | — % |
| Earn-out adjustment | — | (1,695) | — % | — | (3,095) | — % |
| Loss on sale of a business entity and certain assets | — | — | — % | — | 8,214 | — % |
| Gain on sale of property | — | — | — % | — | (1,108) | — % |
| Severance | — | — | — % | — | 382 | — % |
| Goodwill and intangible asset impairment | — | — | — % | — | 33,734 | — % |
| Inventory reserve | — | — | — % | 23,727 | — | — % |
| Adjusted EBITDA | \$ 7,282 | \$ 2,384 | 205.5 % | \$ 13,514 | \$ 11,478 | 17.7 % |
| Fleet | | | | | | |
| Operating income | \$ 5,387 | \$ 6,589 | (18.2)% | \$ 15,128 | \$ 20,509 | (26.2)% |
| Depreciation and Amortization | 2,345 | 2,378 | (1.4)% | 7,033 | 7,622 | (7.7)% |
| EBITDA | \$ 7,732 | \$ 8,967 | (13.8)% | \$ 22,161 | \$ 28,131 | (21.2)% |
| Inventory reserve | — | — | — % | 693 | — | — % |
| Adjusted EBITDA | \$ 7,732 | \$ 8,967 | (13.8)% | \$ 22,854 | \$ 28,131 | (18.8)% |
| Federal & Defense | | | | | | |
| Operating income | \$ 5,386 | \$ 6,746 | (20.2)% | \$ 17,410 | \$ 18,441 | (5.6)% |
| Depreciation and Amortization | 1,112 | 638 | 74.3 % | 2,991 | 2,026 | 47.6 % |
| EBITDA | \$ 6,498 | \$ 7,384 | (12.0)% | \$ 20,401 | \$ 20,467 | (0.3)% |
| Severance | — | — | — % | — | 112 | — % |
| Adjusted EBITDA | \$ 6,498 | \$ 7,384 | (12.0)% | \$ 20,401 | \$ 20,579 | (0.9)% |

Reconciliation of Operating Cash to Free Cash Flow

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| (in thousands) | | | | |
| Net cash (used in) provided by operating activities | \$ 23,445 | \$ 12,427 | \$ (30,523) | \$ 35,235 |
| Capital expenditures | (2,448) | (1,128) | (7,606) | (2,956) |
| Free cash flow | \$ 20,997 | \$ 11,299 | \$ (38,129) | \$ 32,279 |

Reconciliation of Debt to Net Debt

| (in thousands) | September 30, 2021 | December 31, 2020 |
|---------------------------|-----------------------|----------------------|
| Principal amount of debt | \$ 296,584 | \$ 253,461 |
| Debt issuance costs | (2,375) | (2,368) |
| Cash and cash equivalents | (383) | (378) |
| Net debt | \$ 293,826 | \$ 250,715 |

The non-GAAP Financial Information set forth in this document is not calculated in accordance with 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, other discrete items, 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, October 28, 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 the 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=146747>

To listen to a replay of the teleconference through November 11, 2021:

Domestic Replay: (844) 512-2921
International Replay: (412) 317-6671
Replay PIN Number: 13723642

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 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-Q that will be filed with the Securities and Exchange Commission (SEC) on or about October 28, 2021 for more details on our third 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 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, including federal contractor vaccine mandates, 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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(720) 778-2415
investors@vsecorp.com

VSE Corporation and Subsidiaries

Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

| | September 30, 2021 | December 31, 2020 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 383 | \$ 378 |
| Receivables, net | 76,495 | 55,471 |
| Unbilled receivables, net | 30,824 | 22,358 |
| Inventories, net | 314,705 | 253,422 |
| Other current assets | 37,454 | 23,328 |
| Total current assets | 459,861 | 354,957 |
| Property and equipment, net | 41,785 | 36,363 |
| Intangible assets, net | 117,041 | 103,595 |
| Goodwill | 240,826 | 238,126 |
| Operating lease right-of-use asset | 26,410 | 20,515 |
| Other assets | 27,015 | 26,525 |
| Total assets | \$ 912,938 | \$ 780,081 |
| Liabilities and Stockholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 14,162 | \$ 20,379 |
| Accounts payable | 96,898 | 72,682 |
| Accrued expenses and other current liabilities | 54,492 | 45,172 |
| Dividends payable | 1,143 | 995 |
| Total current liabilities | 166,695 | 139,228 |
| Long-term debt, less current portion | 280,047 | 230,714 |
| Deferred compensation | 17,234 | 16,027 |
| Long-term lease obligations under operating leases | 26,700 | 22,815 |
| Deferred tax liabilities | 10,983 | 14,897 |
| Other long-term liabilities | 258 | 83 |
| Total liabilities | 501,917 | 423,764 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 12,704,165 and 11,055,037, respectively | 635 | 553 |
| Additional paid-in capital | 87,322 | 31,870 |
| Retained earnings | 323,431 | 325,097 |
| Accumulated other comprehensive loss | (367) | (1,203) |
| Total stockholders' equity | 411,021 | 356,317 |
| Total liabilities and stockholders' equity | \$ 912,938 | \$ 780,081 |

VSE Corporation and Subsidiaries

Unaudited Consolidated Statements of Loss

(in thousands except share and per share amounts)

