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

FORM 8-K

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

Date of Report (Date of earliest event reported): February 2, 2026

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 No.)

3361 Enterprise Way
Miramar, Florida
(Address of principal executive offices)

33025
(Zip Code)

(954) 430-6600
(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 (see General Instruction A.2. below):

- ☐ 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. ☐

Item 8.01 Other Events.

As previously announced, on January 29, 2026, VSE Corporation (the “Company”) entered into a stock purchase agreement with VSE Mach Holdco Acquisition Corp., VSE Mach Acquisition Corp., GenNx/PAG IntermediateCo Inc. (“PAG Holdco”), and GennX360 PAG Buyer, LLC, pursuant to which VSE will acquire all of the capital stock of PAG Holdco, which is the parent company of PAG Holding Corp. (d/b/a Precision Aviation Group) (“PAG”) (the “PAG Acquisition”). The closing of the PAG Acquisition is subject to the satisfaction of regulatory approvals and other customary closing conditions.

This Current Report on Form 8-K is being filed to provide the financial statements and pro forma information referred to in Item 9.01 of Form 8-K.

Item 9.01 Financial Statements and Exhibits.**(a) Financial statements of business acquired.**

The audited consolidated financial statements of PAG and its subsidiaries as of and for the years ended December 31, 2024 and December 31, 2023, and the related Independent Auditor’s Report of Baker Tilly US LLP addressing such matters as set forth therein, including the 2024 consolidated financial statements and certain retrospective adjustments to the 2023 consolidated financial statements to apply the changes in accounting principles as described therein, are filed herewith as Exhibit 99.1 and are incorporated by reference into this Item 9.01(a).

The audited consolidated financial statements of PAG and its subsidiaries, as of and for the year ended December 31, 2023, audited in accordance with Generally Accepted Auditing Standards, and the related Independent Auditor’s Report of Hancock Askew & Co., LLP, are filed herewith as Exhibit 99.2 and are incorporated by reference into this Item 9.01(a).

The unaudited consolidated statements of financial position of PAG as of September 30, 2025 and December 31, 2024, and the unaudited consolidated statements of operations and comprehensive income, cash flows, and changes in stockholders’ equity of PAG for the nine months ended September 30, 2025 and September 30, 2024, are filed herewith as Exhibit 99.3 and are incorporated by reference into this item 9.01(a).

(b) Pro forma financial information.

The Company’s unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 2025, and for the year ended December 31, 2024, giving effect to the PAG Acquisition, is filed herewith as Exhibit 99.4 and is incorporated by reference into this Item 9.01(b).

(d) Exhibits

| Exhibit | Description |
|---------|---|
| 23.1 | Consent of Baker Tilly US LLP |
| 23.2 | Consent of Hancock Askew & Co., LLP |
| 99.1 | Audited consolidated financial statements of PAG Holding Corp. and its subsidiaries as of and for the years ended December 31, 2024 and December 31, 2023, and the related Independent Auditor’s Report of Baker Tilly US LLP addressing such matters as set forth therein |
| 99.2 | Audited consolidated financial statements of PAG Holding Corp. and its subsidiaries as of and for the year ended December 31, 2023, and the related Independent Auditor’s Report of Hancock Askew & Co., LLP (excluding the consolidated financial statements of PAG Holding Corp. and its subsidiaries as of and for the year ended December 31, 2022) |
| 99.3 | Unaudited consolidated statements of financial position of PAG Holding Corp. as of September 30, 2025 and December 31, 2024, and the unaudited consolidated statements of operations and comprehensive income, cash flows, and changes in stockholder’s equity of PAG Holding Corp. for the nine months ended September 30, 2025 and September 30, 2024 |
| 99.4 | Unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 2025, and for the year ended December 31, 2024 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

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

VSE CORPORATION
(Registrant)

Date: February 2, 2026

By: /s/ Adam R. Cohn
Adam R. Cohn
Chief Financial Officer
(Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-281222 and No. 333-273085) and Form S-8 (No. 333-271707, No. 333-270469, No. 333-257247, No. 333-195803, No. 333-195802, No. 333-134285 and No. 333-287232) of VSE Corporation of our report dated June 25, 2025 (except for Note 5 and Note 17, for which the date is January 23, 2026), relating to the consolidated financial statements of Precision Aviation Group (PAG) Holding Corp. and Subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to adjustments to prior period consolidated financial statements), included in this Current Report on Form 8-K of VSE Corporation.

/s/ Baker Tilly US, LLP

Peachtree Corners, GA
February 2, 2026

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in Registration Statements on Form S-3 (No. 333-281222 and No. 333-273085) and Form S-8 (No. 333-271707, No. 333-270469, No. 333-257247, No. 333-195803, No. 333-195802, No. 333-134285 and No. 333-287232) of VSE Corporation, of our report dated May 21, 2024, relating to the consolidated financial statements of Precision Aviation Group (PAG) Holding Corp. and Subsidiaries (the “Company”), before the effects of the adjustments and related disclosures to retroactively apply the changes in accounting related to the adoption of Accounting Standards Codification (ASC) Topic 805, “Business Combinations”, and ASC Topic 350, “Intangibles – Goodwill and Other”, which appears in this Form 8-K.

/s/ Hancock Askew & Co., LLP

Peachtree Corners, Georgia
February 2, 2026



Independent Auditors' Report

The Board of Directors
PAG Holding Corp. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PAG Holding Corp. and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Company's Australian subsidiary, PAG/PTB Holdings Pty Ltd, which statements reflect total assets of \$61,249 at December 31, 2024, and total revenues of \$35,893 for the year then ended. Those statements were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the report of the other auditors and the additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Consolidated Financial Statements

The consolidated financial statements of PAG Holding Corp. and Subsidiaries as of December 31, 2023, were audited by other auditors whose report dated May 21, 2024, expressed an unmodified opinion on those financial statements. As more fully described in Note 1 to the consolidated financial statements, the Company has adjusted its 2023 financial statements to retrospectively apply the changes in accounting principles as described. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2024 consolidated financial statements, we also audited the adjustments to the 2023 consolidated financial statements to retrospectively apply the changes in accounting principles as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to PAG Holding Corp. and Subsidiaries' 2023 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 consolidated financial statements as a whole.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

/s/ Baker Tilly US, LLP

Peachtree Corners, Georgia

June 25, 2025 (except for Note 5 and Note 17, for which the date is January 23, 2026).

PAG Holding Corp. and Subsidiaries

Consolidated Financial Statements

December 31, 2024 and 2023

Consolidated Balance Sheets

(Dollars in Thousands)

| December 31, | 2024 | 2023 |
|--|--------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 23,252 | \$ 12,583 |
| Restricted cash | 279 | 303 |
| Accounts receivable, net of allowances for credit losses of \$2,941 and \$3,905 as of December 31, 2024 and 2023, respectively | 54,831 | 44,422 |
| Contract assets | 3,853 | 5,620 |
| Inventory | 167,098 | 131,019 |
| Prepaid expenses and other assets | 7,571 | 2,711 |
| Income taxes receivable | — | 464 |
| Total current assets | 256,884 | 197,122 |
| Property and equipment, net | 51,202 | 37,103 |
| Goodwill | 392,456 | 159,421 |
| Other intangible assets, net | 291,297 | 106,404 |
| Net investment in direct finance lease | 44 | 63 |
| Related party receivable (Note 13) | 730 | 730 |
| Operating lease, right-of-use assets, net | 27,981 | 19,369 |
| Financing lease, right-of-use assets, net | 107 | — |
| Other non-current assets | 267 | 158 |
| Total assets | \$1,020,968 | \$520,370 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$ 32 | \$ 9 |
| Current maturities of long-term debt – related party | 6,273 | 3,335 |
| Accounts payable | 20,017 | 16,634 |
| Accrued compensation and benefits | 10,383 | 7,580 |
| Other accrued liabilities | 19,709 | 23,469 |
| Operating lease liabilities, current portion | 3,989 | 4,138 |
| Financing lease liabilities, current portion | 55 | — |
| Other payables | 5,873 | 7,534 |
| Income taxes payable | 5,500 | — |
| Total current liabilities | 71,831 | 62,699 |
| Long-term debt, less current maturities and unamortized debt issuance costs | 76 | 27 |
| Long-term debt, less current maturities and unamortized debt issuance costs – related party | 619,546 | 329,705 |
| Deferred income taxes | 7,514 | 9,974 |
| Operating lease liabilities, net of current portion | 25,683 | 15,999 |
| Financing lease liabilities, net of current portion | 51 | — |
| Total liabilities | 724,701 | 418,404 |
| Commitments and contingencies (Note 16) | | |
| Stockholders' equity | | |
| Common stock, \$0.001 par value 150,000 shares authorized, 147 and 100 issued and outstanding as of December 31, 2024 and 2023, respectively | — | — |
| Additional paid-in capital | 259,298 | 63,585 |
| Accumulated other comprehensive income (loss) | (7,271) | 912 |
| Retained earnings | 44,240 | 37,469 |
| Total stockholders' equity | 296,267 | 101,966 |
| Total liabilities and stockholders' equity | \$1,020,968 | \$520,370 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Dollars in Thousands)

For the years ended December 31,

| | 2024 | 2023 |
|---|------------|-----------|
| Revenues | \$472,049 | \$402,541 |
| Cost of sales | 306,660 | 270,757 |
| Gross profit | 165,389 | 131,784 |
| Operating expenses | | |
| General and administrative expenses | 94,867 | 74,247 |
| Transaction and acquisition expenses | 7,289 | 4,689 |
| Total operating expenses | 102,156 | 78,936 |
| Income from operations | 63,233 | 52,848 |
| Other income and expenses | | |
| Interest expense, net – related party | 46,686 | 36,078 |
| Loss on extinguishment of debt | — | 18,119 |
| Related party management fee (Note 13) | 2,651 | 2,175 |
| (Gain) loss on foreign exchange | (190) | 165 |
| Other income, net | (66) | (64) |
| Total other expenses | 49,081 | 56,473 |
| Income (loss) before income taxes | 14,152 | (3,625) |
| Provision for (benefit from) income taxes | 7,371 | (2,669) |
| Net income (loss) | 6,781 | (956) |
| Other comprehensive (loss) income | | |
| Foreign currency translation adjustments | (8,183) | 1,080 |
| Comprehensive (loss) income | \$ (1,402) | \$ 124 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in Thousands)

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings (Accumulated Deficit) | Total |
|---|--------------|-----------|-------------------------------|---|---|-----------|
| | Shares | Par Value | | | | |
| Balance, January 1, 2023 | 100 | \$ — | \$ 63,358 | \$ (168) | \$ 38,508 | \$101,698 |
| Net loss | — | — | — | — | (956) | (956) |
| Share-based compensation | — | — | 227 | — | — | 227 |
| Foreign currency translation adjustment | — | — | — | 1,080 | (83) | 997 |
| Balance, December 31, 2023 | 100 | \$ — | \$ 63,585 | \$ 912 | \$ 37,469 | \$101,966 |
| Net income | — | — | — | — | 6,781 | 6,781 |
| Common stock issuance | 47 | — | — | — | — | — |
| Contributions | — | — | 195,039 | — | — | 195,039 |
| Share-based compensation | — | — | 674 | — | — | 674 |
| Foreign currency translation adjustment | — | — | — | (8,183) | (10) | (8,193) |
| Balance, December 31, 2024 | 147 | \$ — | \$ 259,298 | \$ (7,271) | \$ 44,240 | \$296,267 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in Thousands)

For the years ended December 31,

| | 2024 | 2023 |
|---|------------------|------------------|
| Operating activities | \$ | \$ |
| Net income (loss) | 6,781 | (956) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 14,081 | 10,973 |
| Provision for credit losses | (123) | 985 |
| Non-cash lease cost | (983) | (5,575) |
| Amortization of debt issuance costs | 569 | 2,402 |
| Loss on extinguishment of debt | — | 18,119 |
| Deferred income tax benefit | (1,061) | (7,393) |
| Accretion of payment-in-kind (PIK) interest to principal | — | 942 |
| Non-cash charge for share-based compensation | 674 | 227 |
| Loss (gain) on disposal of property and equipment | 7 | (24) |
| Changes in assets and liabilities | | |
| Accounts receivable | 2,371 | (4,978) |
| Related party receivable | — | (730) |
| Contract assets | 1,767 | (4,137) |
| Inventory | (9,502) | (20,575) |
| Prepaid expenses | (4,328) | 667 |
| Other assets | (109) | (38) |
| Net investment in direct finance lease | 19 | 17 |
| Accounts payable | 1,100 | (1,598) |
| Other payables | (1,661) | 1,129 |
| Accrued liabilities | (5,044) | 7,431 |
| Operating lease liabilities | 1,924 | 6,040 |
| Income taxes payable | 5,964 | 686 |
| Net cash provided by operating activities | 12,446 | 3,614 |
| Investing activities | | |
| Purchase of property and equipment | (10,580) | (10,161) |
| Proceeds from disposal of property and equipment | — | 65 |
| Purchase of business, net of cash acquired | (476,419) | — |
| Net cash used for investing activities | (486,999) | (10,096) |
| Financing activities | | |
| Proceeds from issuance of long-term debt | 311,224 | 341,500 |
| Principal payments of long-term debt | (11,638) | (323,068) |
| Payments of debt issuance costs | (7,304) | (462) |
| Payments of lender fees | — | (13,611) |
| Repayments on finance leases | (16) | — |
| Contributions | 195,039 | — |
| Net cash provided by financing activities | 487,305 | 4,359 |
| Effect of exchange rate changes on cash and cash equivalents | (2,107) | 102 |
| Net increase (decrease) in cash | 10,645 | (2,021) |
| Cash and restricted cash, beginning of period | 12,886 | 14,907 |
| Cash and restricted cash, end of period | \$ 23,531 | \$ 12,886 |
| Supplemental disclosure of cash flow information | | |
| Non-cash transfer of inventory to fixed assets for rental to customers | \$ (3,226) | \$ (1,410) |
| Non-cash adjustment to goodwill for prior year acquisitions | \$ — | \$ (1,763) |
| Cash paid for interest | \$ 46,624 | \$ 36,784 |
| Income taxes paid | \$ 3,046 | \$ 2,589 |

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
(dollars in thousands)

1. Summary of Significant Accounting Policies***Nature of Business***

PAG Holding Corp. and Subsidiaries (collectively the “Company”), is a wholly owned subsidiary of GenNx/PAG Acquisitions, Inc (the “Parent”). The Company provides maintenance, repair, and overhaul services and distributes components for rotary and fixed wing aircraft, specializing in servicing wheels and brakes, starter generators, avionics, accessories, instruments, hydraulics, engines, fuel components, and auxiliary power units (APUs) through its FAA certified facilities.

The Company sells to customers throughout the world and maintains offices in the United States of America and in foreign countries. For the year ended December 31, 2024, 73% of the Company’s revenues originate from the United States, 13% from Australia, 10% from Canada, and the remaining 4% from other countries including Brazil and Singapore. For the year ended December 31, 2023, 73% of the Company’s revenues originate from the United States, 15% from Australia, and the remaining 12% from other countries including Canada, Brazil, and Singapore.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and include the assets, liabilities, results of operations and cash flows of the Company.

Change in Accounting Principle

On December 15, 2025, the Company signed a letter of intent to be acquired by VSE Corporation (the “Buyer”). As a result, the Company no longer qualifies as a private company under US GAAP since its consolidated financial statements will be included in the Buyer’s public filings with the SEC (e.g., Form 8-K filing). As such, the Company is required to apply the accounting guidance applicable to public business entities.

The consolidated financial statements have been revised to reflect the Company’s change in its methods for accounting for business combinations in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*, and goodwill in accordance with ASC 350-20, *Intangibles – Goodwill and Other – Goodwill*. All adjustments have been made retrospectively as of December 31, 2023.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PAG Holding Corp. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The Company’s subsidiaries include:

| Subsidiary | Location |
|--|-----------------|
| Precision Heliparts, Inc., d/b/a PHP Louisiana and Aviation Parts Group | Louisiana, USA |
| Precision Aviation Group, Inc., d/b/a Precision Accessories and Instruments and d/b/a Precision Aircraft Services and d/b/a Precision Avionics and Instruments | Georgia, USA |
| Gardner Aviation Specialist, Inc. d/b/a Gardner Aviation Services and d/b/a Precision Aviation Services and d/b/a Precision Aircraft Services | |
| Precision Heliparts, Inc. d/b/a Mach 2 Aviation and d/b/a Aircraft Parts Group | |

PAG Holding Corp. and Subsidiaries

**Notes to Consolidated Financial Statements
(dollars in thousands)**

| | |
|--|------------------------|
| Aeronautical Technology, Inc. d/b/a Aero Technology, Inc. and d/b/a Precision Aero Technology Momentum FPD Services Corporation, d/b/a Precision Display Repairs Velocity Aerospace - Burbank, Inc. E.D.N. Aviation, Inc. | California, USA |
| Aviation Controls, Inc., d/b/a Precision Aviation Controls | Kansas, USA |
| Keystone Turbine Services, LLC Prime Turbines, LLC - Butler | Pennsylvania, USA |
| Trace Aviation, Inc. | Mississippi, USA |
| Velocity Aerospace - Fort Lauderdale, Inc. Velocity Aerospace - NMB, Inc. Pacific Turbine USA, LLC | Florida, USA |
| Velocity Aerospace Holding Group, Inc. Velocity Aerospace Group, Inc. Prime Turbines, LLC - Carrollton PTB USA Holdings LLC | Texas, USA |
| Prime Turbines, LLC - Mesa | Arizona, USA |
| UAS Holdings LLC Unique Airmotive Services, LLC ICON Aerospace, LLC The Auxiliary Group, LLC TAG Aero, LLC | North Carolina, USA |
| AWT/CeralUSA Holdings, LLC CeralUSA, LLC d/b/a Qualified Coating Services | Oklahoma, USA |
| Aviation Welding Technologies, LLC | Massachusetts, USA |
| PHP Canada, Inc. PAI Canada, Inc. Precision Heliparts Canada, ULC d/b/a PHP Canada Precision Accessories and Instruments Canada, ULC d/b/a PAI Canada World Aviation Corporation, d/b/a Precision Display Repairs Aero Component Support, Inc. | Canada |
| Precision Aviation Group Australia PTY LTD d/b/a Precision Heliparts - Australia and d/b/a Precision Accessories and Instruments Australia IAP Group Australia Pty Ltd Pacific Turbine USA Pty Ltd Pacific Turbine Leasing Pty Ltd PAG/PTB Holdings Pty Ltd PAG/PTB Bidco Pty Ltd PTB Group Pty Ltd PTB Finance Pty Ltd 748 Cargo Pty Ltd | Australia |
| Precision Aviation Group Singapore PTE. LTD Precision Heliparts Singapore PTE. LTD d/b/a PAG Singapore | Singapore |
| Efix Servicos Aeronauticos Ltda. | Brazil |

Notes to Consolidated Financial Statements
(dollars in thousands)

Reclassifications

Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates affecting the financial statements include, but are not limited to, the allowance for credit losses and the estimate of inventory valuation. The Company evaluates and updates its assumptions and estimates on an ongoing basis. Actual results could differ from those estimates.