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|------------|--|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Products | \$ 113,005 | \$ 80,942 | \$ 276,048 | \$ 243,031 |
| Services | 87,577 | 84,563 | 264,627 | 268,607 |
| Total revenues | 200,582 | 165,505 | 540,675 | 511,638 |
| Costs and operating expenses: | | | | |
| Products | 101,044 | 72,526 | 273,081 | 214,575 |
| Services | 79,916 | 73,751 | 241,104 | 238,441 |
| Selling, general and administrative expenses | 809 | 885 | 1,897 | 2,428 |
| Amortization of intangible assets | 4,921 | 4,158 | 13,812 | 13,345 |
| Total costs and operating expenses | 186,690 | 151,320 | 529,894 | 468,789 |
| | 13,892 | 14,185 | 10,781 | 42,849 |
| Loss on sale of a business entity and certain assets | — | — | — | (8,214) |
| Gain on sale of property | — | — | — | 1,108 |
| Goodwill and intangible asset impairment | — | — | — | (33,734) |
| Operating income | 13,892 | 14,185 | 10,781 | 2,009 |
| Interest expense, net | 2,780 | 3,530 | 8,476 | 10,088 |
| Income (Loss) before income taxes | 11,112 | 10,655 | 2,305 | (8,079) |
| Provision for income taxes | 2,091 | 2,547 | 539 | 3,105 |
| Net income (loss) | \$ 9,021 | \$ 8,108 | \$ 1,766 | \$ (11,184) |
| Basic earnings (loss) per share | \$ 0.71 | \$ 0.73 | \$ 0.14 | \$ (1.01) |
| Basic weighted average shares outstanding | 12,704,165 | 11,043,246 | 12,496,646 | 11,028,283 |
| Diluted earnings (loss) per share | \$ 0.71 | \$ 0.73 | \$ 0.14 | \$ (1.01) |
| Diluted weighted average shares outstanding | 12,774,636 | 11,100,356 | 12,573,076 | 11,028,283 |
| Dividends declared per share | \$ 0.09 | \$ 0.09 | \$ 0.27 | \$ 0.27 |

VSE Corporation and Subsidiaries

Unaudited Consolidated Statements of Cash Flows

(in thousands)

| | For the nine months ended September 30, | |
|---|--|-----------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 1,766 | \$ (11,184) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,996 | 18,213 |
| Deferred taxes | (4,803) | (2,089) |
| Stock-based compensation | 2,968 | 1,723 |
| Inventory valuation adjustment | 24,420 | — |
| Loss on sale of a business entity and certain assets | — | 8,214 |
| Gain on sale of property and equipment | (48) | (928) |
| Goodwill and intangible asset impairment | — | 33,734 |
| Earn-out obligation fair value adjustment | — | (3,094) |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | |
| Receivables | (9,321) | 4,068 |
| Unbilled receivables | (4,484) | 15,099 |
| Inventories | (66,518) | (27,566) |
| Other current assets and noncurrent assets | (18,912) | (2,119) |
| Accounts payable and deferred compensation | 17,955 | (3,290) |
| Accrued expenses and other current and noncurrent liabilities | 7,458 | 4,454 |
| Net cash (used in) provided by operating activities | (30,523) | 35,235 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (7,606) | (2,956) |
| Proceeds from the sale of property and equipment | 199 | 2,847 |
| Collections on notes receivable | 1,550 | 838 |
| Proceeds from the sale of a business entity and certain assets | — | 19,915 |
| Earn-out obligation payments | (750) | — |
| Cash paid for acquisitions, net of cash acquired | (53,232) | — |
| Net cash (used in) provided by investing activities | (59,839) | 20,644 |
| Cash flows from financing activities: | | |
| Borrowings on loan agreement | 394,079 | 340,679 |
| Repayments on loan agreement | (350,956) | (360,794) |
| Proceeds from offerings of common stock, net of underwriters discounts and issuance costs | 52,017 | — |
| Earn-out obligation payments | — | (31,701) |
| Payment of debt financing costs | (808) | (636) |
| Payments of taxes for equity transactions | (681) | (635) |
| Dividends paid | (3,284) | (2,975) |
| Net cash provided by (used in) financing activities | 90,367 | (56,062) |
| Net decrease in cash and cash equivalents | 5 | (183) |
| Cash and cash equivalents at beginning of period | 378 | 734 |
| Cash and cash equivalents at end of period | \$ 383 | \$ 551 |



Third Quarter 2021 Results Conference Call

October 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 ongoing COVID-19 outbreak and 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

Third Quarter 2021



Business Transformation Update

Performance-driven culture focused on sustained execution

- New program executions on target and supporting organic growth
- Inorganic/acquisitions: integrations and business performance meeting expectations
- Business development focus in all segments driving share gain and quality backlog
- Aviation performance ahead of market recovery

Aviation B&GA focus driving sustained revenue growth, margin expansion

- Taking share through new contract wins and strategic, bolt-on acquisitions
- Focused on higher-margin, underserved distribution and MRO markets
- 15-year, \$1 billion engine accessories program performing in-line with expectations
- Secured 5-year, \$125 million contract extension in with major OEM (October 2021)

Fleet revenue diversification across commercial and e-commerce fulfillment

- Commercial represented 34% of 3Q'21 fleet revenue vs. 22% in 3Q'20 ⁽¹⁾
- Recent investments in logistics and fulfillment operations supporting scalability
- Successfully navigating supplier price inflation, supply chain disruptions

Federal & Defense accelerating business development activities

- YTD 2021 bookings +20% y/y
- Funded backlog +23% y/y, given prioritized focus on share growth
- Highly focused on higher-margin, value-added contracts

3rd Quarter 2021 Performance

Generated y/y growth in revenue, adjusted net income & adjusted EBITDA

- All reporting segments generated positive y/y growth
- Revenue +27% y/y ⁽¹⁾
- Highest quarterly revenue run-rate since 4Q'16
- Adjusted EBITDA +19% y/y, driven by new program implementations, market share gains and acquisition contributions
- Adjusted net income +42% y/y; profitability approaching pre-pandemic levels

Aviation driven by new program implementations, Global Parts acquisition

- Revenue +102% y/y; 5th consecutive quarter of q/q improvement
- Distribution revenue +187% y/y, above pre-pandemic levels; MRO revenue +8%
- Adjusted EBITDA margin +340 bps y/y; +150 bps q/q

Fleet driven by commercial revenue growth

- Revenue +6% y/y ⁽¹⁾
- Total commercial revenue +66% y/y; USPS revenue +2% q/q
- Adjusted EBITDA margin +70 bps q/q

Federal & Defense driven by HAECO Special Services (HSS) acquisition

- Revenue +2% y/y; HSS acquisition offset by expiration of Army contract
- Adjusted EBITDA margin declined 160 bps y/y given less favorable contract mix

**DEMONSTRATED STRONG EXECUTION ACROSS ALL REPORTING SEGMENTS;
BUSINESS TRANSFORMATION CONTINUES TO ADVANCE ON-PLAN**

⁽¹⁾ Excluding the 2020 revenue related to a non-recurring order for pandemic-related PPE

VSE FINANCIAL SUMMARY



| (\$ in millions except EPS) | Quarter-to-Date | | | | | Year-to-Date | | |
|-----------------------------|-----------------|---------|----------|----------|----------|--------------|----------|------------|
| | 3Q'21 | 3Q'20 | 2Q'21 | vs 3Q'20 | vs 2Q'21 | YTD '21 | YTD '20 | vs YTD '20 |
| Revenue | \$200.6 | \$165.5 | \$175.1 | +21% | +15% | \$540.7 | \$511.6 | +6% |
| Adjusted EBITDA | \$21.4 | \$18.0 | \$18.9 | +19% | +13% | \$55.7 | \$57.9 | (4)% |
| Adjusted EBITDA % | 10.7% | 10.9% | 10.8% | (0.2)pts | (0.1)pts | 10.3% | 11.3% | (1.0)pts |
| Operating Income (Loss) | \$13.9 | \$14.2 | \$(12.7) | (2)% | (209)% | \$10.8 | \$2.0 | +437% |
| Net Income (Loss) | \$9.0 | \$8.1 | \$(12.4) | +11% | (173)% | \$1.8 | \$(11.2) | (116)% |
| Adjusted Net Income | \$9.7 | \$6.8 | \$7.7 | +42% | +27% | \$22.7 | \$23.3 | (3)% |
| Diluted EPS | \$0.71 | \$0.73 | \$(0.97) | (3)% | (173)% | \$0.14 | \$(1.01) | (114)% |
| Adjusted Diluted EPS | \$0.76 | \$0.62 | \$0.60 | +24% | +27% | \$1.80 | \$2.11 | (14)% |

- 3Q'21 revenue of \$200.6M increased +27% y/y⁽¹⁾
- Y/Y revenue growth across all three segments in 3Q'21⁽¹⁾
- 3Q'21 Adjusted EBITDA y/y increase driven by organic and inorganic growth in Aviation, offset by lower contributions from Federal & Defense and Fleet
- Q/Q revenue growth of +15% and Adjusted EBITDA growth of +13% driven by strong Aviation results

(1) Excluding the 2020 revenue related to a non-recurring order for pandemic-related PPE, revenue is \$200.6 million in 3Q'21, versus \$158.4 million in the same period of 2020

**Y/Y GROWTH IN TOTAL REVENUE, ADJUSTED EBITDA AND NET INCOME;
5TH CONSECUTIVE QUARTER OF AVIATION SEGMENT REVENUE GROWTH**

CONSOLIDATED PERFORMANCE BRIDGE



| | Revenue | Adj. EBITDA | Adj. EBITDA Margin % |
|--------------|---------|-------------|----------------------|
| 2Q'21 | \$175.1 | \$18.9 | 10.8% |
| Aviation | 25.6 | 3.3 | +0.3 pts |
| FDS | (2.4) | (1.6) | (0.7) pts |
| Fleet | 2.2 | 0.7 | +0.2 pts |
| Corporate | — | 0.2 | +0.1 pts |
| 3Q'21 | \$200.6 | \$21.4 | 10.7% |
| 3Q'20 | \$165.5 | \$18.0 | 10.9% |
| Aviation | 36.9 | 4.9 | +0.4 pts |
| FDS | 1.6 | (0.9) | (0.5) pts |
| Fleet | (3.5) | (1.2) | (0.4) pts |
| Corporate | — | 0.6 | +0.3 pts |
| 3Q'21 | \$200.6 | \$21.4 | 10.7% |