Translation of Foreign Currencies

The reporting currency of the Company is the U.S. Dollar. Management periodically assesses the functional currency of each subsidiary in accordance with ASC 830, *Foreign Currency Matters*.

Translation of functional currencies to reporting currency for assets and liabilities is recorded using the exchange rates at each balance sheet date, revenue and expenses are translated at average rates prevailing during the reporting period or at the date of the transaction, stockholders' equity is translated at historical rates. Adjustments resulting from translating functional currency into reporting currency are recorded as a separate component of Accumulated Other Comprehensive Income (Loss) in the consolidated statements of stockholders' equity.

Cash and Restricted Cash

The Company considers all highly liquid instruments with maturity of three months or less to be cash equivalents. Cash overdrafts not subject to offset by other accounts in the same financial institution are recorded as accounts payable. The Company had restricted cash of \$279 and \$303 as of December 31, 2024 and 2023, respectively, in connection with a lease agreement and for security of bank guarantees.

Accounts Receivable and Current Expected Credit Losses

The Current Expected Credit Losses (CECL) methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company's accounts receivable arise from sales in their various markets across the United States and internationally. The Company does not require collateral for accounts receivable but certain customers are required to prepay or make deposits with the Company prior to ordering products.

The Company maintains an allowance for credit losses based upon management's estimate of the collectability of accounts receivable. The collectability of trade receivable balances is regularly evaluated based on a combination of factors such as customer credit-worthiness, age of current receivable accounts, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If it is determined that a customer will be unable to fully meet its financial obligation, such as in the case of bankruptcy filing or other material events impacting its business, a specific reserve for bad debt is recorded to reduce the related receivable to the amount expected to be recovered.

Notes to Consolidated Financial Statements
(dollars in thousands)

Contract Balances

The timing of revenue recognition, billings, and cash collections result in billed accounts receivable and unbilled receivables (contract assets) on the consolidated balance sheet. Amounts are billed either over time as the performance obligation is satisfied or at a point in time when items are shipped, in accordance with agreed-upon contractual terms.

Contract assets are the right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditional on something other than the passage of time. The Company's contract assets comprise of unbilled receivables against revenue recognized prior to receipt of payment. Contract assets are classified as current in the consolidated balance sheet due to the short time period between recognition and collection.

The beginning and ending contract balances were as follows:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|-------------|-------------|
| Accounts receivable and other | \$54,831 | \$44,422 |
| Contract assets | 3,853 | 5,620 |

The changes in contract assets are primarily due to timing differences between the Company's performance of services or sales of components and the related right for consideration to become unconditional.

Inventory

Inventory consists of acquired units, repair parts and core units (which are used units available to be repaired or overhauled and are both purchased and returned from customers). Inventory is generally valued based upon the specific identification method by part number, although costs of common part numbers may be averaged. Acquired units are purchased for resale from outside vendors and are valued at cost. Units in the exchange program are valued at average cost, which is estimated based upon original cost, recoverable value of returned units and accumulated repair and maintenance costs incurred to make such units ready for exchange to another customer. Core units received through a customer exchange program (trade-in) are valued at average cost. Repair parts are purchased from outside vendors, are valued at cost, and are included in acquired units until such time as they are consumed in the production process and are transferred to work in process. Work in process represents items being repaired either internally or externally and is valued at the cost of the unit to date including accumulated costs for labor and repair parts used in process.

The Company provides a valuation adjustment to reduce the cost of any inventory item to net realizable value which has no sale activity in the preceding 36 months or has aggregate units representing more than one-year usage remaining in inventory.

Warranty

Acquired units purchased from manufacturers are covered under warranties from such manufacturers and the Company is generally not liable for defects and issues with such products. The Company warrants all component exchanges and overhauls for one (1) year or three hundred (300) hours of operation, whichever comes first. The Company makes a provision in cost of goods sold for estimated warranty costs on products sold and the accrual for such liability is included in other accrued liabilities on the accompanying consolidated balance sheets.

For certain subsidiaries, the Company warrants the following services as follows:

Notes to Consolidated Financial Statements
(dollars in thousands)

| Services | Whichever period expires first | | |
|--|--------------------------------|--------------------------------|----------------------------|
| | Operational hours | Elapsed time from installation | Elapsed time from shipping |
| Turbine Engine Component Accessories - Overhaul | 500 | 3 months | 6 months |
| Turbine Engine Component Accessories - Repair | 300 | 3 months | 6 months |
| Turbine Engines - Overhaul - Horizontal Situation Indicator/ Ground Based Interceptor | 500 | 6 months | 12 months |
| Turbine Engines - Overhaul - Continuing Airworthiness Management Organization | 1,000 | 2 years | 1 - 2 years |
| Turbine Engines - Repair | 500 | 3 months | 6 months - 1 year |
| Auxiliary Power Unit (APU) | Not applicable | Not applicable | 1 year |

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets, which are as follows:

| | Life |
|--------------------------------|--------------------------------------|
| Buildings | 35 years |
| Shop and test equipment | 2 - 20 years |
| Technical manuals | 15 - 20 years |
| Office furniture and equipment | 3 - 7 years |
| Computer hardware and software | 2 - 3 years |
| Vehicles | 3 - 7 years |
| Leasehold improvements | Shorter of useful life or lease term |

Maintenance and repairs are charged to expense as incurred, and major renovations and improvements are capitalized. Costs and accumulated depreciation applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized in the consolidated statement of operations and comprehensive income (loss).

The Company leases engine equipment to customers under cancelable operating lease agreements. The lease terms are primarily less than one year.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Tests for recoverability of a long-lived asset to be held and used are measured by comparing the carrying amount of the long-lived asset or asset group to the sum of the estimated future undiscounted cash flows expected to be generated by the asset. In estimating the future undiscounted cash flows, the Company uses projections of cash flows directly associated with, and which are expected to arise as a direct result of the use and eventual disposition of the assets or asset group. If it is determined that a long-lived asset or asset group is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset or asset group over its fair value. There was no impairment loss recorded in 2024 or 2023.

Notes to Consolidated Financial Statements
(dollars in thousands)

Intangible Assets

Intangible assets with definite lives include customer relationships and tradenames and are stated at cost less accumulated amortization. Amortization is computed utilizing the straight-line method over the estimated useful lives of the assets. Intangible assets with indefinite useful lives including Federal Aviation Administration (FAA) and other licenses are reviewed annually for impairment or more frequently if impairment indicators arise. See Note 5 – Goodwill and Intangible Assets.

Goodwill

Goodwill represents the excess of the purchase price and related costs of an acquired business over the fair value of identified net assets. Goodwill is tested for potential impairment annually as of December 31, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company operates as one segment, which is considered to be the sole reporting unit, and therefore goodwill is tested for impairment at the consolidated level. There was no impairment of goodwill in 2024 or 2023.

When testing goodwill for impairment, the Company may initially qualitatively assess whether it is necessary to perform a quantitative goodwill impairment test, which is only required if the Company concludes that it is more likely than not that the reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the Company considers the totality of all relevant events and circumstances that affect the fair value or carrying amount of the reporting unit in accordance with ASC 350-20-35-3C. In the event the Company deems a quantitative impairment test necessary, the Company estimates and compares the fair value of the reporting unit to its carrying value including goodwill. The fair value of the reporting unit is determined using a combination of the income approach and the market approach, which involves the use of estimates and assumptions, including projected future operating results and cash flows, the cost of capital, and financial measures derived from observable market data of comparable public companies. If the fair value is less than the carrying value, the amount of impairment expense is equal to the difference between the reporting unit's fair value and the reporting unit's carrying value.

Debt Issuance Cost

Debt issuance costs are shown net with the related debt instrument and amortized over the term of the debt. Amortization is recorded to interest expense using the straight-line method, which approximates the effective interest method.

Income Taxes

The Company files a consolidated federal income tax return. The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are provided for based on temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements at the enacted tax rate expected to be in effect when the taxes are actually paid.

The Company evaluated all tax positions that it has taken or expects to take on a tax return including decisions made concerning whether or not to file a tax return in a specific tax jurisdiction. The Company evaluated all tax positions for recognition, de-recognition and measurement using consistent criteria. The Company has determined that it does not have any material uncertain tax positions as of December 31, 2024 and 2023. The Company recognizes interest accrued, if any, related to unrecognized tax benefits in interest expense and penalties, if any, in other expenses.

Notes to Consolidated Financial Statements
(dollars in thousands)

The Company is generally no longer subject to U.S. federal, state, local or foreign tax examinations by tax authorities for years before 2021.

Revenue Recognition

The Company recognizes revenue for sales of components, including the components exchange program, upon the transfer of promised goods to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods. Revenue from the engine equipment lease program is recorded over time based on usage and revenue from the APU equipment lease program is recorded over time based on fixed monthly fees. Revenue from repair services is recorded once the repair is complete and the part is delivered to the customer. In certain cases, for larger overhaul jobs, revenue is recorded over time on a percentage of completion basis. In all cases, revenue is recognized at the time the Company satisfies the performance obligation to their customer. Delivery is not considered to have occurred until the customer assumes the risks and rewards of ownership. Customers take delivery at the time of shipment for terms designated free on-board shipping point.

The Company includes shipping and handling charges in its gross invoice price to customers and classifies the total amount as revenue. Shipping and handling expenses are recorded as cost of sales. Sales taxes are not recorded as a component of sales. The Company records a liability when the amounts are collected and reduces the liability when payments are made to the applicable government agency.

Revenue is recorded net of estimated product returns and discounts to customers. Returns and discounts are recorded as a reduction in revenue in the same period that the revenue is recognized. Customers have the right to return products purchased that do not function properly within a limited time after delivery.

The Company's disaggregated revenue by country is as follows:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|------------------|------------------|
| Australia | \$ 63,570 | \$ 61,076 |
| Brazil | 5,125 | 3,922 |
| Canada | 46,642 | 33,515 |
| Singapore | 13,274 | 10,227 |
| United States | 343,438 | 293,801 |
| | \$472,049 | \$402,541 |

The Company's disaggregated revenue by service and timing of revenue is as follows:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|------------------|------------------|
| Equipment leases - over time | \$ 3,741 | \$ 2,531 |
| Customer engine and APU repairs services - over time | 42,292 | 45,199 |
| Sales of components and other repair services - point in time | 426,016 | 354,811 |
| | \$472,049 | \$402,541 |

Notes to Consolidated Financial Statements
(dollars in thousands)***Business Combinations***

When the Company acquires businesses, it applies the acquisition method of accounting and recognizes the identifiable assets acquired and the liabilities assumed at their fair values on the acquisition date, which requires significant estimates and assumptions. Goodwill is measured as the excess of the fair value of the consideration transferred over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method requires the Company to record provisional amounts for any items for which the accounting is not complete at the end of a reporting period. The Company must complete the accounting during the measurement period, which cannot exceed one year. Adjustments made during the measurement period could have a material impact on the Company's financial condition and results of operations.

Management estimated that the carrying amounts of accounts receivable, inventory, prepaid expenses and other current assets, accounts payable and accrued expenses approximated their fair values based on their short-term nature. Property and equipment was recorded at net book value, which approximates fair value. Right of use asset and lease liabilities were recorded at the acquisition date based on the present value of lease payments over the lease term. Identified intangible assets is primarily comprised of certificates that were valued utilizing a modified cost approach. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, the Company could record impairment charges. In addition, the Company has estimated the economic lives of certain acquired tangible and intangible assets and these lives are used to calculate depreciation and amortization expense. If the Company's estimates of the economic lives change, depreciation or amortization expenses could be increased or decreased, or the acquired asset could be impaired.

Share-Based Compensation

Profit unit awards are issued to certain employees as compensation. These profit unit awards include time vesting units and performance vesting units. Compensation cost related to profit unit awards is calculated based upon the estimated fair value of the awards at the grant date, in accordance with ASC 718, *Compensation – Stock Compensation*. The Company recognizes compensation expense over the service period. The Company accounts for forfeitures as they occur.

Advertising Cost

The Company expenses all advertising costs as incurred. Advertising expense was \$2,434 and \$1,924 for the years ended December 31, 2024 and 2023, respectively.

Leases

Right-of-use assets (ROU) represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since most of the Company's leases do not provide an implicit rate to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option. None of the lease agreements contain any material residual value guarantees. Certain lease agreements include provisions for variable rent payments, which are adjusted periodically.

The Company has elected to apply the short-term lease exception to all leases with an initial term of 12 months or less. Short-term leases are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Notes to Consolidated Financial Statements
(dollars in thousands)

Certain of the Company's leases are denominated in a foreign currency. These leases measure the lease liability and right-of-use asset using the exchange rate at the lease commencement date. Subsequently, the foreign currency denominated lease liability is remeasured using the exchange rate at each reporting date. Any changes to the lease liability arising from the translation of foreign currency are recognized in the consolidated statements of operations and comprehensive income (loss) as a foreign exchange gain or loss.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In September 2025, the FASB issued ASU No. 2025-06 *Intangibles—Goodwill and Other Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* ("ASU 2025-06") to modernize the accounting guidance for costs incurred to develop internal-use software, including which costs are required to be recognized as an asset. ASU 2025-06 is effective for annual and interim reporting periods beginning after December 15, 2027. The Company is evaluating the impact of ASU 2025-06 on its accounting and disclosures.

In July 2025, the FASB issued ASU No. 2025-05 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"), which provides a practical expedient and, if applicable, an accounting policy election to simplify the measurement of credit losses for certain receivables and contract assets. ASU 2025-05 is effective for annual and interim reporting periods beginning after December 15, 2025 and may be early adopted. The Company is evaluating the impact of ASU 2025-05 on its accounting and disclosures.

In November 2024, the FASB issued ASU No. 2024-03 *Income Statement (Topic 220): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires additional disclosures of certain amounts included in the expense captions presented on the statement of operations as well as disclosures about selling expenses. ASU 2024-03 is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is evaluating the impact of ASU 2024-03 on its accounting and disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact of ASU 2023-09 on its accounting and disclosures.

2. Allowance for Credit Losses

The following table summarizes the Company's allowance for credit losses for trade accounts receivable:

| <i>Allowance for Credit Losses</i> | 2024 | 2023 |
|---|-------------|-------------|
| Balance, January 1 | \$ 3,905 | \$3,288 |
| Current year provision for expected credit losses | (123) | 985 |
| Write-offs | (1,480) | (379) |
| Recoveries and other | 639 | 11 |
| Balance, December 31 | \$ 2,941 | \$3,905 |

Notes to Consolidated Financial Statements
(dollars in thousands)**3. Inventory**

Inventories presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2024 | 2023 |
|---------------------------------|-------------|-------------|
| Acquired units, including cores | \$136,040 | \$101,614 |
| Work-in-process | 31,058 | 29,405 |
| Total inventory | \$167,098 | \$131,019 |

4. Property and Equipment

Property and equipment presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2024 | 2023 |
|--------------------------------------|-------------|-------------|
| Shop and test equipment | \$ 48,609 | \$ 33,840 |
| Technical manuals | 2,552 | 2,410 |
| Office furniture and equipment | 1,868 | 905 |
| Computer hardware and software | 4,248 | 3,432 |
| Vehicles | 377 | 210 |
| Buildings and leasehold improvements | 8,171 | 3,436 |
| Construction in process | 2,112 | 4,529 |
| | 67,937 | 48,762 |
| Less accumulated depreciation | (16,735) | (11,659) |
| Total property and equipment | \$ 51,202 | \$ 37,103 |

Depreciation expense relating to property and equipment was \$4,486 and \$3,211 for the years ended December 31, 2024 and 2023, respectively.

Engine equipment included in shop and test equipment and accumulated depreciation was \$21,459 and \$3,610 at December 31, 2024, and \$17,337 and \$2,915 at December 31, 2023, respectively.

5. Goodwill and Intangible Assets**Goodwill**

Changes in the carrying amount of goodwill for the periods ended December 31, 2024 and 2023 are as follows:

| | |
|---|------------|
| <i>Goodwill</i> | |
| Balance as of January 1, 2023 as reported (gross) | \$ 130,361 |
| Historical amortization | (15,692) |
| Foreign currency translation | 2,217 |
| Change in accounting principle | 42,535 |
| Adjusted balance as of December 31, 2023 | 159,421 |
| Historical goodwill acquired | 372,373 |
| Historical amortization | (26,657) |
| Foreign currency translation | (3,540) |
| Change in accounting principle | (109,141) |
| Adjusted balance as of December 31, 2024 | \$ 392,456 |

Notes to Consolidated Financial Statements
(dollars in thousands)

The Company made the following adjustments to reflect change in accounting principle:

- The reversal of previously recognized accumulated goodwill amortization and related amortization expense. The carrying amounts of goodwill as of December 31, 2024 and 2023 have been revised to reflect the amounts that would have been reported had the private company alternative not been elected. The accumulated amortization amounts of \$68,263 (net of FX impact of \$929) and \$42,535 were reversed as of December 31, 2024 and 2023, respectively. Additionally, \$26,657 and \$15,692 in amortization expense were removed for the years ended December 31, 2024 and 2023, respectively.
- Change in 2024 accounting principle reflects the reclassification of customer-related intangibles associated with the UAS acquisition (see Note 17 for additional information) out of goodwill to customer relationships, net in the amount of \$134,164, reclassification from goodwill to allowance for credit losses in the amount of \$705, FX impact in the amount of \$929 related to reversal of accumulated amortization described above, offset by reversal of accumulated amortization in the amount of \$26,657.

Intangible Assets

Intangible assets presented in the accompanying consolidated balance sheets consist of the following amounts:

| | Life | Cost | December 31, 2024 | | | |
|-----------------------------|------------|-----------|---------------------------------------|--------------------------|---|-----------------|
| | | | Cost – Change in Accounting Principle | Accumulated Amortization | Accumulated Amortization – Change in Accounting Principle | Net Intangibles |
| Customer relationships, net | 15 years | \$ 72,618 | 144,170 | \$ (27,160) | \$ (2,588) | \$187,040 |
| FAA and other licenses | Indefinite | 113,680 | (9,998) | — | — | 103,682 |
| Tradenames, net | 1 year | 6,753 | (8) | (6,173) | 3 | 575 |
| Total intangibles, net | | \$193,051 | 134,164 | \$ (33,333) | \$ (2,585) | \$291,297 |

| | Life | Cost | December 31, 2023 | |
|-----------------------------|------------|-----------|--------------------------|-----------------|
| | | | Accumulated Amortization | Net Intangibles |
| Customer relationships, net | 15 years | \$ 73,045 | \$ (22,414) | \$ 50,631 |
| FAA and other licenses | Indefinite | 55,773 | — | 55,773 |
| Tradenames, net | 1 year | 5,988 | (5,988) | — |
| Total intangibles, net | | \$134,806 | \$ (28,402) | \$106,404 |

Change in accounting principle columns reflect the following adjustments:

- The reclassification of customer-related intangibles associated with the UAS acquisition (see Note 17 for additional information) out of goodwill to a separate intangible asset in the amount of \$134,164 as of September 23, 2024. The Company also recorded a corresponding amortization expense in the amount of \$2,585 for the year ended December 31, 2024.

Notes to Consolidated Financial Statements
(dollars in thousands)

- The reclassification in the amount of \$9,998 between customer-related intangibles and FAA licenses associated with the UAS acquisition to reflect the appropriate fair value of the acquired intangible assets as of September 23, 2024.

Customer Relationships

Amortization is computed utilizing the straight-line method over the estimated useful lives of the customer relationships, which are 15 years. Accumulated amortization of customer relationships was \$29,747 and \$22,414 at December 31, 2024, and 2023, respectively. Amortization expenses related to customer relationships was \$7,449 and \$4,862 for the years ended December 31, 2024, and 2023, respectively. Future amortization for the next five years of customer relationships is as follows:

| <i>For the years ending December 31,</i> | |
|--|----------|
| 2025 | \$14,453 |
| 2026 | \$14,453 |
| 2027 | \$14,453 |
| 2028 | \$14,453 |
| 2029 | \$14,453 |

Tradenames

Amortization for tradenames is computed utilizing the straight-line method over the estimated useful lives of the tradenames, which are 1 year. Accumulated amortization of the tradenames was \$6,171 and \$5,988 at December 31, 2024 and 2023, respectively. Amortization expense related to tradenames was \$212 and \$765 for the years ended December 31, 2024 and 2023, respectively. Future amortization for the next five years of tradenames is as follows:

| <i>For the years ending December 31,</i> | |
|--|-----|
| 2025 | 575 |
| 2026 | — |
| 2027 | — |
| 2028 | — |
| 2029 | — |

6. Paycheck Protection Program (PPP)

On May 3, 2020, PAG Holding Corp. and certain subsidiaries entered into an aggregate amount of \$2,660 Paycheck Protection Program promissory notes (the “PPP Loans”) with Wells Fargo Bank. Each PPP loan was made under, and is subject to the terms and conditions of, the PPP which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term of the loans were two years at origination with a stated maturity date of May 3, 2022. These loans contain a fixed annual interest rate of 1.00%. Principal and interest payments were deferred while forgiveness was in process and are payable monthly and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, recipients can apply for and receive forgiveness for all, or a portion of the loans granted under the PPP. The PPP loans were forgiven except for one. The total outstanding amount for this loan was \$555 and was fully paid during 2023. A gain of \$430 was previously recorded for this loan during 2020, as this portion of the loan was expected to be forgiven. This gain was reversed in 2023 and represents the loss on extinguishment of debt for the year ended December 31, 2023. There are no outstanding PPP Loans as of December 31, 2024 and 2023.

Notes to Consolidated Financial Statements
(dollars in thousands)

7. Long-Term Debt

During 2023, the Company repaid the remaining obligations pertaining to a Credit Agreement and a Subordinated Note Agreement and the Company entered into a new credit agreement (the Senior Secured Credit Agreement). All amounts outstanding under the Senior Secured Credit Agreement are held by related parties, as certain lenders are also equity investors in the Company (see Note 13, Related Party Transactions).

In connection with the 2023 repayment of the remaining obligations pertaining to the Credit Agreement and Subordinated Note Agreement, the Company determined that the 2023 debt restructuring should be accounted for as an extinguishment of the old debt and issuance of new debt. The total loss recorded for the extinguishment of debt was \$17,689 for the remaining unamortized debt issuance costs of the old debt and certain of the fees paid to the lenders for the issuance of the Senior Secured Credit Agreement as of December 31, 2023. The Company capitalized \$462 of debt issuance costs related to the new debt in December 2023.

Effective September 23, 2024, the Senior Secured Credit Agreement was amended (the "Amendment"). The Company determined that the Amendment should be accounted for as a modification. The Company capitalized \$7,304 of debt issuance costs related to fees paid to lenders and amortized this amount over the remaining term of the facility.

During the year ended December 31, 2024, the Company's long-term debt consisted primarily of borrowings under its Senior Secured Credit Agreement, as amended. All amounts outstanding under the Senior Secured Credit Agreement are held by related parties, as certain lenders are also equity investors in the Company. See Note 13 - Related Party Transactions.

The Company's long-term debt consists of the following:

| <i>December 31,</i> | 2024 | 2023 |
|--|-------------|-------------|
| A term loan, under the Senior Secured Credit Agreement, for a total principal amount of \$333,500, with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. | \$330,165 | \$333,500 |
| Interest and principal is payable quarterly. The effective interest rate was 10.03% at December 31, 2024. The loan calls for quarterly principal payments of \$834. | | |
| An incremental term loan, under the Senior Secured Credit Agreement, for a total principal amount of \$183,860, with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. Interest and principal is payable quarterly. The effective interest rate was 10.03% at December 31, 2024. The loan calls for quarterly principal payments of \$460. The outstanding balance on this loan was \$183,400 at December 31, 2024. | 183,400 | — |

Notes to Consolidated Financial Statements
(dollars in thousands)

| | | |
|---|------------------|------------------|
| A revolving line of credit, under the Senior Secured Credit Agreement, with an amount available up to \$50,000 with a maturity date of December 21, 2029. The loan bears interest at the bank's base rate plus a margin rate. Interest is payable quarterly. The unfunded rate is 0.5%. The amount available was \$40,000 and \$30,000 at December 31, 2024 and 2023, respectively. | 10,000 | — |
| A delayed draw term loan, under the Senior Secured Credit Agreement, of \$110,000 with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. Interest is payable quarterly. The unfunded rate is 1%. The amount available was \$0 and \$110,000 at December 31, 2024 and 2023, respectively. | 109,450 | — |
| A Vehicle Retail Installment Contact for a principal amount of \$56, with a termination date of November 3, 2027. The loan does not bear interest. Principal is payable monthly. | 27 | 36 |
| A Vehicle Retail Installment Contact for a principal amount of \$88, with a termination date of July 23, 2028. The loan bears interest at 2.9%. Interest and principal is payable monthly. | 80 | — |
| Total | 633,122 | 333,536 |
| Less current maturities | (6,305) | (3,344) |
| Less debt issuance costs | (7,195) | (460) |
| Long-term debt, net of current maturities and unamortized debt issuance costs | \$619,622 | \$329,732 |

The Company's long-term debt under the Senior Secured Credit Agreement is collateralized by substantially all assets of the Company. The Company is required to meet certain financial and non-financial covenants. As of December 31, 2024, the Company was in compliance with all covenants, except for the non-financial covenant requiring an audit by April 30, 2025. However, the Company received a waiver from the lender extending the due date to June 30, 2025.

For the years ended December 31, 2024 and 2023, interest expense recognized was \$46,777, including amortization of debt issuance costs of \$569, and \$36,142, including amortization of debt issuance costs of \$2,402, respectively.

Future maturities of long-term debt are as follows:

| | |
|--|------------------|
| <i>For the years ending December 31,</i> | |
| 2025 | \$ 6,305 |
| 2026 | 6,305 |
| 2027 | 6,304 |
| 2028 | 6,287 |
| 2029 | 607,921 |
| Total | 633,122 |
| Less current maturities | (6,305) |
| Less debt issuance costs | (7,195) |
| Long-term debt, net of current maturities and unamortized debt issuance costs | \$619,622 |

Notes to Consolidated Financial Statements
(dollars in thousands)**8. Leases**

The Company has operating and finance leases related to certain office space, warehouses, vehicles, and equipment. The Company's leases have remaining lease terms ranging up to 15 years and some of the leases include renewal options. The Company only includes the renewal terms in its calculation of lease assets and liabilities if it is reasonably certain to exercise the renewal option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating Leases

Lease cost information related to operating leases is as follows:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--------------------------------|-------------|-------------|
| Operating lease cost | \$5,770 | \$4,594 |
| Short-term lease cost | 383 | 591 |
| Variable lease cost | 841 | 808 |
| Total lease cost | \$6,994 | \$5,993 |

Finance Leases

Lease cost information related to finance leases is as follows:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--|-------------|-------------|
| Amortization of lease assets included in depreciation and amortization expense | \$16 | \$— |
| Interest on lease liabilities included in interest expense | 3 | — |
| Total lease cost | \$19 | \$— |

Lease Terms and Other Information

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

| | 2024 | 2023 |
|---------------------------------------|-------------|-------------|
| Weighted average remaining lease term | | |
| Operating leases | 6.9 | 6.5 |
| Finance leases | 2.3 | N/A |
| Weighted average discount rate | | |
| Operating leases | 9.7% | 8.4% |
| Finance leases | 10.4% | N/A |

Notes to Consolidated Financial Statements
(dollars in thousands)

Other information related to leases, are as follows:

| | 2024 | 2023 |
|--|---------|---------|
| Cash paid for amounts included in the measurement of lease obligations | | |
| Operating cash flows from operating leases | \$5,214 | \$3,893 |
| Operating cash flows from finance leases | 3 | — |
| Financing cash flows from finance leases | 16 | — |
| Right-of-use assets obtained in exchange for operating lease obligations | 5,302 | 9,863 |

Future maturities of the Company's lease liabilities are as follows:

| <i>For the years ending December 31,</i> | Operating | Finance |
|--|-----------|---------|
| 2025 | \$ 6,538 | \$ 64 |
| 2026 | 6,150 | 36 |
| 2027 | 6,026 | 12 |
| 2028 | 6,126 | 8 |
| 2029 | 4,780 | — |
| Thereafter | 12,007 | — |
| Total lease payments | 41,627 | 120 |
| Less imputed interest | (11,955) | (14) |
| Present value of minimum lease payments | \$ 29,672 | \$ 106 |

The Company had leases denominated in a foreign currency comprised of the following:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|-------|-------|
| Operating lease, ROU assets | 2,655 | 3,338 |
| Current operating lease liabilities | 506 | 778 |
| Long term operating lease liabilities | 2,228 | 2,707 |

The Company recognized a foreign exchange gain of \$114 and a loss of \$69 in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2024 and 2023, respectively, related to these transactions.

Direct Financing Lease

The Company has a direct financing lease expiring in May 2026. The components of the Company's investment in this direct financing lease is as follows:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|------|------|
| Total minimum lease payments receivable | \$47 | \$70 |
| Less: Unearned income | (3) | (7) |
| Net investment in direct financing leases | \$44 | \$63 |

Unearned income is amortized to lease income by the interest method using a constant periodic rate over the lease term.

Notes to Consolidated Financial Statements
(dollars in thousands)

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of December 31, 2024:

| | |
|--|-------------|
| <i>For the years ending December 31,</i> | |
| 2025 | \$23 |
| 2026 | 24 |
| Total minimum lease payments receivable | \$47 |

Depreciation expense relating to engine equipment under operating leases is recorded as cost of sales. Depreciation expense recorded as cost of sales was \$1,934 and \$2,024 for the years ended December 31, 2024, and 2023, respectively. Engine equipment is recorded within property and equipment, net as these operating leases are less than 12 months in duration.

9. Retirement Plans

The Company sponsors a 401(k) plan covering substantially all of its employees who reside in the United States. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the 401(k) plan were \$158 and \$163 for the years ended December 31, 2024 and 2023, respectively.

The Company also sponsors the following plans:

The Company sponsors a Group Retirement Savings Plan (RSP) for its employees who reside in Canada, with the exception of World Aviation Corporation. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the RSP were \$7 and \$1 for the years ended December 31, 2024 and 2023, respectively.

The Company sponsored a safe harbor 401(k) plan covering Keystone Turbine Services, Trace Aviation, Inc. and Velocity Aerospace Group, Inc.'s employees. During 2024, the employees of Prime Turbine, LLC and Pacific Turbine USA, LLC were merged into the plan. The Company made safe harbor matching contributions up to 3% of the employees' compensation and 50% on the employees' contributions that are greater than 3% but less than or equal to 5% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$576 and \$350 for the years ended December 31, 2024 and 2023, respectively.

In 2023, the Company sponsored a safe harbor 401(k) plan covering Prime Turbine, LLC's employees. The Company made non-elective safe harbor matching contributions equal to 3% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$251 for the year ended December 31, 2023. In 2024, the Prime Turbine, LLC's employees were merged into the safe harbor 401(k) plan covering Keystone Turbine Services, Trace Aviation, Inc and Velocity Aerospace Group, Inc.'s employees.

In 2023, the Company sponsored a safe harbor 401(k) plan covering Pacific Turbine USA, LLC's employees. The Company made safe harbor matching contributions up to 4% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$33 for the year ended December 31, 2023. In 2024, the Pacific Turbine USA, LLC's employees were merged into the safe harbor 401(k) plan covering Keystone Turbine Services, Trace Aviation, Inc and Velocity Aerospace Group, Inc.'s employees.

In 2024, the Company began sponsoring a safe harbor 401(k) plan covering Aviation Welding Technologies, LLC and CeralUSA, LLC's employees. The Company makes safe harbor matching contributions up to 4% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$19 for the year ended December 31, 2024.

Notes to Consolidated Financial Statements
(dollars in thousands)

In 2024, the Company began sponsoring a 401(k) plan covering Icon Aerospace, LLC and The Auxiliary Group, LLC's employees. The Company makes matching contributions up to 2% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$21 for the year ended December 31, 2024.

10. Income Taxes

The deferred income tax assets and liabilities as presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2024 | 2023 |
|---------------------------------------|-------------|-------------|
| Deferred income tax assets | | |
| Inventory | 2,883 | 2,359 |
| Net operating losses | 4,203 | 3,887 |
| Interest | 10,383 | 6,077 |
| Other | 5,019 | 3,895 |
| Deferred tax assets, gross | 22,488 | 16,218 |
| Valuation allowance | (2,274) | — |
| Total deferred income tax assets | 20,214 | 16,218 |
| Deferred income tax liabilities | | |
| Intangible assets | 18,874 | 20,012 |
| Property, plant, and equipment | 8,385 | 5,871 |
| Other | 469 | 309 |
| Total deferred income tax liabilities | 27,728 | 26,192 |
| Net deferred tax liabilities | 7,514 | 9,974 |

As a result of acquisition activity during 2021, the Company inherited US income tax net operating losses (NOL's). As of December 31, 2024, the gross federal NOL was approximately \$17,300 and does not expire. The acquired NOLs are subject to an annual usage limitation under IRC Sec 382. At December 31, 2024, the gross Australian NOL was approximately \$1,590 and does not expire. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projections of future taxable income, tax planning strategies and the reversal of temporary differences in making this assessment. Management concludes that a portion of the disallowed interest expense carryforward under IRC Sec. 163(j) will not be used and as such, has recorded in the current year a valuation allowance of \$2,274.

The significant components of income tax expense (benefit) allocated to operations are as follows:

| <i>December 31,</i> | 2024 | 2023 |
|--------------------------------|-------------|-------------|
| Current | | |
| Federal tax expense | \$ 5,195 | \$ 2,191 |
| State tax expense | 487 | 513 |
| Foreign tax expense | 3,512 | 2,460 |
| Total current | 9,194 | 5,164 |
| Deferred tax expense (benefit) | (1,823) | (7,833) |
| Total | \$ 7,371 | \$(2,669) |

Notes to Consolidated Financial Statements
(dollars in thousands)

For the years ending December 31, 2024 and 2023, the Company reported a tax provision of \$7,371 and tax benefit of \$2,669 on pretax book income of \$14,152 and loss of \$3,625, respectively. This resulted in an effective tax rate of 52.1% and 73.6% for December 31, 2024 and 2023, respectively.