Q/Q comparisons:

- Aviation segment revenue and profit increased, with continued sequential growth every quarter from 2Q'20, supported by share gains, ongoing market recovery, and Global Parts acquisition
- Federal & Defense (FDS) segment revenue decline driven by previously announced program completions
- Fleet segment revenue growth supported by higher sales in commercial fleet and e-commerce fulfillment, offset by slight declines in DoD related revenue

Y/Y comparisons:

- Aviation revenue and profit increases driven primarily by contributions from new distribution programs, Global Parts acquisition and market share gains
- Federal & Defense (FDS) revenue driven by U.S. Navy program and HAECO Special Services acquisition, partially offset by completion of previously announced expiring programs
- Fleet revenue lower due to non-recurring 2020 PPE order revenue offset by commercial fleet and e-commerce fulfillment; margins impacted by product mix ⁽¹⁾

(1) Excluding the 2020 revenue related to a non-recurring order for pandemic-related PPE, revenue is \$200.6 million in 3Q'21, versus \$158.4 million in the same period of 2020

AVIATION SEGMENT



| (\$ in millions) | 3Q'21 | vs 3Q'20 | vs 2Q'21 | YTD '21 | vs YTD '20 |
|---|--------|-------------|-------------|----------|---------------|
| Revenue | \$73.1 | +102% | +54% | \$165.0 | +30% |
| Revenue, less divestitures ⁽¹⁾ | \$73.1 | +102% | +54% | \$165.0 | +40% |
| Adjusted EBITDA | \$7.3 | +205% | +82% | \$13.5 | +18% |
| Adjusted EBITDA % | 10.0% | +3.4pts | +1.5pts | 8.2% | (0.9)pts |
| Operating income (loss) | \$3.7 | +134% | (117)% | \$(18.9) | (46)% |
| Revenue by Type: | | | | | |
| Distribution Adjusted ⁽¹⁾ | \$54.4 | +187% | +91% | \$109.0 | +95% |
| Repair Adjusted ⁽¹⁾ | \$18.7 | +8% | (2)% | \$56.1 | (9)% |

- Y/Y revenue +102% supported by recently initiated distribution contract wins and acquisition of Global Parts
- 3Q'21 Aviation revenue +54% sequentially, led by growth in distribution business; currently operating above pre-pandemic levels and supported by acquisition of Global Parts
- Adjusted EBITDA +205% y/y driven by strong operational performance from organic sales and execution of new distribution awards

(1) Excluding the 2020 revenue related to Prime Turbines/CT Aerospace divestitures, year to date revenue is \$165.0 million in 3Q'21, versus \$117.6 million in the same period of 2020

**Y/Y GROWTH IN REVENUE, ADJUSTED EBITDA;
COMMERCIAL & BUSINESS AVIATION RECOVERY, NEW PROGRAM EXECUTION DRIVING RESULTS**

FLEET SEGMENT



| (\$ in millions) | 3Q'21 | vs 3Q'20 | vs 2Q'21 | YTD '21 | vs YTD '20 |
|------------------------------------|--------|-------------|-------------|---------|---------------|
| Revenue | \$60.3 | (5)% | +4% | \$173.1 | (8)% |
| Adjusted EBITDA | \$7.7 | (14)% | +10% | \$22.9 | (19)% |
| Adjusted EBITDA % | 12.8% | (1.2)pts | +0.7pts | 13.2% | (1.7)pts |
| Operating income | \$5.4 | (18)% | +35% | \$15.1 | (26)% |
| <u>Revenue by Customer:</u> | | | | | |
| Other Government | \$36.8 | (16)% | +3% | \$109.8 | (22)% |
| DoD | \$2.7 | (62)% | (41)% | \$10.5 | (38)% |
| Commercial | \$20.7 | +66% | +17% | \$52.8 | +77% |

- 3Q'21 revenue +6% versus same period of 2020, excluding the 2020 non-recurring PPE order revenue, supported by e-commerce fulfillment business growth and flat USPS sales ⁽¹⁾
- 3Q'21 revenue +4% sequentially, driven by commercial fleet revenue growth of +17% vs. 2Q'21
- Q/Q margin improvement of 70 basis points impacted by diversified sales mix and results from investment in commercial sector activity

(1) Excluding the 2020 revenue related to a non-recurring order for pandemic-related PPE, revenue is \$60.3 million in 3Q'21, versus \$56.6 million in the same period of 2020

CONTINUED GROWTH IN COMMERCIAL FLEET REVENUE, ADVANCING DIVERSIFICATION STRATEGY

FEDERAL & DEFENSE SEGMENT



| (\$ in millions) | 3Q'21 | vs 3Q'20 | vs 2Q'21 | YTD '21 | vs YTD '20 |
|---------------------------------|--------|-------------|-------------|---------|---------------|
| Revenue | \$67.2 | +2% | (3)% | \$202.6 | +3% |
| Adjusted EBITDA | \$6.5 | (12)% | (20)% | \$20.4 | (1)% |
| Adjusted EBITDA % | 9.7% | (1.6)pts | (2.0)pts | 10.1% | (0.4)pts |
| Operating income | \$5.4 | (20)% | (23)% | \$17.4 | (6)% |
| <u>Contract Backlog:</u> | | | | | |
| Bookings | \$64 | (23)% | (40)% | \$234 | +20% |
| Backlog | \$218 | +23% | (3)% | \$218 | +23% |