The Company's effective tax rate differed from the U.S. statutory rate of 21.0% primarily due to state and foreign income tax expenses, changes in the valuation allowance, return-to-provision adjustments, and other non-deductible expenses. A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate is as follows:

| <i>For the years ended December 31,</i> | 2024 | 2023 |
|---|-------------|-------------|
| Tax at statutory federal income tax rate | \$2,972 | \$ (761) |
| Increases (decreases) in tax resulting from: | | |
| State taxes, net of federal income tax effect | (6) | (624) |
| Foreign tax effects | 917 | (216) |
| Prior year true-up adjustment | (866) | (139) |
| Valuation allowance | 2,274 | — |
| Other non-deductible expenses | 2,080 | (929) |
| Provision for income taxes | \$7,371 | \$(2,669) |
| Effective tax rate | 52.1% | 73.6% |

No deferred U.S. income tax liability has been recognized on undistributed earnings of certain foreign subsidiaries as they have been deemed permanently invested outside the U.S., and it is not practicable to estimate the deferred tax liability related to such undistributed earnings.

The Company did not record any significant changes in its unrecognized tax benefits or total interest and penalties for tax years remaining open to examination during the years ended December 31, 2024 and 2023. Currently, there are not any ongoing audits or examinations with any tax jurisdictions.

11. Stockholders' Equity

During 2024, the Company received stockholder contributions totaling \$195,039, which were made in the form of \$186,839 of cash and \$8,200 of rollover equity as a result of the UAS acquisition discussed in Note 17 – Business Combinations. The contributions have been recorded as additional paid-in capital in the consolidated statement of changes in stockholders' equity.

The foreign currency translation adjustment included in the consolidated statement of changes in stockholders' equity represents the net effect of translating the financial statements of foreign subsidiaries into the reporting currency. The translation adjustments, recorded as other comprehensive income (loss), was a loss of \$8,183 and a gain of \$1,080 for the years ending December 31, 2024, and 2023, respectively.

Preferred Stock

The Company is authorized to issue preferred stock. As of December 31, 2024 and 2023, no preferred stock is outstanding. The holders of preferred stock, if any subsequently issued, would have no voting power and a \$100 per share liquidation preference. The preferred return on such units accrues at a rate of 10% per year compounded annually on the anniversary date of issuance on (a) unreturned capital and (b) the unpaid preferred yield thereon for all prior periods. If a liquidation event occurs, the holders of preferred stock would receive the preference amount per share, plus accrued and unpaid dividends, before any assets of the Company are distributed to the holders of its other capital stock. The preferred stock has no conversion or redemption features.

Notes to Consolidated Financial Statements
(dollars in thousands)

Common Stock

The holders of common stock have one vote per share in all corporate matters. Subject to the rights of the holders of the preferred stock and unless prohibited by law, dividends may be declared and paid on the common stock as and when determined by the Board of Directors. No dividends were declared or paid in 2024 or 2023. Subject to the rights of the holders of the preferred stock, if the Company liquidates, dissolves or winds up its business, the holders of the common stock will be entitled to receive, ratably based upon the number of outstanding shares of common stock held by each such holder, all assets of the Company available for distribution to its stockholders.

12. Share-Based Compensation**Profit Unit Awards**

The Parent has granted profit unit awards to certain employees of the Company. The profit unit awards consist of time vesting units and performance vesting units. The time vesting units vest ratably over a four-year period and compensation expense is recorded over the vesting period. The performance vesting units vest upon certain performance conditions being met.

Information regarding the equity incentive awards is as follows:

| | Time vesting units | Performance vesting units | Total |
|---------------------------------------|--------------------|---------------------------|---------------|
| Outstanding, December 31, 2022 | 2,529 | 3,027 | 5,556 |
| Redeemed | (2,529) | (3,027) | (5,556) |
| Granted | 7,091 | 7,091 | 14,182 |
| Outstanding, December 31, 2023 | 7,091 | 7,091 | 14,182 |
| Granted | 2,918 | 2,918 | 5,836 |
| Outstanding, December 31, 2024 | 10,009 | 10,009 | 20,018 |

During 2023, the performance conditions were met on all outstanding units as of December 31, 2022, and all performance vesting units became fully vested and were redeemed.

The total number of vested and unvested units was 4,106 and 15,912, respectively, at December 31, 2024, and 0 and 14,182, respectively, at December 31, 2023. The Company determined compensation expense based upon the grant date fair value of such awards. For the years ended December 31, 2024, and 2023, the amount of compensation expense recorded was \$674 and \$227, respectively. Fair value at date of grant was estimated using a valuation model for enterprise value of the company based upon cash flows and expected valuation multiples of peer companies divided by units outstanding giving consideration for share preferences, rights and obligations. The significant assumptions used are valuation multipliers and discount rates applied in the model.

Notes to Consolidated Financial Statements
(dollars in thousands)**13. Related Party Transactions**

The Company is required to pay fees to parent companies for management services. Management fees are payable in arrears on the first day of each calendar quarter. Total management fees and expenses paid to parent companies included in other expense in the consolidated statements of operations and comprehensive income (loss) were \$2,651 and \$2,175 for the years ended December 31, 2024 and 2023, respectively.

A stockholder owns and leases hangar space to the Company for which total rent payments approximated \$91 and \$88 for the years ended December 31, 2024 and 2023, respectively.

Certain of the Company's lenders are also stockholders. Interest expense and closing fees paid to related party lenders under the Credit Agreement and the Subordinated Note Agreement in the consolidated statements of operations and comprehensive income (loss) were \$46,777 and \$6,821, respectively, for the year ended December 31, 2024 and \$36,119 and \$12,618, respectively, for the year ended December 31, 2023.

The Company paid expenses of \$275 and \$989 on behalf of certain stockholders for the years ended December 31, 2024 and 2023, respectively.

The Company issued a related party note to a stockholder for \$730 during 2023. The note is to be repaid at the earlier of either a) the sale of the Company or b) November 10, 2033. The note bears interest of 5.25%. The outstanding balance of the related party note receivable on the consolidated balance sheet is \$730 at December 31, 2024 and 2023.

Certain lenders under the Company's Senior Secured Credit Agreement are also equity investors in the Company and are therefore considered related parties. As of December 31, 2024 and December 31, 2023, all amounts outstanding under the Company's long-term debt arrangements were held by related parties. Additional information regarding the terms and conditions of the Company's related-party debt is provided in Note 7 - Long-Term Debt.

14. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value into the following hierarchy are determined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 Unobservable inputs for the asset or liability.

For cash, accounts receivable and accounts payable, the fair value approximates the carrying value due to the short maturity periods of these financial instruments.

The carrying value of the Company's long-term debt approximated fair value as of December 31, 2024, based on current borrowing rates available to the Company for instruments with similar terms, maturities, and credit risk.

15. Concentrations of Risk

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Deposits in Canadian, Brazilian, Australian, and Singaporean banks totaled \$3,643 and \$5,075 at December 31, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements
(dollars in thousands)

The Company is periodically subject to risk with regards to certain large customers, the loss of any of such could have an adverse impact on the Company. At December 31, 2024 and 2023, there were no customers considered to be significant.

16. Commitments and Contingencies

The Company is a licensed Federal Aviation Administration (FAA) repair facility and is subject to regulatory inspection and compliance requirements to maintain such licenses. In addition, certain of the Company's vendors and customers have inspection and compliance requirements. These compliance and regulatory obligations periodically result in claims and investigations related to products, contracts and employment matters which may result in litigation or other legal action including warranty liability to repair or replace certain products or fines, penalties and compensatory damages. Management of the Company believes, based upon current information, that the outcome of any such disputes and investigations will not have a material effect on our financial position, results of operations, or cash flows. Where it is reasonably possible that the Company will incur losses in excess of recorded amounts in connection with any such matters, the Company will disclose either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

17. Business Combinations***AWT/CeralUSA Holdings, LLC***

On April 16, 2024, the Company completed the acquisition of the equity interests of AWT/CeralUSA Holdings, LLC (AWT/Ceral) for an aggregate cash purchase price of \$16,465, which included \$486 of cash acquired. The consideration was allocated to the assets acquired and liabilities assumed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, Business Combinations, which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. The result of operations of AWT/Ceral are consolidated with the Company from the date of acquisition. This strategic acquisition enhances the Company's welding and coating capabilities while broadening its product offerings for the airline market.

Purchase Price Consideration

| | |
|---|----------|
| Assets acquired | |
| Cash and cash equivalents | \$ 486 |
| Accounts receivable | 803 |
| Inventory | 49 |
| Prepaid expenses and other current assets | 8 |
| Property & equipment | 17 |
| Right of use asset | 972 |
| Deferred tax asset | 214 |
| Goodwill | 15,092 |
| Liabilities assumed | |
| Accounts payable | 123 |
| Accrued expenses | 83 |
| Lease liabilities | 970 |
| Net assets acquired | \$16,465 |

Notes to Consolidated Financial Statements
(dollars in thousands)*Unaudited Pro Forma Consolidated Financial information*

The following unaudited pro forma financial information for the years ended December 31, 2024 and 2023 have been prepared by adjusting the Company's historical consolidated results to reflect the acquisition of AWT/Ceral as though the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information reflects the application of business combination accounting.

The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2023, nor is it intended to be indicative of future results of operations.

| | Years ended December 31, | |
|------------|--------------------------|------------|
| | 2024 | 2023 |
| Revenues | \$ 474,597 | \$ 409,857 |
| Net income | \$ 8,585 | \$ 627 |

The Company's consolidated statements of operations for the year ended December 31, 2024 include revenue of \$6,830 and income of \$1,045 attributable to AWT/Ceral since the date of acquisition.

Costs incurred for the purchase of AWT/Ceral comprise of \$1,136 recorded in operating expenses in the consolidated statement of operations and comprehensive income (loss) as of December 31, 2024, and \$266 capitalized as debt issuance costs on the consolidated balance sheet.

UAS Holdings, LLC

On September 23, 2024, the Company completed the acquisition of the equity interests of UAS Holdings, LLC (UAS) for an aggregate purchase price of \$467,061, which included \$6,621 of cash acquired. The purchase price was paid to the sellers through cash of \$458,861 and rollover equity comprised of parent company units fair valued at \$8,200. The fair value of the rollover equity was estimated by comparison to a similar equity transaction for cash at the same date. The consideration was allocated to the assets acquired and liabilities assumed in accordance with ASC 805, *Business Combinations*, which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. The results of operations of UAS are consolidated by the Company from the date of acquisition. This strategic acquisition significantly enhanced the Company's avionics and engine services capabilities while broadening its product offerings for the airline market.

Purchase Price Consideration

| | |
|---|-----------|
| Assets acquired | |
| Cash and cash equivalents | \$ 6,621 |
| Accounts receivable | 11,854 |
| Inventory | 23,303 |
| Prepaid expenses and other current assets | 526 |
| Property & equipment | 13,776 |
| Right of use asset | 6,764 |
| Identified intangible assets | 193,548 |
| Deferred tax asset | 1,183 |
| Goodwill | 222,412 |
| Liabilities assumed | |
| Accounts payable | 2,161 |
| Accrued expenses | 4,001 |
| Lease liabilities | 6,764 |
| Net assets acquired | \$467,061 |

Notes to Consolidated Financial Statements
(dollars in thousands)

The acquired intangible assets of approximately \$193,548 were assigned to tradenames of \$787, certifications of \$48,591, and customer relationships of \$144,170, which included the reclassification in the amount of \$134,164 and \$9,998 from goodwill and FAA licenses, respectively, upon the Company's change in accounting principle related to ASC 805.

Unaudited Pro Forma Consolidated Financial information

The following unaudited pro forma financial information for the years ended December 31, 2024 and 2023 have been prepared by adjusting the Company's historical consolidated results to reflect the acquisition of UAS as though the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information reflects the application of business combination accounting, including incremental amortization expense related to acquired intangible assets and interest expense associated with acquisition financing.

The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2023, nor is it intended to be indicative of future results of operations.

| | Years ended December 31, | |
|------------|--------------------------|-------------|
| | 2024 | 2023 |
| Revenues | \$ 542,143 | \$ 477,561 |
| Net income | \$ 9,122 | \$ (16,013) |

The Company's consolidated statements of operations for the year ended December 31, 2024 include revenue of \$27,650 and loss of \$865 attributable to UAS since the date of acquisition.

Costs incurred for the purchase of UAS comprise of \$5,159 recorded in operating expenses in the consolidated statement of operations and comprehensive income (loss) as of December 31, 2024, and \$7,039 capitalized as debt issuance costs on the consolidated balance sheet.

The goodwill recognized as part of the acquisitions is tax deductible, the non-deductible portion is related to the UAS goodwill acquired through rollover equity. Goodwill is attributable primarily to the expected synergies and assembled workforces of the acquired businesses.

18. Subsequent Events

Subsequent events have been evaluated and disclosed through January 23, 2026, the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements
(dollars in thousands)

On July 9, 2025, the Company entered into a definitive agreement to acquire all of the equity interests of Turner Aviation Limited (“Turner”) for an aggregate purchase price of \$77,337. This strategic acquisition allowed the Company to enter European markets as Turner is headquartered in the United Kingdom, specializing in the repair and overhaul of a wide range of avionics, components, and fuel systems.

In connection with the Turner acquisition, effective July 9, 2025, the Company entered into a second amendment to the Senior Secured Credit Agreement (the “Amendment 2”) to obtain incremental term loan commitments in an aggregate principal amount of \$75,500, which was drawn on the amendment effective date.

On November 7, 2025, the Company entered into a definitive agreement to acquire all of the equity interests of H.E.R.O.S. Inc., a premier Rolls Royce MRO provider based in Chandler, Arizona, for \$13,600. H.E.R.O.S is recognized for its technical expertise, strong customer relationships, and long-standing support for both domestic and international operators.

On December 15, 2025, the Company signed a letter of intent to be acquired by VSE Corporation (the “Buyer”). Under the terms of the agreement, the Buyer will acquire 100% of the outstanding equity interests of the Company for an aggregate base purchase price of approximately \$2,025,000 subject to customary closing adjustments. The transaction is subject to the satisfaction of customary closing conditions and regulatory approvals and is expected to close in the first half of 2026.

On January 7, 2026, the Company entered into a definitive agreement to acquire all of the equity interests of Aviation Concepts LLC, a Fixed Base Operator facility based in Florida, for \$5,500.

**PAG HOLDING CORP.
AND SUBSIDIARIES**

**Consolidated Financial Statements
and**

Independent Auditor's Report

As of and for the Years Ended December 31, 2023 and 2022

| | |
|--|------|
| Independent Auditor's Report | 2-3 |
| Consolidated Financial Statements | |
| Balance sheets | 4 |
| Statements of operations and comprehensive income (loss) | 5 |
| Statements of changes in stockholders' equity | 6 |
| Statements of cash flows | 7 |
| Notes to consolidated financial statements | 8-27 |
| Unaudited Supplemental Schedule | |
| Pro forma statements of operations and EBITDA | 28 |



HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

Independent Auditor's Report

The Board of Directors
PAG Holding Corp. and Subsidiaries
Atlanta, Georgia

Opinion

We have audited the accompanying consolidated financial statements of PAG Holding Corp. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PAG Holding Corp. and Subsidiaries as of December 31, 2023 and 2022, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Company's Australian subsidiary, PAG/PTB Holdings Pty Ltd, which statements reflect total assets of \$71,447 at December 31, 2023, and total revenues of \$41,580 for the year then ended. Those statements were audited by other auditors in accordance with International Standards on Auditing, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the reports of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of PAG Holding Corp. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PAG Holding Corp. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Atlanta | 770-246-0793 | 3740 Davinci Court | Suite 400 | Peachtree Corners, GA 30092
Offices in Georgia and Florida

www.HancockAskew.com

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PAG Holdings Corp. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PAG Holdings Corp. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The unaudited supplemental information included in the Pro forma statements of operations and EBITDA is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as defined in the supplemental information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/s/ Hancock Askew & Co., LLP

Peachtree Corners, Georgia
May 21, 2024

Consolidated Balance Sheets

(Dollars in Thousands)

| December 31, | 2023 | 2022 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 12,583 | \$ 14,613 |
| Restricted cash | 303 | 294 |
| Accounts receivable, net of allowances for credit losses of \$3,905 and \$3,288 in 2023 and 2022, respectively | 50,042 | 41,911 |
| Inventory | 131,019 | 109,013 |
| Prepaid expenses and other assets | 2,711 | 3,378 |
| Income taxes receivable | 464 | 1,150 |
| Total current assets | 197,122 | 170,359 |
| Property and equipment, net | 37,103 | 33,898 |
| Goodwill, net | 116,886 | 130,361 |
| Other intangible assets, net | 106,404 | 111,841 |
| Net investment in direct finance lease | 63 | 80 |
| Related party receivable (Note 13) | 730 | — |
| Right-of-use asset, net | 19,369 | 13,794 |
| Other non-current assets | 158 | 120 |
| Total assets | \$477,835 | \$460,453 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$ 3,344 | \$ 2,723 |
| PPP loans | — | 125 |
| Accounts payable | 16,634 | 18,232 |
| Accrued compensation and benefits | 7,580 | 6,719 |
| Other accrued liabilities | 23,469 | 16,160 |
| Other payables | 7,534 | 6,405 |
| Short-term lease liability | 4,138 | 3,736 |
| Total current liabilities | 62,699 | 54,100 |
| Long-term debt, less current maturities and unamortized debt issuance costs | 329,732 | 304,408 |
| Deferred income taxes | 9,974 | 16,510 |
| Long-term lease liability | 15,999 | 10,361 |
| Total liabilities | 418,404 | 385,379 |
| Commitments and contingencies (Note 15) | | |
| Stockholders' equity | | |
| Common stock, \$0.001 par value 150,000 shares authorized, 100 issued and outstanding in 2023 and 2022 | — | — |
| Additional paid-in capital | 63,585 | 63,358 |
| Accumulated other comprehensive income (loss) | 693 | (100) |
| (Accumulated deficit) retained earnings | (4,847) | 11,816 |
| Total stockholders' equity | 59,431 | 75,074 |
| Total liabilities and stockholders' equity | \$477,835 | \$460,453 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Dollars in Thousands)