- Y/Y revenue increased +2% supported by HSS acquisition, partially offset by expiration of large Army contract
- Y/Y Adjusted EBITDA decrease of (12%) due to anticipated mix of cost-plus contracts for services on U.S. Navy program
- Prioritized strategic focus on new business development to grow backlog resulted in +23% increase y/y

FOCUSED ON BUILDING HIGHER-QUALITY, HIGHER-MARGIN BACKLOG WHILE EXPANDING SERVICE CAPABILITIES

BALANCE SHEET OPTIONALITY



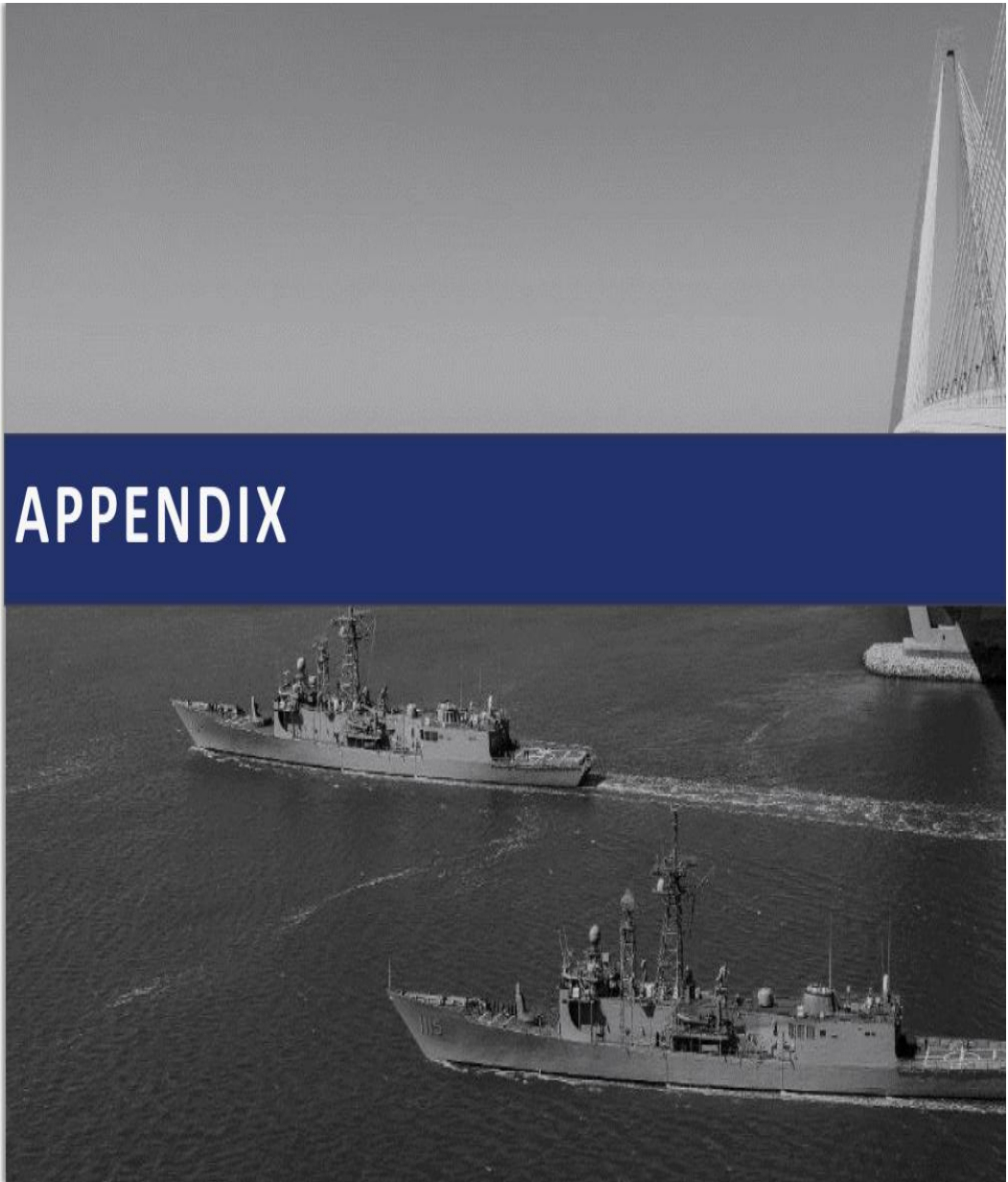
| <i>(\$ in millions)</i> | 3Q'21 | 3Q'20 | 2Q'21 |
|-------------------------|--------|--------|----------|
| Net Debt | \$294 | \$250 | \$275 |
| Free Cash Flow | \$21.0 | \$11.3 | \$(20.6) |
| Net leverage ratio | 4.0x | 3.1x | 3.9x |
| Unused Commitments | \$117 | \$190 | \$140 |