For the years ended December 31,

| | 2023 | 2022 |
|---|--------------------|-----------------|
| Revenues | \$402,541 | \$270,326 |
| Cost of sales | 270,757 | 187,573 |
| Gross profit | 131,784 | 82,753 |
| Operating expenses | | |
| General and administrative expenses | 89,939 | 55,300 |
| Transaction and acquisition expenses | 4,689 | 4,697 |
| Total operating expenses, net | 94,628 | 59,997 |
| Income from operations | 37,156 | 22,756 |
| Other income and expenses | | |
| Interest expense, net | 36,078 | 16,358 |
| Loss on extinguishment of debt | 17,689 | — |
| Loss on extinguishment of PPP | 430 | — |
| (Gain) loss on disposal of equipment | (24) | 49 |
| Related party management fee (Note 13) | 2,175 | 1,398 |
| (Gain) loss on hedge and foreign exchange | 165 | (1,837) |
| Other income, net | (40) | — |
| Total other expenses, net | 56,473 | 15,968 |
| Income (loss) before income taxes | (19,317) | 6,788 |
| Provision (benefit) for income taxes | (2,669) | 4,006 |
| Net income (loss) | (16,648) | 2,782 |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustments | 793 | (774) |
| Comprehensive income (loss) | \$ (15,855) | \$ 2,008 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in Thousands)

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings (Accumulated Deficit) | Total |
|---|--------------|-----------|-------------------------------|---|---|-----------|
| | Shares | Par Value | | | | |
| Balance, January 1, 2022 | 100 | \$ — | \$ 63,494 | \$ 674 | \$ 9,034 | \$ 73,202 |
| Net income | — | — | — | — | 2,782 | 2,782 |
| Class A share buyback | — | — | (150) | — | — | (150) |
| Share based compensation | — | — | 14 | — | — | 14 |
| Foreign currency translation adjustment | — | — | — | (774) | — | (774) |
| Balance, December 31, 2022 | 100 | — | 63,358 | (100) | 11,816 | 75,074 |
| Net loss | — | — | — | — | (16,648) | (16,648) |
| Share based compensation | — | — | 227 | — | — | 227 |
| Foreign currency translation adjustment | — | — | — | 793 | (15) | 778 |
| Balance, December 31, 2023 | 100 | \$ — | \$ 63,585 | \$ 693 | \$ (4,847) | \$ 59,431 |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in Thousands)

For the years ended December 31,

| | 2023 | 2022 |
|---|------------------|------------------|
| Operating activities | | |
| Net income (loss) | \$ (16,648) | \$ 2,782 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 26,554 | 17,374 |
| Provision for credit losses | 985 | 397 |
| Non-cash lease cost | (5,575) | (3,003) |
| Amortization of debt issuance costs | 2,402 | 1,075 |
| Loss on extinguishment of debt | 17,689 | — |
| Loss on extinguishment of PPP loans | 430 | — |
| Deferred income tax benefit | (6,536) | (1,692) |
| Accretion of payment-in-kind (PIK) interest to principal | 942 | 928 |
| Non-cash charge for share based compensation | 227 | 14 |
| (Gain) loss from disposal of property and equipment | (24) | 49 |
| Changes in assets and liabilities | | |
| Accounts receivable | (9,115) | (1,820) |
| Related party receivable | (730) | — |
| Inventory | (20,595) | (15,596) |
| Prepaid expenses | 667 | 157 |
| Other assets | (38) | 230 |
| Net investment in direct finance lease | 17 | 16 |
| Accounts payable | (1,598) | (481) |
| Other payables | 1,129 | 3,165 |
| Accrued liabilities | 8,170 | (3,645) |
| Operating lease liabilities | 6,040 | 3,137 |
| Income taxes payable | 686 | (221) |
| Net cash provided by operating activities | 5,079 | 2,866 |
| Investing activities | | |
| Purchase of property and equipment | (9,863) | (4,133) |
| Proceeds from disposal of property and equipment | 65 | 153 |
| Adjustment to goodwill for prior year acquisitions | (1,763) | (238) |
| Purchase of business, net of cash acquired | — | (134,797) |
| Net cash used for investing activities | (11,561) | (139,015) |
| Financing activities | | |
| Proceeds from issuance of long-term debt | 341,500 | 151,979 |
| Principal payments of long-term debt | (323,068) | (5,486) |
| Payments of debt issuance costs | (462) | (4,759) |
| Payments of lender fees | (13,611) | — |
| Class A share buyback | — | (150) |
| Net cash provided by financing activities | 4,359 | 141,584 |
| Effect of exchange rate changes on cash and cash equivalents | 102 | (222) |
| Net increase (decrease) in cash | (2,021) | 5,213 |
| Cash and restricted cash, beginning of period | 14,907 | 9,694 |
| Cash and restricted cash, end of period | \$ 12,886 | \$ 14,907 |
| Supplemental disclosure of cash flow information | | |
| Non-cash transfer of inventory to fixed assets for rental to customers | \$ (1,410) | \$ — |
| Cash paid for interest | \$ 36,784 | \$ 12,539 |
| Income taxes paid | \$ 2,589 | \$ 5,929 |

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
(dollars in thousands)

1. Summary of Significant Accounting Policies***Nature of Business***

PAG Holding Corp. and Subsidiaries (collectively the Company), is a wholly-owned subsidiary of GenNx/PAG Acquisitions, Inc. (Parent). The Company provides maintenance, repair, and overhaul services as well as distributes components for rotary and fixed wing aircraft, specializing in servicing wheels and brakes, starter generators, avionics, accessories, instruments, hydraulics, engines and fuel components through its FAA certified facilities.

The Company sells to customers throughout the world and maintains offices in the United States of America and in foreign countries. 73% of the Company's revenues originate from the United States, 15% from Australia, and the remaining 12% from other countries including Canada, Brazil, and Singapore for the year ended December 31, 2023. 80% of the Company's revenues originate from the United States, 10% from Canada, and the remaining 10% from other countries including Australia, Brazil, and Singapore for the year ended December 31, 2022.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PAG Holding Corp. and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The Company's subsidiaries include:

| Subsidiary | Location |
|--|-------------------|
| Precision Heliparts, Inc., d/b/a PHP Louisiana and Aviation Parts Group | Louisiana, USA |
| Precision Aviation Group, Inc., d/b/a Precision Accessories and Instruments and d/b/a Precision Aircraft Services and d/b/a Precision Avionics and Instruments | Georgia, USA |
| Gardner Aviation Specialist, Inc. d/b/a Gardner Aviation Services and d/b/a Precision Aviation Services and d/b/a Precision Aircraft Services | |
| Precision Heliparts, Inc. d/b/a Mach 2 Aviation and d/b/a Aircraft Parts Group | |
| Aeronautical Technology, Inc. d/b/a Aero Technology, Inc. and d/b/a Precision Aero Technology | California, USA |
| Momentum FPD Services Corporation, d/b/a Precision Display | |
| Repairs Velocity Aerospace - Burbank, Inc. E.D.N. Aviation, Inc. | |
| Aviation Controls, Inc., d/b/a Precision Aviation Controls | Kansas, USA |
| Keystone Turbine Services, LLC Prime | Pennsylvania, USA |
| Turbines, LLC - Butler | |
| Trace Aviation, Inc. | Mississippi, USA |
| Velocity Aerospace - Fort Lauderdale, Inc. | Florida, USA |
| Velocity Aerospace - NMB, Inc. | |
| Pacific Turbine USA, LLC | |
| Velocity Aerospace Holding Group, Inc. Velocity Aerospace Group, Inc. | Texas, USA |
| Prime Turbines, LLC - Carrollton | |
| PTB USA Holdings LLC | |
| Prime Turbines, LLC - Mesa | Arizona, USA |

Notes to Consolidated Financial Statements
(dollars in thousands)**1. Summary of Significant Accounting Policies (cont.)*****Principles of Consolidation (cont.)***

| Subsidiary | Location |
|---|-----------------|
| PHP Canada, Inc. PAI Canada, Inc. Precision Heliparts Canada, ULC d/b/a PHP Canada Precision Accessories and Instruments Canada, ULC d/b/a PAI Canada World Aviation Corporation, d/b/a Precision Display Repairs Aero Component Support, Inc. | Canada |
| Precision Aviation Group Australia PTY LTD d/b/a Precision Heliparts - Australia and d/b/a Precision Accessories and Instruments Australia IAP Group Australia Pty Ltd Pacific Turbine USA Pty Ltd Pacific Turbine Leasing Pty Ltd PAG/PTB Holdings Pty Ltd PAG/PTB Bidco Pty Ltd PTB Group Pty Ltd PTB Finance Pty Ltd 748 Cargo Pty Ltd | Australia |
| Precision Aviation Group Singapore PTE. LTD Precision Heliparts Singapore PTE. LTD d/b/a PAG Singapore | Singapore |
| Efix Servicios Aeronauticos Ltda. | Brazil |

Reclassifications

Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for credit losses and the estimate of inventory valuation. Actual results could differ from those estimates.

Cash and Restricted Cash

The Company considers all highly liquid instruments with maturity of three months or less to be cash equivalents. Cash overdrafts not subject to offset by other accounts in the same financial institution are recorded as accounts payable. The Company had restricted cash of \$303 and \$294 as of December 31, 2023 and 2022, respectively, in connection with a lease agreement and for security of bank guarantees.

Accounts Receivable and Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

1. Summary of Significant Accounting Policies (cont.)***Accounts Receivable and Current Expected Credit Losses (cont.)***

The CECL methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For the Company, the applicability of Topic 326 was limited to its trade accounts receivable.

On January 1, 2023, the Company adopted the guidance, as amended, on a modified retrospective basis, which would require a cumulative adjustment to retained earnings. Comparative information for 2022 would be reported under the old model, and therefore, may not be comparable to the information presented for 2023. At adoption, there were no adjustments necessary.

Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company's accounts receivable arise from sales in their various markets across the United States and internationally. The Company does not require collateral for accounts receivable but certain customers are required to prepay or make deposits with the Company prior to ordering products.

The Company maintains an allowance for credit losses based upon management's estimate of the collectability of accounts receivable. The collectability of trade receivable balances is regularly evaluated based on a combination of factors such as customer credit-worthiness, age of current receivable accounts, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If it is determined that a customer will be unable to fully meet its financial obligation, such as in the case of a bankruptcy filing or other material events impacting its business, a specific reserve for bad debt is recorded to reduce the related receivable to the amount expected to be recovered.

Inventory

Inventory consists of acquired units, repair parts and core units (which are used units available to be repaired or overhauled and are both purchased and returned from customers). Inventory is generally valued based upon the specific-identification method by part number, although costs of common part numbers may be averaged. Acquired units are purchased for resale from outside vendors and are valued at cost. Units in the exchange program are valued at average cost, which is estimated based upon original cost, recoverable value of returned units and accumulated repair and maintenance costs incurred to make such units ready for exchange to another customer. Core units received through a customer exchange program (trade-in) are valued at average cost. Repair parts are purchased from outside vendors, are valued at cost, and are included in acquired units until such time as they are consumed in the production process and are transferred to work in process. Work in process represents items being repaired either internally or externally and is valued at the cost of the unit to date including accumulated costs for labor and repair parts used in process.

The Company provides a valuation adjustment to reduce the cost of any inventory item to net realizable value which has no sale activity in the preceding 36 months or has aggregate units representing more than one-year usage remaining in inventory.

Notes to Consolidated Financial Statements
(dollars in thousands)

1. Summary of Significant Accounting Policies (cont.)**Warranty**

Acquired units purchased from manufacturers are covered under warranties from such manufacturers and the Company is generally not liable for defects and issues with such products. The Company warrants all component exchanges and overhauls for one (1) year or three hundred (300) hours of operation, whichever comes first. The Company makes a provision in cost of goods sold for estimated warranty costs on products sold and the accrual for such liability is included in other accrued liabilities on the accompanying consolidated balance sheets.

For certain subsidiaries, the Company warrants the following services as follows:

| Services | Operational hours | Whichever period expires first | |
|---|-------------------|--------------------------------|----------------------------|
| | | Elapsed time from installation | Elapsed time from shipping |
| Turbine Engine Component Accessories - Overhaul | 500 | 3 months | 6 months |
| Turbine Engine Component Accessories - Repair | 300 | 3 months | 6 months |
| Turbine Engines - H.S.I./GBI | 500 | 6 months | 12 months |
| Turbine Engines - Overhaul (CAMO) | 1,000 | 2 years | 1 - 2 years |
| Turbine Engines - Repair | 500 | 3 months | 6 months - 1 year |

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets, which are as follows:

| | Life |
|--------------------------------|--------------------------------------|
| Buildings | 35 years |
| Shop and test equipment | 2 - 20 years |
| Technical manuals | 15 - 20 years |
| Office furniture and equipment | 3 - 5 years |
| Computer hardware and software | 2 - 3 years |
| Vehicles | 3 - 5 years |
| Leasehold improvements | Shorter of useful life or lease term |

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets by comparing the net book value of such assets to the future undiscounted cash flows attributable to such assets if impairment indicators arise. If an impairment loss is indicated, the carrying amount of the asset is written down to fair value. The Company identified no impairment indicators for the years ended December 31, 2023 and 2022.

1. Summary of Significant Accounting Policies (cont.)***Intangible Assets***

Intangible assets with defined lives include customer relationships and tradenames and are stated at cost less accumulated amortization. Amortization is computed utilizing the straight-line method over the estimated useful lives of the assets. See Note 5.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of purchase price over fair value of net identified tangible and intangible assets and liabilities assumed. The Company amortizes goodwill on a straight-line basis over a period of ten years. Management reviews goodwill for possible impairment if events or changes in circumstances indicate that the carrying value may exceed fair value. No such events or changes occurred during the years ended December 31, 2023 and 2022, and thus no impairment charges have been recorded.

Other intangible assets with indefinite useful lives including Federal Aviation Administration (FAA) and other licenses are reviewed annually for impairment or more frequently if impairment indicators arise. Impairment for other indefinite-lived intangibles is determined by comparing the estimated fair value of the Company (which is comprised of only one reporting unit) with its carrying value using a discounted cash flow model. Based upon the results of these analyses, the Company has concluded that no impairment of its other indefinite-lived intangible assets has occurred during the years ended December 31, 2023 and 2022.

Debt Issuance Cost

Debt issuance costs are shown net with the related debt instrument and amortized over the term of the debt. Amortization is recorded to interest expense using the straight-line method, which approximates the effective interest method.

Income Taxes

The Company files a consolidated federal income tax return. The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are provided for based on temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements at the enacted tax rate expected to be in effect when the taxes are actually paid.

The Company evaluated all tax positions that it has taken or expects to take on a tax return including decisions made concerning whether or not to file a tax return in a specific tax jurisdiction. The Company evaluated all tax positions for recognition, de-recognition and measurement using consistent criteria. The Company has determined that it does not have any material uncertain tax positions as of December 31, 2023 and 2022. The Company recognizes interest accrued, if any, related to unrecognized tax benefits in interest expense and penalties, if any, in other expenses.

The Company is generally no longer subject to U.S. federal, state, local or foreign tax examinations by tax authorities for years before 2020.

Notes to Consolidated Financial Statements
(dollars in thousands)**1. Summary of Significant Accounting Policies (cont.)****Revenue Recognition**

The Company recognizes revenue for sales of components, including the components exchange program, upon the transfer of promised goods to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods. Revenue from the engine equipment lease program is recorded over time based on usage. Revenue from repair services is recorded once the repair is complete and the part is delivered to the customer. In certain cases, for larger engine overhaul jobs, revenue is recorded over time on a percentage of completion basis. In all cases, revenue is recognized at the time the Company satisfies the performance obligation to their customer. Delivery is not considered to have occurred until the customer assumes the risks and rewards of ownership. Customers take delivery at the time of shipment for terms designated free on-board shipping point.

The Company includes shipping and handling charges in its gross invoice price to customers and classifies the total amount as revenue. Shipping and handling expenses are recorded as cost of sales. Sales taxes are not recorded as a component of sales. The Company records a liability when the amounts are collected and reduces the liability when payments are made to the applicable government agency.

Revenue is recorded net of estimated product returns and discounts to customers. Returns and discounts are recorded as a reduction in revenue in the same period that the revenue is recognized. Customers have the right to return products purchased that do not function properly within a limited time after delivery.

The Company's disaggregated revenue by country is as follows:

| | 2023 | 2022 |
|---------------|------------------|------------------|
| Australia | \$ 61,076 | \$ 15,941 |
| Brazil | 3,922 | 2,879 |
| Canada | 33,515 | 26,428 |
| Singapore | 10,227 | 8,651 |
| United States | 293,801 | 216,427 |
| | <u>\$402,541</u> | <u>\$270,326</u> |

The Company's disaggregated revenue by service and timing of revenue is as follows:

| | 2023 | 2022 |
|---|------------------|------------------|
| Equipment leases - over time | \$ 2,531 | \$ 761 |
| Sales of components and repair services - point in time | 400,010 | 269,565 |
| | <u>\$402,541</u> | <u>\$270,326</u> |

Stock-Based Compensation

Compensation cost related to restricted stock awards is calculated based upon the estimated fair value of the awards at the grant date and charged to earnings over the service period.

1. Summary of Significant Accounting Policies (cont.)***Advertising Cost***

The Company expenses all advertising costs as incurred. Advertising expense was \$1,924 and \$1,258 for the years ended December 31, 2023 and 2022, respectively.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash, restricted cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses approximate their respective fair values based on the short-term nature of these instruments. At December 31, 2023, the fair value of outstanding debt obligations approximates their carrying value based upon the rates and terms available for similar instruments.

Business Combinations

When the Company acquires businesses, it applies the acquisition method of accounting and recognizes the identifiable assets acquired and the liabilities assumed at their fair values on the acquisition date, which requires significant estimates and assumptions. Goodwill is measured as the excess of the fair value of the consideration transferred over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method requires the Company to record provisional amounts for any items for which the accounting is not complete at the end of a reporting period. The Company must complete the accounting during the measurement period, which cannot exceed one year. Adjustments made during the measurement period could have a material impact on the Company's financial condition and results of operations.

The Company typically measures customer relationships and other intangible assets using an income approach. Significant estimates and assumptions used in this approach include discount rates and certain assumptions that form the basis of the forecasted cash flows expected to be generated from the asset (e.g., future revenue growth rates, operating margins and attrition rates). If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, the Company could record impairment charges. In addition, the Company has estimated the economic lives of certain acquired tangible and intangible assets and these lives are used to calculate depreciation and amortization expense. If the Company's estimates of the economic lives change, depreciation or amortization expenses could be increased or decreased, or the acquired asset could be impaired.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The Company elected to adopt these ASUs effective January 1, 2022, using the modified retrospective approach and utilized certain of the available practical expedients. The most significant impact was the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet for operating leases. Adoption of the standard required the Company to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$8,249 and an increase in current and long-term operating lease liabilities of \$2,194 and \$6,295, respectively, and a decrease to deferred rent of \$240. The accounting for finance leases remained substantially unchanged.

Notes to Consolidated Financial Statements
(dollars in thousands)**1. Summary of Significant Accounting Policies (cont.)*****Leases (cont.)***

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since most of the Company's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option. None of our lease agreements contain any material residual value guarantees. Certain of our lease agreements include provisions for variable rent payments, which are adjusted periodically.

The Company has elected to apply the short-term lease exception to all leases with an initial term of 12 months or less. Short-term leases are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Certain of the Company's leases are denominated in a foreign currency. These leases measure the lease liability and right-of-use asset using the exchange rate at the lease commencement date. Subsequently, the foreign currency-denominated lease liability is remeasured using the exchange rate at each reporting date. Any changes to the lease liability arising from the translation of foreign currency are recognized in the consolidated statements of operations and comprehensive income (loss) as a foreign exchange gain or loss.

2. Allowance for Credit Losses

The following table summarizes the Company's allowance for credit losses for trade accounts receivable:

| <i>Allowance for Credit Losses</i> | 2023 |
|---|-------------|
| Balance, January 1 | \$ 3,288 |
| Adoption of CECL | — |
| Current year provision for expected credit losses | 985 |
| Write-offs | (379) |
| Recoveries | 11 |
| Balance, December 31 | \$ 3,905 |

Notes to Consolidated Financial Statements
(dollars in thousands)**3. Inventory**

Inventories presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2023 | 2022 |
|---------------------------------|------------------|------------------|
| Acquired units, including cores | \$101,614 | \$ 83,526 |
| Work-in-process | 29,405 | 25,487 |
| Total inventory | \$131,019 | \$109,013 |

4. Property and Equipment

Property and equipment presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2023 | 2022 |
|--------------------------------------|------------------|-----------------|
| Shop and test equipment | \$ 33,840 | \$30,944 |
| Technical manuals | 2,410 | 2,237 |
| Office furniture and equipment | 905 | 721 |
| Computer hardware and software | 3,432 | 2,898 |
| Vehicles | 210 | 230 |
| Buildings and leasehold improvements | 3,436 | 3,006 |
| Construction in process | 4,529 | 514 |
| | 48,762 | 40,550 |
| Less accumulated depreciation | (11,659) | (6,652) |
| Total property and equipment | \$ 37,103 | \$33,898 |

Maintenance and repairs are charged to expense as incurred, and major renovations and improvements are capitalized. Costs and accumulated depreciation applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized in the consolidated statement of operations and comprehensive income (loss). Depreciation expense relating to property and equipment was \$3,211 and \$1,767 for the years ended December 31, 2023 and 2022, respectively.

The Company leases engine equipment to customers under cancelable operating lease agreements. The lease terms are primarily less than one year. Engine equipment included in shop and test equipment and accumulated depreciation was \$17,337 and \$2,915 at December 31, 2023 and \$16,609 and \$1,036 at December 31, 2022, respectively. Depreciation expense relating to engine equipment under operating leases is recorded as cost of sales. Depreciation expense recorded as cost of sales was \$2,024 and \$558 for the years ended December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements
(dollars in thousands)**5. Intangible Assets**

Net intangible assets presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | Life | 2023 | 2022 |
|-------------------------------|-------------|------------------|------------------|
| Customer relationships, net | 15 years | \$ 50,631 | \$ 55,420 |
| FAA and other licenses | Indefinite | 55,773 | 55,647 |
| Tradenames, net | 1 year | — | 774 |
| Goodwill, net | 10 years | 116,886 | 130,361 |
| Total intangibles, net | | \$223,290 | \$242,202 |

Customer Relationships

Amortization is computed utilizing the straight-line method over the estimated useful lives of the customer relationships, which are 15 years.

Accumulated amortization of the customer relationships was \$22,414 and \$17,526 at December 31, 2023 and 2022, respectively. Amortization expense related to customer relationships was \$4,862 and \$4,685 for the years ended December 31, 2023 and 2022, respectively. Future amortization for the next five years of customer relationships is as follows:

| <i>For the years ending December 31,</i> | |
|--|---------|
| 2024 | \$4,876 |
| 2025 | \$4,876 |
| 2026 | \$4,876 |
| 2027 | \$4,876 |
| 2028 | \$4,876 |

Tradenames

Amortization for tradenames is computed utilizing the straight-line method over the estimated useful lives of the tradenames, which are 1 year.

Accumulated amortization of the tradenames was \$5,988 and \$5,211 at December 31, 2023 and 2022, respectively. Amortization expense related to tradenames was \$765 and \$1,398 for the years ended December 31, 2023 and 2022, respectively. Tradenames are fully amortized as of December 31, 2023.

Goodwill

Amortization for goodwill is computed utilizing the straight-line method over a 10-year period. Accumulated amortization of goodwill was \$42,535 and \$26,624 at December 31, 2023 and 2022, respectively. Amortization expense related to goodwill was \$15,692 and \$8,882 for the years ended December 31, 2023 and 2022, respectively. Future amortization for the next five years of goodwill is as follows:

Notes to Consolidated Financial Statements
(dollars in thousands)**5. Intangible Assets (cont.)****Goodwill (cont.)***For the years ending December 31,*

| | |
|------|----------|
| 2024 | \$15,857 |
| 2025 | \$15,857 |
| 2026 | \$15,857 |
| 2027 | \$15,857 |
| 2028 | \$14,039 |

6. Paycheck Protection Program (PPP)

On May 3, 2020, PAG Holding Corp. and certain subsidiaries entered into an aggregate amount of \$2,660 Paycheck Protection Program promissory notes (the "PPP Loans") with Wells Fargo Bank. Each PPP loan was made under, and is subject to the terms and conditions of, the PPP which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term of the loans were two years at origination with a stated maturity date of May 3, 2022. These loans contain a fixed annual interest rate of 1.00%. Principal and interest payments were deferred while forgiveness was in process and are payable monthly and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, recipients can apply for and receive forgiveness for all, or a portion of the loans granted under the PPP. The PPP loans were forgiven except for one. The total outstanding amount for this loan was \$555 and was fully paid during 2023. A gain of \$430 was previously recorded for this loan during 2020, as this portion of the loan was expected to be forgiven. This gain was reversed in 2023 and represents the loss on extinguishment of PPP for the year ended December 31, 2023. There are no outstanding PPP Loans as of December 31, 2023.

7. Long-Term Debt

As of December 31, 2022, the Company's long-term debt consisted of a credit agreement (the Credit Agreement), a senior subordinated note agreement (the Subordinated Note Agreement), a payroll loan agreement (the Payroll Loan Agreement), and two vehicle retail installment contracts (the Vehicle Retail Installment Contracts). Effective December 21, 2023, the Company repaid the remaining obligations pertaining to the Credit Agreement and the Subordinated Note Agreement and the Company entered into a new credit agreement (the 2023 Senior Secured Credit Agreement).

The borrowings under the Credit Agreement (paid off in 2023) were as follows:

- The term loan for a total principal amount of \$251,576, with a maturity date of July 26, 2025. The loan bore interest at the bank's SOFR plus a margin rate. Interest and principal was payable quarterly. The effective interest rate was 10.54% at December 31, 2022. The loan called for quarterly principal payments of \$633. The outstanding balance on this loan was \$0 and \$250,943 at December 31, 2023 and 2022, respectively.
- The revolving line of credit with an amount available up to \$16,000 with a maturity date of July 26, 2025. The loan bore interest at the bank's SOFR or prime rate plus a margin rate. Interest was payable quarterly. The unfunded rate was 0.5%. The outstanding balance on this line of credit and the amount available on this line of credit was \$0 and \$0 at December 31, 2023, and \$0 and \$16,000 at December 31, 2022, respectively.

Notes to Consolidated Financial Statements
(dollars in thousands)**7. Long-Term Debt (cont.)**

The borrowings under the Subordinated Note Agreement (paid off in 2023) included a note, with a total principal amount of \$60,200 with a maturity date of July 26, 2026. The cash interest rate for the note was 10.00%. The payment-in-kind (PIK) interest rate for the note was 1.5%. The cash interest was payable quarterly. The outstanding balance on this note including PIK interest was \$0 and \$62,435 at December 31, 2023 and 2022, respectively.

The Payroll Loan Agreement terminated on various dates during 2023. The agreement included 5 separate loans with principal amounts totaling \$5. Interest and principal was payable monthly. The effective interest rate was 3.75% at December 31, 2022. The outstanding balance on this loan was \$0 and \$5 at December 31, 2023 and 2022, respectively.

In connection with 2023 repayment of the remaining obligations pertaining to the Credit Agreement and Subordinated Note Agreement, the Company determined that the fiscal 2023 debt restructuring should be accounted for as an extinguishment of the old debt and issuance of new debt. The total loss recorded for the extinguishment of debt was \$17,689 for the remaining unamortized debt issuance costs of the old debt and certain of the fees paid to the lenders for the issuance of the new debt. The Company capitalized \$462 of debt issuance costs related to the new debt in December 2023.

The borrowings under the 2023 Senior Secured Credit Agreement are as follows:

- A term loan for a total principal amount of \$333,500, with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. Interest and principal is payable quarterly. The effective interest rate was 11.15% at December 31, 2023. The loan calls for quarterly principal payments of \$834. The outstanding balance on this loan was \$333,500 at December 31, 2023.
- A revolving line of credit with an amount available up to \$30,000 with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. Interest is payable quarterly. The unfunded rate is 0.5%. The outstanding balance on this line of credit and the amount available on this line of credit was \$0 and \$30,000 at December 31, 2023.
- A delayed draw term loan of \$110,000 with a maturity date of December 21, 2029. The loan bears interest at the bank's SOFR plus a margin rate. Interest is payable quarterly. The unfunded rate is 1%. The outstanding balance on this delayed draw term loan and the amount available was \$0 and \$110,000 at December 31, 2023.

The Vehicle Retail Installment Contracts terminate on October 14, 2027 and November 3, 2027. The contracts include principal amounts totaling \$58 and \$56, respectively. The loans do not bear any interest and principal is payable monthly. In 2022, the Company pre-paid the outstanding balance of the \$58 contract. The outstanding balance on the \$56 contract was \$36 and \$46 at December 31, 2023 and 2022, respectively.

The Company's long-term debt is collateralized by substantially all assets of the Company. The Company is required to meet certain financial and nonfinancial covenants. As of December 31, 2023, the Company was in compliance with all covenants.

Notes to Consolidated Financial Statements
(dollars in thousands)**7. Long-Term Debt (cont.)**

Interest expense was \$36,142, including amortization of debt issuance costs of \$2,402 for the year ended December 31, 2023, and \$16,362, including amortization of debt issuance costs of \$1,076 for the year ended December 31, 2022. Accumulated amortization related to debt issuance costs was \$2 and \$2,654 at December 31, 2023 and 2022, respectively.

Future maturities of long-term debt are as follows:

| <i>Years ending December 31,</i> | |
|--|------------------|
| 2024 | \$ 3,344 |
| 2025 | 3,344 |
| 2026 | 3,344 |
| 2027 | 3,343 |
| 2028 | 3,335 |
| Thereafter | 316,826 |
| Total | 333,536 |
| Less current maturities | (3,344) |
| Less debt issuance costs | (460) |
| Long-term debt, net of current maturities and unamortized debt issuance costs | \$329,732 |

8. Lease Commitments

The Company has operating leases related to certain office space, warehouses, vehicles, and equipment. The Company's operating leases have remaining lease terms ranging up to 13 years and some of the leases include renewal options. The Company only includes the renewal terms in its calculation of lease assets and liabilities if it is reasonably certain to exercise the renewal option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Lease cost information related to operating leases is as follows:

| <i>Year ended December 31,</i> | 2023 | 2022 |
|--------------------------------|----------------|----------------|
| Operating lease cost | \$4,594 | \$2,842 |
| Short-term lease cost | 591 | 633 |
| Variable lease cost | 808 | 428 |
| Total lease cost | \$5,993 | \$3,903 |

Lease costs are included in operating expenses in the Company's consolidated statements of operations and comprehensive income (loss).

Notes to Consolidated Financial Statements
(dollars in thousands)**8. Lease Commitments (cont.)**

Weighted average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

| <i>Year ended December 31,</i> | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| Weighted average remaining lease term | 6.5 years | 6.2 years |
| Weighted average discount rate | 8.4% | 6.5% |

Future maturities of the Company's operating lease liabilities are as follows:

| <i>Years ending December 31,</i> | |
|-----------------------------------|----------|
| 2024 | \$ 4,291 |
| 2025 | 4,287 |
| 2026 | 3,904 |
| 2027 | 3,733 |
| 2028 | 3,767 |
| Thereafter | 6,629 |
| Total operating lease payments | 26,611 |
| Less imputed interest | (6,474) |
| Total operating lease liabilities | \$20,137 |

The Company had leases denominated in a foreign currency comprised of the following:

| <i>Year ended December 31,</i> | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| ROU assets | 3,338 | 3,023 |
| Current operating lease liabilities | 778 | 667 |
| Long term operating lease liabilities | 2,707 | 2,397 |

The Company recognized a foreign exchange loss of \$69 and a gain of \$77 in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2023 and 2022, respectively, related to these transactions.

Notes to Consolidated Financial Statements
(dollars in thousands)**9. Direct Financing Lease**

The Company has a direct financing lease expiring in May 2026. The components of the Company's investment in this direct financing lease is as follows:

| <i>December 31,</i> | 2023 | 2022 |
|---|-------------|--------------|
| Total minimum lease payments receivable | \$70 | \$ 93 |
| Less: Unearned income | (7) | (13) |
| Net investment in direct financing leases | \$63 | \$ 80 |

Unearned income is amortized to lease income by the interest method using a constant periodic rate over the lease term.

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of December 31, 2023:

| <i>Years ending December 31,</i> | |
|----------------------------------|-------------|
| 2024 | \$23 |
| 2025 | 23 |
| 2026 | 24 |
| | \$70 |

10. Retirement Plans

The Company sponsors a 401(k) plan covering substantially all of its employees who reside in the United States. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the 401(k) plan were \$163 and \$112 for the years ended December 31, 2023 and 2022, respectively.

The Company sponsors a Group Retirement Savings Plan (RSP) for its employees who reside in Canada, with the exception of World Aviation Corporation. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the RSP were \$1 and \$6 for the years ended December 31, 2023 and 2022, respectively.

In 2022, the Company sponsored a safe harbor 401(k) plan covering Keystone Turbine Services' employees. During 2023, the employees of Trace Aviation, Inc. and Velocity Aerospace Group, Inc. were merged into the plan. The Company makes safe harbor matching contributions up to 3% of the employees' compensation and 50% on the employees' contributions that are greater than 3% but less than or equal to 5% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$350 and \$124 for the years ended December 31, 2023 and 2022, respectively.

In 2022, the Company sponsored a safe harbor 401(k) plan covering Trace Aviation, Inc.'s employees. The Company made safe harbor matching contributions equal to 3% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$93 for the year ended December 31, 2022.

Notes to Consolidated Financial Statements
(dollars in thousands)

10. Retirement Plans (cont.)

In 2022, the Company sponsored a safe harbor 401(k) plan covering Velocity Aerospace Group, Inc.'s employees. The Company made safe harbor matching contributions equal to 100% of the matched employee contributions that are not in excess of 1% of the employees' compensation plus 50% of the amount of the matched employee contributions that exceed 1% of the employees' compensation up to 6% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$148 for the year ended December 31, 2022.

The Company sponsors a safe harbor 401(k) plan covering Prime Turbine, LLC's employees. The Company makes non-elective safe harbor matching contributions equal to 3% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$251 and \$25 for the years ended December 31, 2023 and 2022, respectively.

The Company sponsors a safe harbor 401(k) plan covering Pacific Turbine USA, LLC's employees. The Company makes safe harbor matching contributions up to 4% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$33 and \$2 for the years ended December 31, 2023 and 2022, respectively.

11. Income Taxes

The deferred income tax assets and liabilities as presented in the accompanying consolidated balance sheets consist of the following amounts:

| <i>December 31,</i> | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| Deferred income tax assets | | |
| Inventory | \$ 2,359 | \$ 1,764 |
| Net operating losses | 3,887 | 4,345 |
| Interest | 6,077 | |
| Other | 3,895 | 2,633 |
| Total deferred income tax assets | 16,218 | 8,742 |
| Deferred income tax liabilities | | |
| Intangible assets | 20,012 | 21,181 |
| Property, plant, and equipment | 5,871 | 4,071 |
| Other | 309 | — |
| Total deferred income tax liabilities | 26,192 | 25,252 |
| Net deferred tax liabilities | \$ 9,974 | \$16,510 |

Notes to Consolidated Financial Statements
(dollars in thousands)

11. Income Taxes (cont.)

As a result of acquisition activity during 2021 the Company inherited income tax net operating losses (NOL's). As of December 31, 2023, the gross federal NOL was approximately \$15,500 and does not expire. At December 31, 2023, the gross Australian NOL was approximately \$1,700 and does not expire. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projections of future taxable income, tax planning strategies and the reversal of temporary differences in making this assessment.