- Strong liquidity profile with \$117M cash and unused commitment availability under \$350M revolving credit facility due 2024
- Net Debt increase of \$19M in 3Q'21 primarily due to the acquisition of Global Parts of \$39M, offset by positive free cash flow generation of \$21M
- Capital deployment priorities include investments to support new Aviation segment program implementations supporting organic growth

**SIGNIFICANT Y/Y INCREASE IN FREE CASH FLOW GENERATION;
FOCUSED ON REDUCING NET LEVERAGE TOWARD LT TARGET OF 2.5X**



APPENDIX



GAAP TO NON-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)



(in thousands, except per share data)

| | 1Q2020 | 2Q2020 | 3Q2020 | 4Q2020 | 1Q2021 | 2Q2021 | 3Q2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net income (loss) | \$ 3,332 | \$ (22,624) | \$ 8,108 | \$ 6,013 | \$ 5,111 | \$ (12,366) | \$ 9,021 |
| Adjustments to Net income (loss): | | | | | | | |
| Acquisition and restructuring costs | — | — | — | — | 310 | 236 | 876 |
| 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 | — | — | — | — | — |
| Executive transition costs | — | — | — | 1,026 | — | 905 | 84 |
| Inventory reserve | — | — | — | — | — | 24,420 | — |
| | 10,061 | 10,827 | 6,413 | 5,724 | 5,421 | 13,195 | 9,981 |
| Tax impact on adjusted items ⁽¹⁾ | (236) | (4,230) | 423 | 70 | (78) | (5,541) | (240) |
| Adjusted Net Income | \$ 9,825 | \$ 6,597 | \$ 6,836 | \$ 5,794 | \$ 5,343 | \$ 7,654 | \$ 9,741 |
| Weighted Average Diluted Shares | 11,101 | 11,041 | 11,100 | 11,141 | 12,172 | 12,702 | 12,775 |
| Adjusted EPS (Diluted) | \$ 0.89 | \$ 0.60 | \$ 0.62 | \$ 0.52 | \$ 0.44 | \$ 0.60 | \$ 0.76 |

(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 | 2Q2021 | 3Q2021 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net income (loss) | \$ 3,332 | \$ (22,624) | \$ 8,108 | \$ 6,013 | \$ 5,111 | \$ (12,366) | \$ 9,021 |
| Interest expense, net | 3,486 | 3,072 | 3,530 | 3,408 | 3,030 | 2,666 | 2,780 |
| Income taxes | 2,916 | (2,358) | 2,547 | 2,493 | 1,462 | (3,014) | 2,091 |
| Amortization of intangible assets | 4,723 | 4,464 | 4,158 | 4,159 | 4,288 | 4,603 | 4,921 |
| Depreciation and other amortization | 1,521 | 1,231 | 1,351 | 1,471 | 1,360 | 1,424 | 1,599 |
| EBITDA | 15,978 | (16,215) | 19,694 | 17,545 | 15,251 | (6,687) | 20,412 |
| Acquisition and restructuring costs | — | — | — | — | 310 | 236 | 876 |
| 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 | — | — | — | — | — |
| Executive transition costs | — | — | — | 1,026 | — | 905 | 84 |
| Inventory reserve | — | — | — | — | — | 24,420 | — |
| Adjusted EBITDA | \$ 22,707 | \$ 17,236 | \$ 17,999 | \$ 17,256 | \$ 15,561 | \$ 18,874 | \$ 21,372 |

GAAP TO NON-GAAP RECONCILIATIONS

Segment EBITDA and Adjusted EBITDA



(in thousands)

| | 1Q2020 | 2Q2020 | 3Q2020 | 4Q2020 | 1Q2021 | 2Q2021 | 3Q2021 |
|--|------------|-------------|----------|----------|----------|-------------|----------|
| Aviation | | | | | | | |
| Operating income (loss) | \$ (1,880) | \$ (34,387) | \$ 1,586 | \$ (833) | \$ (332) | \$ (22,272) | \$ 3,719 |
| Depreciation and amortization | 3,066 | 2,472 | 2,493 | 2,667 | 2,554 | 2,554 | 3,062 |
| EBITDA | 1,186 | (32) | 4,079 | 1,834 | 2,222 | (19,718) | 6,781 |
| Acquisition and restructuring costs | — | — | — | — | — | — | 501 |
| Executive transition costs | — | — | — | 322 | — | — | — |
| German facility closure costs | — | — | — | 1,132 | — | — | — |
| Earn-out adjustment | 301 | (1,700) | (1,695) | (1,905) | — | — | — |
| Loss on sale of business entity and certain assets | 7,536 | 678 | — | — | — | — | — |
| Gain on sale of property | (1,108) | — | — | — | — | — | — |
| Severance | — | 382 | — | — | — | — | — |
| Goodwill and intangible impairment | — | 33,734 | — | — | — | — | — |
| Inventory reserve | — | — | — | — | — | 23,727 | 23,727 |
| Adjusted EBITDA | \$ 7,915 | \$ 1,179 | \$ 2,384 | \$ 1,383 | \$ 2,222 | \$ 4,009 | \$ 7,282 |
| Fleet | | | | | | | |
| Operating income | \$ 6,906 | \$ 7,014 | \$ 6,589 | \$ 6,150 | \$ 5,741 | \$ 4,000 | \$ 5,387 |
| Depreciation and amortization | 2,672 | 2,572 | 2,378 | 2,361 | 2,340 | 2,348 | 2,345 |
| EBITDA | 10 | 9,586 | 8,967 | 8,511 | 8,081 | 6,348 | 7,732 |
| Inventory reserve | — | — | — | — | — | 693 | — |
| Adjusted EBITDA | \$ 9,578 | \$ 9,586 | \$ 8,967 | \$ 8,511 | \$ 8,081 | \$ 7,041 | \$ 7,732 |
| Federal and Defense | | | | | | | |
| Operating income | \$ 4,924 | \$ 6,772 | \$ 6,746 | \$ 7,868 | \$ 5,025 | \$ 6,999 | \$ 5,386 |
| Depreciation and amortization | 739 | 649 | 638 | 604 | 754 | 1,124 | 1,112 |
| EBITDA | 5,663 | 7,421 | 7,384 | 8,472 | 5,779 | 8,123 | 6,498 |
| Severance | — | 112 | — | — | — | — | — |
| Adjusted EBITDA | \$ 5,663 | \$ 7,533 | \$ 7,384 | \$ 8,472 | \$ 5,779 | \$ 8,123 | \$ 6,498 |