The significant components of income tax expense (benefit) allocated to operations are as follows:

| <i>December 31,</i> | 2023 | 2022 |
|--------------------------------|------------------|-----------------|
| Current | | |
| Federal tax expense | \$ 2,191 | \$ 4,044 |
| State tax expense | 513 | 539 |
| Foreign tax expense | 2,460 | 1,482 |
| Total current | 5,164 | 6,065 |
| Deferred tax expense (benefit) | (7,833) | (2,059) |
| Total | \$(2,669) | \$ 4,006 |

The income tax expense recorded differs from the federal statutory tax rate due to state and foreign income tax expense, non-deductible expenses and certain non-taxable income. No deferred U.S. income tax liability has been recognized on undistributed earnings of certain foreign subsidiaries as they have been deemed permanently invested outside the U.S., and it is not practicable to estimate the deferred tax liability related to such undistributed earnings.

12. Stockholders' Equity***Preferred Stock***

The Company is authorized to issue preferred stock. As of December 31, 2023 and 2022, no preferred stock is outstanding. The holders of preferred stock, if any subsequently issued, would have no voting power and a \$100 per share liquidation preference. The preferred return on such units accrues at a rate of 10% per year compounded annually on the anniversary date of issuance on (a) unreturned capital and (b) the unpaid preferred yield thereon for all prior periods. If a liquidation event occurs, the holders of preferred stock would receive the preference amount per share, plus accrued and unpaid dividends, before any assets of the Company are distributed to the holders of its other capital stock. The preferred stock has no conversion or redemption features.

Common Stock

The holders of common stock have one vote per share in all corporate matters. Subject to the rights of the holders of the preferred stock and unless prohibited by law, dividends may be declared and paid on the common stock as and when determined by the Board of Directors. No dividends were declared or paid in 2023 or 2022. Subject to the rights of the holders of the preferred stock, if the Company liquidates, dissolves or winds up its business, the holders of the common stock will be entitled to receive, ratably based upon the number of outstanding shares of common stock held by each such holder, all assets of the Company available for distribution to its stockholders.

12. Stockholders' Equity (cont.)***Restricted Stock Awards***

The Company previously granted to certain employees of the Company an aggregate of 6,041 equity incentive awards in the Parent. The awards included 2,736 shares issued subject to time vesting and 3,305 issued subject to performance vesting provisions. During the years ended December 31, 2023 and 2022, no new shares were granted. During the year ended December 31, 2022, 484 shares were forfeited.

The time vesting shares vest ratably over a four-year period and compensation expense is recorded over the vesting period. The performance vesting shares vest upon certain performance conditions being met. As of December 31, 2023, the performance conditions were met and all performance vesting shares became fully vested.

The total number of vested and unvested shares was 5,557 and 0 at December 31, 2023 and 2,529 and 3,028 at December 31, 2022, respectively. The Company determined compensation expense based upon the grant date fair value of such awards and for the years ended December 31, 2023 and 2022, the amount of compensation expense recorded was \$227 and \$14, respectively.

13. Related Party Transactions

The Company is required to pay fees to parent companies for management services. Management fees are payable in arrears on the first day of each calendar quarter. Total management fees and expenses paid to parent companies included in other expense in the consolidated statements of operations and comprehensive income (loss) were \$2,175 and \$1,398 for the years ended December 31, 2023 and 2022, respectively.

A shareholder owns and leases hangar space to the Company for which total rent payments approximated \$88 and \$80 for the years ended December 31, 2023 and 2022, respectively.

Certain of the Company's lenders are also shareholders. Interest expense and closing fees paid to related party lenders under the Credit Agreement and the Subordinated Note Agreement in the consolidated statements of operations and comprehensive income (loss) were \$36,119 and \$12,618 for the year ended December 31, 2023 and \$16,340 and \$3,923 for the year ended December 31, 2022, respectively.

The Company paid for expenses of \$989 and \$1,373 on behalf of certain shareholders for the years ended December 31, 2023 and 2022, respectively.

The Company issued a related party note to a shareholder for \$730 during 2023. The note is to be repaid at the earlier of either a) the sale of the Company or b) November 10, 2033. The note bears interest of 5.25%. The outstanding balance of the related party note receivable on the consolidated balance sheet is \$730 at December 31, 2023.

14. Concentrations of Risk

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Deposits in Canadian, Brazilian, Australian, and Singaporean banks totaled \$5,075 and \$2,599 at December 31, 2023 and 2022, respectively.

The Company is periodically subject to risk with regards to certain large customers, the loss of any of such could have an adverse impact on the Company. At December 31, 2023 and 2022, there were no customers considered to be significant.

Notes to Consolidated Financial Statements
(dollars in thousands)

15. Contingencies

The Company is a licensed Federal Aviation Administration (FAA) repair facility and is subject to regulatory inspection and compliance requirements to maintain such licenses. In addition, certain of the Company's vendors and customers have inspection and compliance requirements. These compliance and regulatory obligations periodically result in claims and investigations related to products, contracts and employment matters which may result in litigation or other legal action including warranty liability to repair or replace certain products or fines, penalties and compensatory damages. Management of the Company believes, based upon current information, that the outcome of any such disputes and investigations will not have a material effect on our financial position, results of operations, or cash flows. Where it is reasonably possible that the Company will incur losses in excess of recorded amounts in connection with any such matters, the Company will disclose either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

16. Acquisitions

On December 8, 2022, the Company completed the acquisition of the equity interests of PTB Group Limited (PTB) for an aggregate purchase price of \$137,331 which included \$2,534 of cash acquired. The consideration and related costs paid were pushed down to the Company and were allocated to the assets acquired and liabilities assumed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, *Business Combinations*, which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. PTB had operations in Australia and the United States and the result of operations of PTB are consolidated with the Company from the date of acquisition.

The purchase price allocation recorded in connection with the PTB acquisition is presented below:

| | |
|---|------------------|
| Assets acquired | |
| Cash and cash equivalents | \$ 2,534 |
| Accounts receivable | 12,662 |
| Income tax receivable | 265 |
| Inventory | 31,051 |
| Prepaid expenses and other current assets | 1,171 |
| Property & equipment | 14,577 |
| Right of use asset | 2,542 |
| Identified intangible assets | 21,103 |
| Goodwill | 74,910 |
| Liabilities assumed | |
| Accounts payable | 9,557 |
| Accrued expenses | 7,535 |
| Deferred tax liabilities | 3,721 |
| Insurance loan | 200 |
| Lease liabilities | 2,471 |
| Net assets acquired | \$137,331 |

The acquired intangible assets of approximately \$96,013 were assigned to customer relationships of \$2,666, tradenames of \$766, certifications of \$17,671, and goodwill of \$74,910. The goodwill recognized as part of the acquisitions is generally not tax deductible. The goodwill is attributable primarily to the expected synergies and assembled workforces of the acquired businesses.

17. Subsequent Events

Subsequent events have been evaluated and disclosed through May 21, 2024, the date the consolidated financial statements were available to be issued.

Effective April 16, 2024, the Company completed an acquisition of the equity interests of a company that specializes in engine component repairs and coatings for an aggregate purchase price of \$16,000.

The Company became aware that a customer filed for bankruptcy protection, effective May 9, 2024. As a result, the Company has assessed the recoverability of its accounts receivable balance and cores due from this customer and determined that it is no longer probable that the receivables or cores will be collected. Consequently, the balance outstanding for this customer has been fully written off in the consolidated statements of operations and comprehensive income (loss).

Unaudited Supplemental Information (dollars in thousands)

Unaudited Pro Forma Statements of Operations and EBITDA

The consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2023, as reported on page 5, includes the accounts of the Company and the accounts of PTB Group Limited which was acquired on December 8, 2022, from the date of acquisition to December 31, 2022, and the year ended December 31, 2023. The following unaudited pro forma consolidated statements of operations and EBITDA presents the results of the Company on a pro forma basis including the results of PTB Group Limited as if the transaction had occurred on January 1, 2022, and excluding costs associated with the transaction.

Although the Company reports its consolidated financial results in accordance with accounting principles generally accepted in the United States of America (GAAP), the Company believes that EBITDA is useful in managing its business and evaluating its performance. The Company defines EBITDA as net income before interest expense, taxes, depreciation and amortization and other non-operating adjustments to expenses. EBITDA is used by management primarily because of its wide acceptance as a measure of operating profitability and a useful analytical tool for assessing financial performance, including the Company's ability to meet future debt service obligations and capital expenditure and working capital requirements. EBITDA is not, however, a measure of financial performance or liquidity under GAAP. As a non-GAAP financial measure, EBITDA is not a substitute for GAAP financial results and should only be considered and evaluated in conjunction with the Company's consolidated financial information that is presented in accordance with GAAP. A reconciliation of unaudited pro forma results to EBITDA follows:

| <i>For the years ended December 31,</i> | Pro Forma Results 2023 (unaudited) | Pro Forma Results 2022 (unaudited) |
|---|---|---|
| Revenue | \$ 402,541 | \$ 362,652 |
| Cost of sales | 270,757 | 239,566 |
| Gross profit | 131,784 | 123,086 |
| General and administrative expenses | 94,628 | 88,890 |
| Income from operations | 37,156 | 34,196 |
| Interest expense, net | (36,078) | (17,339) |
| Loss on extinguishment of PPP | (430) | — |
| Loss on extinguishment of debt | (17,689) | — |
| Other | (2,276) | 411 |
| (Loss) income before income tax provision | (19,317) | 17,268 |
| Provision income taxes | 2,669 | (4,170) |
| Pro forma net (loss) income | (16,648) | 13,098 |
| Provision for income taxes | (2,669) | 4,170 |
| Depreciation and amortization | 26,554 | 20,191 |
| Net interest expense | 36,078 | 17,339 |
| Transaction and acquisition expenses | 4,689 | 4,697 |
| Loss on extinguishment of PPP | 430 | — |
| Loss on extinguishment of debt | 17,689 | — |
| Other non-operating adjustments* | 4,491 | 1,400 |
| Pro forma EBITDA (non-GAAP) | \$ 70,614 | \$ 60,895 |

Other non-operating adjustments in the year ended December 31, 2023 include management fees of \$2,175 and other add-backs of \$2,316. and in the year ended December 31, 2022 include management fees of \$1,398 and other add-backs of \$2.

PAG Holding Corp. and Subsidiaries

Condensed Consolidated Financial Statements

September 30, 2025 and 2024

Condensed Consolidated Balance Sheets

(Dollars in Thousands)

| Unaudited | September 30, 2025 | December 31, 2024 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 14,736 | \$ 23,252 |
| Restricted cash | 292 | 279 |
| Accounts receivable, net of allowances for credit losses of \$3,099 and \$2,941 as of September 30, 2025 and December 31, 2024, respectively | 64,039 | 54,831 |
| Contract assets | 10,253 | 3,853 |
| Inventory | 187,461 | 167,098 |
| Prepaid expenses and other assets | 4,568 | 7,571 |
| Total current assets | 281,349 | 256,884 |
| Property and equipment, net | 61,287 | 51,202 |
| Goodwill | 441,007 | 392,456 |
| Other intangible assets, net | 314,111 | 291,297 |
| Net investment in direct finance lease | — | 44 |
| Related party receivable (Note 14) | 730 | 730 |
| Operating lease, right-of-use assets, net | 30,197 | 27,981 |
| Financing lease, right-of-use assets, net | 62 | 107 |
| Other non-current assets | 376 | 267 |
| Total assets | \$ 1,129,119 | \$ 1,020,968 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current maturities of long-term debt | \$ 32 | \$ 32 |
| Current maturities of long-term debt – related party | 7,028 | 6,273 |
| Accounts payable | 23,535 | 20,017 |
| Accrued compensation and benefits | 10,335 | 10,383 |
| Other accrued liabilities | 24,676 | 19,709 |
| Operating lease liabilities, current portion | 4,976 | 3,989 |
| Financing lease liabilities, current portion | 44 | 55 |
| Other payables | 4,046 | 5,873 |
| Income taxes payable | 4,561 | 5,500 |
| Total current liabilities | 79,233 | 71,831 |
| Long-term debt, less current maturities and unamortized debt issuance costs | 58 | 76 |
| Long-term debt, less current maturities and unamortized debt issuance costs – related party | 686,109 | 619,546 |
| Deferred income taxes | 16,770 | 7,514 |
| Operating lease liabilities, net of current portion | 27,443 | 25,683 |
| Financing lease liabilities, net of current portion | 22 | 51 |
| Total liabilities | 809,635 | 724,701 |
| Commitments and contingencies (Note 17) | — | — |
| Stockholders' equity | | |
| Common stock, \$0.001 par value 150,000 shares authorized, 147 and 147 issued and outstanding as of September 30, 2025 and December 31, 2024, respectively | — | — |
| Additional paid-in capital | 260,942 | 259,298 |
| Accumulated other comprehensive loss | (2,980) | (7,272) |
| Retained earnings | 61,522 | 44,241 |
| Total stockholders' equity | 319,484 | 296,267 |
| Total liabilities and stockholders' equity | \$ 1,129,119 | \$ 1,020,968 |

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Dollars in Thousands)

| <i>Unaudited</i> | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| | 2025 | 2024 |
| Revenue | \$431,150 | \$336,119 |
| Cost of sales | 262,730 | 223,207 |
| Gross profit | 168,420 | 112,912 |
| Operating expenses | | |
| General and administrative expenses | 92,948 | 61,423 |
| Transaction and acquisition expenses | 3,787 | 7,045 |
| Total operating expenses, net | 96,735 | 68,468 |
| Income from operations | 71,685 | 44,444 |
| Other income and expenses | | |
| Interest expense, net – related party | 46,886 | 30,318 |
| Related party management fee (Note 14) | 3,480 | 1,998 |
| Gain on foreign exchange | (20) | (91) |
| Other expense, net | 105 | (11) |
| Total other expenses | 50,451 | 32,214 |
| Income before income taxes | 21,234 | 12,230 |
| Provision for income taxes | 4,826 | 6,471 |
| Net income | 16,408 | 5,759 |
| Other comprehensive loss | | |
| Foreign currency translation adjustments | 4,292 | 420 |
| Comprehensive income | \$ 20,700 | \$ 6,179 |

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(Dollars in Thousands)

Unaudited

| | <u>Common Stock</u> | | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
|---|---------------------|-----------|-------------------------------|--|-------------------|-----------|
| | Shares | Par Value | | | | |
| Balance, December 31, 2023 | 100 | \$ — | \$ 63,585 | \$ 693 | \$ 37,686 | \$101,964 |
| Net income | — | — | — | — | 5,759 | 5,759 |
| Common stock issuance | 47 | — | — | — | — | — |
| Contributions | — | — | 195,039 | — | — | 195,039 |
| Share based compensation | — | — | 505 | — | — | 505 |
| Foreign currency translation adjustment | — | — | — | 420 | (332) | 88 |
| Balance, September 30, 2024 | 147 | \$ — | \$ 259,129 | \$ 1,113 | \$ 43,113 | \$303,355 |

Unaudited

| | <u>Common Stock</u> | | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
|---|---------------------|-----------|-------------------------------|--|-------------------|-----------|
| | Shares | Par Value | | | | |
| Balance, December 31, 2024 | 147 | \$ — | \$ 259,298 | \$ (7,272) | \$ 44,241 | \$296,267 |
| Net income | — | — | — | — | 16,408 | 16,408 |
| Contributions | — | — | 1,000 | — | — | 1,000 |
| Share based compensation | — | — | 644 | — | — | 644 |
| Foreign currency translation adjustment | — | — | — | 4,292 | 873 | 5,165 |
| Balance, September 30, 2025 | 147 | \$ — | \$ 260,942 | \$ (2,980) | \$ 61,522 | \$319,484 |

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)

| <i>Unaudited</i> | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2025 | 2024 |
| Operating activities | | |
| Net income | \$ 16,408 | \$ 5,759 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 18,771 | 7,744 |
| Provision for credit losses | 413 | (32) |
| Non-cash lease cost | (1,644) | (2,168) |
| Amortization of debt issuance costs | 1,141 | 198 |
| Deferred income tax benefit | (2,571) | (4,116) |
| Non-cash charge for share-based compensation | 644 | 505 |
| Loss on from disposal of property and equipment | 23 | — |
| Changes in assets and liabilities | | |
| Accounts receivable | (7,055) | (6,708) |
| Contract assets | (6,400) | 454 |
| Inventory | (17,931) | (8,749) |
| Prepaid expenses | 3,320 | (1,001) |
| Other assets | (137) | (88) |
| Net investment in direct finance lease | 44 | 3 |
| Accounts payable | 1,869 | 1,665 |
| Other payables | (1,828) | (3,033) |
| Accrued liabilities | 3,400 | (5,407) |
| Operating lease liabilities | 2,220 | 3,172 |
| Income taxes payable | (928) | 5,592 |
| Net cash provided by (used in) operating activities | 9,759 | (6,210) |
| Investing activities | | |
| Purchase of property and equipment | (13,917) | (6,081) |
| Purchase of business, net of cash acquired | (74,077) | (476,419) |
| Net cash used for investing activities | (87,994) | (482,500) |
| Financing activities | | |
| Proceeds from issuance of long-term debt | 122,500 | 311,224 |
| Principal payments of long-term debt | (54,912) | (10,062) |
| Payments of debt issuance costs | (1,430) | (7,297) |
| Repayments on finance leases | (41) | (3) |
| Contributions | 1,000 | 195,039 |
| Net cash provided by financing activities | 67,117 | 488,901 |
| Effect of exchange rate changes on cash and cash equivalents | 2,615 | (116) |
| Net (decrease) increase in cash | (8,503) | 75 |
| Cash and restricted cash, beginning of period | 23,531 | 12,886 |
| Cash and restricted cash, end of period | \$ 15,028 | \$ 12,961 |
| Supplemental disclosure of cash flow information | | |
| Non-cash transfer of inventory to fixed assets for rental to customers | \$ 2,244 | \$ (1,410) |
| Cash paid for interest | \$ 46,427 | \$ 36,784 |
| Income taxes paid | \$ 6,318 | \$ 2,589 |

See accompanying notes to the condensed consolidated financial statements.