GAAP TO NON-GAAP RECONCILIATIONS

Balance Sheet



Reconciliation of Operating Cash Flow to Free Cash Flow

| <i>(in thousands)</i> | Three Months Ended | | | | | | |
|---|--------------------|-----------|-----------|-----------|-------------|-------------|-----------|
| | 31-Mar-20 | 30-Jun-20 | 30-Sep-20 | 31-Dec-20 | 31-Mar-21 | 30-Jun-21 | 30-Sep-21 |
| Net cash (used in) provided by operating activities | \$ 6,758 | \$ 16,050 | \$ 12,427 | \$ 526 | \$ (36,367) | \$ (17,601) | \$ 23,445 |
| Capital expenditures | (724) | (1,104) | (1,128) | (1,471) | (2,109) | (3,049) | (2,448) |
| Free Cash Flow | \$ 6,034 | \$ 14,946 | \$ 11,299 | \$ (945) | \$ (38,476) | \$ (20,650) | \$ 20,997 |

Reconciliation of Debt to Net Debt

| <i>(in thousands)</i> | Three Months Ended | | | | | | |
|---------------------------|--------------------|------------|------------|------------|------------|------------|------------|
| | 31-Mar-20 | 30-Jun-20 | 30-Sep-20 | 31-Dec-20 | 31-Mar-21 | 30-Jun-21 | 30-Sep-21 |
| Principal amount of debt | \$ 276,256 | \$ 263,075 | \$ 252,685 | \$ 253,461 | \$ 255,635 | \$ 276,983 | \$ 296,584 |
| Debt issuance costs | (2,556) | (2,959) | (2,664) | (2,368) | (2,072) | (1,776) | (2,375) |
| Cash and cash equivalents | (543) | (213) | (551) | (378) | (347) | (337) | (383) |
| Net Debt | \$ 273,157 | \$ 259,903 | \$ 249,470 | \$ 250,715 | \$ 253,216 | \$ 274,870 | \$ 293,826 |

Net Leverage Ratio

| <i>(in thousands)</i> | Three Months Ended | | | | | | |
|------------------------------------|--------------------|------------|------------|------------|------------|------------|------------|
| | 31-Mar-20 | 30-Jun-20 | 30-Sep-20 | 31-Dec-20 | 31-Mar-21 | 30-Jun-21 | 30-Sep-21 |
| Net Debt | \$ 273,157 | \$ 259,903 | \$ 249,470 | \$ 250,715 | \$ 253,216 | \$ 274,870 | \$ 293,826 |
| TTM Adjusted EBITDA ⁽¹⁾ | \$ 93,646 | \$ 87,754 | \$ 81,036 | \$ 75,198 | \$ 68,052 | \$ 69,690 | \$ 73,063 |
| Net Leverage Ratio | 2.9x | 3.0x | 3.1x | 3.3x | 3.7x | 3.9x | 4.0x |

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

VSE EXECUTIVE TEAM



John Cuomo
President and CEO

Background & Responsibilities

- 20+ 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

- 11+ 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

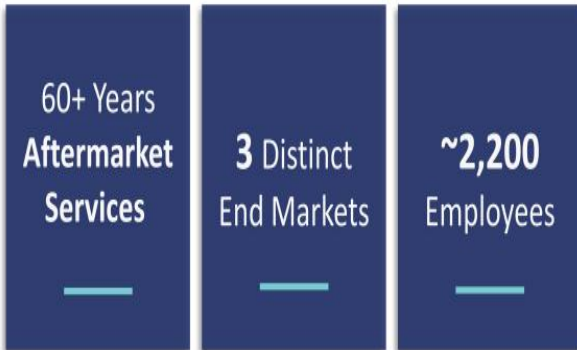


Farinaz Tehrani
Chief Legal
Officer


INVESTMENT HIGHLIGHTS



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



Note: Figures above reflect TTM 9/30/21

-  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

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

Leverage Core Competency

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

Representative Customers



GLOBAL PARTS GROUP ACQUISITION

Acquired for approximately \$38 million on July 26, 2021



Acquisition Overview

Global Parts Group, Inc.

- Global Parts is a fully integrated aftermarket distribution and MRO services provider serving a diverse base of more than 3,000 Business & General Aviation (B&GA) customers
- Global Parts' distribution business focuses on supporting airframe components, while its repair capabilities extend to hydraulics and pneumatics
- Global Parts generated approximately \$65 million of total revenue in 2020

Strategic Rationale

VSE is building a comprehensive B&GA service offering

- Further positions VSE as a full-service, integrated parts and repair solution provider to the B&GA market
- Supports product line expansion into airframe parts, rounding out existing B&GA capabilities
- Significant revenue synergies across Global Parts' diverse customer base; minimal overlap with VSE's existing customer / product base
- Opportunity to sell new repair capabilities & additional distribution product lines

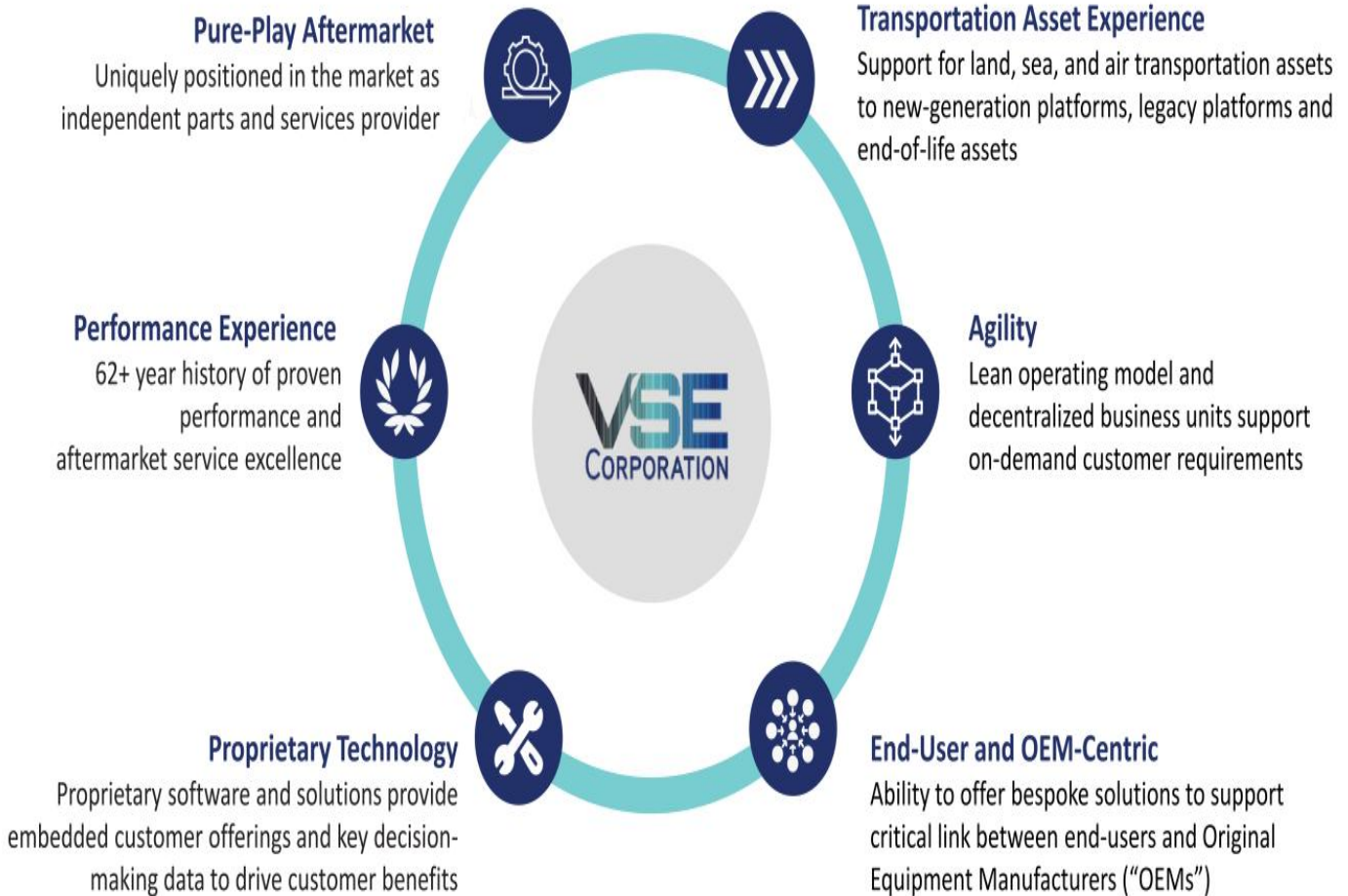


Global Parts further supports VSE's development of a comprehensive B&GA parts & services portfolio

UNIQUE VALUE PROPOSITION



Differentiation drives market share gains, long-term sustainable revenue & 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