1. Nature of Business

PAG Holding Corp. and Subsidiaries (collectively, the “Company”), is a wholly owned subsidiary of GenNx/PAG Acquisitions, Inc (the “Parent”). The Company provides maintenance, repair, and overhaul services and distributes components for rotary and fixed wing aircraft, specializing in servicing wheels and brakes, starter generators, avionics, accessories, instruments, hydraulics, engines, fuel components, and auxiliary power units (APUs) through its FAA certified facilities.

The Company sells to customers throughout the world and maintains offices in the United States of America and in foreign countries. For the nine months ended September 30, 2025, 75.1% of the Company’s revenues originated from the United States, 8.2% from Australia, 11.2% from Canada, and the remaining 5.5% from other countries, including Brazil, United Kingdom, and Singapore. For the nine months ended September 30, 2024, 71.5% of the Company’s revenues originated from the United States, 14.8% from Australia, and the remaining 13.7% from other countries, including Canada, Brazil, and Singapore.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”) and with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement have been included. Interim results are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 2025 or other interim periods. The condensed consolidated balance sheet as of December 31, 2024 has been derived from the audited consolidated financial statements at that date.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2024.

All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates affecting the financial statements include, but are not limited to, the allowance for credit losses and the estimate of inventory valuation. The Company evaluates and updates its assumptions and estimates on an ongoing basis. Actual results could differ from those estimates.

Restricted cash

Restricted cash is defined as cash and cash equivalents that cannot be withdrawn or used for general operating activities. As of September 30, 2025 and December 31, 2024, the Company’s restricted cash was \$292 and \$279, respectively, in connection with a lease agreement and for security of bank guarantee.

Derivative Instruments

During the nine months ended September 30, 2025, the Company entered into a foreign currency forward contract in connection with the acquisition of Turner Aviation Limited (“Turner Acquisition”) to economically hedge exposure to changes in the British pound related to the purchase price. The derivative instrument was not designated as a hedging instrument for accounting purposes under ASC 815 and was settled in full during the period. For the nine months ended September 30, 2025, the Company recognized a loss of approximately \$112 in Other expense, net. No derivative instruments were outstanding as of September 30, 2025.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In September 2025, the FASB issued ASU No. 2025-06 *Intangibles—Goodwill and Other Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* (“ASU 2025-06”) to modernize the accounting guidance for costs incurred to develop internal-use software, including which costs are required to be recognized as an asset. ASU 2025-06 is effective for annual and interim reporting periods beginning after December 15, 2027. The Company is evaluating the impact of ASU 2025-06 on its accounting and disclosures.

In July 2025, the FASB issued ASU No. 2025-05 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* (“ASU 2025-05”), which provides a practical expedient and, if applicable, an accounting policy election to simplify the measurement of credit losses for certain receivables and contract assets. ASU 2025-05 is effective for annual and interim reporting periods beginning after December 15, 2025 and may be early adopted. The Company is evaluating the impact of ASU 2025-05 on its accounting and disclosures.

In November 2024, the FASB issued ASU No. 2024-03 *Income Statement (Topic 220): Disaggregation of Income Statement Expenses* (“ASU 2024-03”), which requires additional disclosures of certain amounts included in the expense captions presented on the statement of operations as well as disclosures about selling expenses. ASU 2024-03 is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, and early adoption is permitted. The Company is evaluating the impact of ASU 2024-03 on its accounting and disclosures.

3. Revenue

The Company generates revenue from the performance of repair services, sales of components, and leasing equipment. The Company’s disaggregated revenue by country is as follows:

| <i>For the nine months ended September 30,</i> | 2025 | | 2024 | |
|--|-------------|---------|-------------|---------|
| Australia | \$ | 35,184 | \$ | 49,784 |
| Brazil | | 5,065 | | 3,823 |
| United Kingdom | | 6,359 | | - |
| Canada | | 48,441 | | 32,565 |
| Singapore | | 12,098 | | 9,741 |
| United States | | 324,003 | | 240,206 |
| | \$ | 431,150 | \$ | 336,119 |

The Company's disaggregated revenue by service and timing of revenue is as follows:

| <i>For the nine months ended September 30,</i> | 2025 | 2024 |
|---|------------|------------|
| Equipment leases - over time | \$ 5,952 | \$ 2,180 |
| Customer engine and APU repairs services - over time | 50,282 | 31,437 |
| Sales of components and other repair services – point in time | 374,916 | 302,502 |
| | \$ 431,150 | \$ 336,119 |

Contract Assets and Contract Liabilities

Contract assets are the right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditional on something other than the passage of time. The Company's contract assets comprise of unbilled receivables against revenue recognized prior to receipt of payment. Contract assets are classified as current in the condensed consolidated balance sheet due to the short time period between recognition and collection.

The beginning and ending contract balances were as follows:

| | September 30, 2025 | December 31, 2024 |
|-------------------------------|-----------------------|----------------------|
| Accounts receivable and other | \$ 64,039 | \$ 54,831 |
| Contract assets | 10,253 | 3,853 |

The changes in contract assets are primarily due to timing differences between the Company's performance of services or sales of components and the related right for consideration to become unconditional.

4. Allowance for Credit Losses

The following table summarizes the Company's allowance for credit losses for trade accounts receivable:

| <i>Allowance for Credit Losses</i> | 2025 |
|---|----------|
| Balance January 1 | \$ 2,941 |
| Acquired balance | 35 |
| Current period provision for expected credit losses | 413 |
| Write-offs | (307) |
| Foreign currency translation | 17 |
| Balance September 30 | \$ 3,099 |

5. Inventory

Inventories presented in the accompanying condensed consolidated balance sheets consist of the following amounts:

| | September 30, 2025 | December 31, 2024 |
|---------------------------------|-----------------------|----------------------|
| Acquired units, including cores | \$ 151,002 | \$ 136,040 |
| Work-in-process | 36,459 | 31,058 |
| Total inventory | \$ 187,461 | \$ 167,098 |

6. Property and Equipment

Property and equipment presented in the accompanying condensed consolidated balance sheets consist of the following amounts:

| | September 30, 2025 | December 31, 2024 |
|--------------------------------------|-----------------------|----------------------|
| Shop and test equipment | \$ 57,348 | \$ 48,609 |
| Technical manuals | 2,659 | 2,552 |
| Office furniture and equipment | 3,141 | 1,868 |
| Computer hardware and software | 4,706 | 4,248 |
| Vehicles | 510 | 377 |
| Buildings and leasehold improvements | 10,587 | 8,171 |
| Construction in process | 4,100 | 2,112 |
| | 83,051 | 67,937 |
| Less accumulated depreciation | (21,764) | (16,735) |
| Total property and equipment | \$ 61,287 | \$ 51,202 |

Depreciation expense relating to property and equipment was \$3,915 and \$2,715 for the nine months ended September 30, 2025 and September 30, 2024, respectively.

Engine equipment included in shop and test equipment and accumulated depreciation was \$25,541 and \$5,457 at September 30, 2025, and \$21,459 and \$3,610 at December 31, 2024, respectively.

7. Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the period ending September 30, 2025 are as follows:

| | |
|----------------------------------|------------|
| <i>Goodwill</i> | |
| Balance as of December 31, 2024 | \$392,456 |
| Foreign currency translation | 2,088 |
| Goodwill acquired | 46,463 |
| Balance as of September 30, 2025 | \$ 441,007 |

Intangible Assets

Intangible assets presented in the accompanying condensed consolidated balance sheets consist of the following amounts:

| | Life | September 30, 2025 | | |
|-----------------------------|------------|--------------------|-----------------------------|--------------------|
| | | Cost | Accumulated Amortization | Net Intangibles |
| Customer relationships, net | 15 years | \$241,097 | \$ (41,019) | \$ 200,078 |
| FAA and other licenses | Indefinite | 113,882 | — | 113,882 |
| Tradenames, net | 1 year | 6,960 | (6,809) | 151 |
| Total intangibles, net | | \$361,939 | \$ (47,828) | \$ 314,111 |

PAG Holding Corp. and Subsidiaries

| | Life | Cost | December 31, 2024 | |
|-----------------------------|------------|-----------|-----------------------------|--------------------|
| | | | Accumulated Amortization | Net Intangibles |
| Customer relationships, net | 15 years | \$216,788 | \$ (29,747) | \$ 187,041 |
| FAA and other licenses | Indefinite | 103,682 | — | 103,682 |
| Tradenames, net | 1 year | 6,745 | (6,171) | 574 |
| Total intangibles, net | | \$327,215 | \$ (35,918) | \$291,297 |

Customer Relationships

Amortization is computed utilizing the straight-line method over the estimated useful lives of the customer relationships, which are 15 years. Amortization expenses related to customer relationships was \$11,201 and \$3,843 for the nine months ended September 30, 2025, and 2024, respectively. Future amortization for the next five years of customer relationships is as follows:

| | |
|---------------------------|----------|
| 2025 (3 months remaining) | \$ 4,018 |
| 2026 | \$16,073 |
| 2027 | \$16,073 |
| 2028 | \$16,073 |
| 2029 | \$16,073 |

Tradenames

Amortization for tradenames is computed utilizing the straight-line method over the estimated useful lives of the tradenames, which are 1 year. Amortization expense related to tradenames was \$638 and \$3 for the nine months ended September 30, 2025 and 2024, respectively. Future amortization for the next five years of tradenames is as follows:

| | |
|---------------------------|-------|
| 2025 (3 months remaining) | \$ 49 |
| 2026 | \$102 |
| 2027 | \$— |
| 2028 | \$— |
| 2029 | \$— |

8. Long-Term Debt

During the nine months ended September 30, 2025, the Company's long-term debt consisted primarily of borrowings under its Senior Secured Credit Agreement, as amended. All amounts outstanding under the Senior Secured Credit Agreement are held by related parties, as certain lenders are also equity investors in the Company (see Note 14, Related Party Transactions).

As previously disclosed, the Company entered into the Senior Secured Credit Agreement in December 2023, which was amended on September 23, 2024 (the "Amendment 1"). The Amendment 1 was accounted for as a modification, and debt issuance costs incurred in connection with the amendment were capitalized and amortized over the remaining term of the facility.

Effective July 9, 2025, the Company entered into a second amendment to the Senior Secured Credit Agreement (the “Amendment 2”) to provide for incremental term loan commitments in an aggregate principal amount of \$75,500, which were drawn on the amendment effective date. The incremental term loan bears interest at a variable rate consistent with the existing term loans under the Senior Secured Credit Agreement and matures on the same date as the original facility. The Company evaluated the Amendment 2 in accordance with ASC 470 and concluded that the amendment should be accounted for as a modification. Accordingly, the incremental proceeds were recorded as additional long-term debt, and fees incurred in connection with Amendment 2 of approximately \$1,430 were capitalized as debt issuance costs and are being amortized over the remaining term of the Senior Secured Credit Agreement.

The Company’s long-term debt consists of the following:

| | September 30, 2025 | December 31, 2024 |
|---|-----------------------|----------------------|
| A term loan, under the Senior Secured Credit Agreement, for a total principal amount of \$333,500, with a maturity date of December 21, 2029. The loan bears interest at the bank’s SOFR plus a margin rate. Interest and principal is payable quarterly. The effective interest rate was 10.0% at September 30, 2025. The loan calls for quarterly principal payments of \$834. | \$328,419 | \$330,165 |
| The Amendment 1 under the Senior Secured Credit Agreement, for a total principal amount of \$183,860, with a maturity date of December 21, 2029. The loan bears interest at the bank’s SOFR plus a margin rate. Interest and principal is payable quarterly. The effective interest rate was 10.0% at September 30, 2025. The loan calls for quarterly principal payments of \$460. | 182,481 | 183,400 |
| The Amendment 2 under the Senior Secured Credit Agreement, for a total principal amount of \$75,500 with a maturity date of December 21, 2029. The loan bears interest at the bank’s SOFR plus a margin rate. Interest and principal is payable quarterly. The effective interest rate was 10.0% at September 30, 2025. The loan calls for quarterly principal payments of \$189. | 74,097 | — |
| A revolving line of credit, under the Senior Secured Credit Agreement, with an amount available up to \$50,000 with a maturity date of December 21, 2029. The loan bears interest at the bank’s base rate plus a margin rate. Interest is payable quarterly. The unfunded rate is 0.5%. The amount available was \$43,000 and \$40,000 at September 30, 2025 and December 31, 2024, respectively. | 7,000 | 10,000 |
| A delayed draw term loan, under the Senior Secured Credit Agreement, of \$110,000 with a maturity date of December 21, 2029. The loan bears interest at the bank’s SOFR plus a margin rate. Interest is payable quarterly. The unfunded rate is 1%. No amounts were available at September 30, 2025 and December 31, 2024. | 108,625 | 109,450 |

| | | |
|---|------------------|------------------|
| A Vehicle Retail Installment Contract for a principal amount of \$56, with a termination date of November 3, 2027. The loan does not bear interest. Principal is payable monthly. | 22 | 27 |
| A Vehicle Retail Installment Contract for a principal amount of \$88, with a termination date of July 23, 2028. The loan bears interest at 2.9%. Interest and principal is payable monthly. | 67 | 80 |
| Total | 700,711 | 633,122 |
| Less current maturities | (7,060) | (6,305) |
| Less debt issuance costs | (7,484) | (7,195) |
| Long-term debt, net of current maturities and unamortized debt issuance costs | \$686,167 | \$619,622 |

The Company's long-term debt under the Senior Secured Credit Agreement is collateralized by substantially all assets of the Company. The Company is required to meet certain financial and non-financial covenants. As of September 30, 2025, the Company was in compliance with all covenants.

For the nine months ended September 30, 2025 and 2024, interest expense recognized was \$47,192, including amortization of debt issuance costs of \$1,141, and \$30,316, including amortization of debt issuance costs of \$198, respectively.

Future maturities of all the Company's long-term debt are as follows:

| | |
|--|------------------|
| <i>As of September 30,</i> | |
| 2025 (3 months remaining) | \$ 1,765 |
| 2026 | 7,060 |
| 2027 | 7,061 |
| 2028 | 7,046 |
| 2029 | 677,779 |
| Total | 700,711 |
| Less current maturities | (7,060) |
| Less debt issuance costs | (7,484) |
| Long-term debt, net of current maturities and unamortized debt issuance costs | \$686,167 |

9. Leases

Operating Leases

Lease cost information related to operating leases is as follows:

| <i>Nine months ended September 30,</i> | 2025 | 2024 |
|--|----------------|----------------|
| Operating lease cost | \$5,542 | \$4,007 |
| Short-term lease cost | 221 | 292 |
| Variable lease cost | 649 | 638 |
| Total lease cost | \$6,412 | \$4,937 |

Finance Leases

Lease cost information related to finance leases is as follows:

| <i>Nine months ended September 30,</i> | 2025 | 2024 |
|--|------|------|
| Amortization of lease assets included in depreciation and amortization expense | \$44 | \$— |
| Interest on lease liabilities included in interest expense | 7 | — |
| Total lease cost | \$51 | \$— |

Lease Terms and Other Information

The following summarizes the weighted average remaining lease term and discount rate as of September 30:

| | September 30, 2025 | December 31, 2024 |
|---------------------------------------|-----------------------|----------------------|
| Weighted average remaining lease term | | |
| Operating leases | 6.2 | 6.9 |
| Finance leases | 1.8 | 2.3 |
| Weighted average discount rate | | |
| Operating leases | 9.6% | 9.7% |
| Finance leases | 10.4% | 10.4% |

Other information related to leases is as follows:

| <i>Nine months ended September 30,</i> | 2025 | 2024 |
|---|---------|---------|
| Cash paid for amounts included in the measurement of lease obligations | | |
| Operating cash flows from operating leases | \$5,225 | \$3,610 |
| Operating cash flows from finance leases | 7 | — |
| Financing cash flows from finance leases | 41 | 4 |
| Right-of-use assets obtained in exchange for lease obligations Operating leases | 5,049 | 4,663 |

Future maturities of the Company's lease liabilities are as follows:

| <i>As of September 30,</i> | Operating | Finance |
|---|-----------|---------|
| 2025 (3 months remaining) | \$ 2,025 | \$ 16 |
| 2026 | 7,702 | 36 |
| 2027 | 7,295 | 12 |
| 2028 | 7,270 | 9 |
| 2029 | 5,870 | — |
| Thereafter | 13,694 | — |
| Total lease payments | 43,856 | 73 |
| Less imputed interest | (11,437) | (7) |
| Present value of minimum lease payments | \$ 32,419 | \$ 66 |

The Company had leases denominated in a foreign currency comprised of the following:

| | September 30, 2025 | December 31, 2024 |
|---------------------------------------|-----------------------|----------------------|
| Operating lease, ROU assets | 3,682 | 2,665 |
| Current operating lease liabilities | 748 | 506 |
| Long term operating lease liabilities | 3,058 | 2,228 |

Depreciation expense relating to engine equipment under operating leases is recorded as cost of sales. Depreciation expense recorded as cost of sales was \$3,017 and \$1,183 for the nine months ended September 30, 2025, and 2024, respectively. Engine equipment is recorded within property and equipment, net as these operating leases are less than 12 months in duration.

10. Retirement Plans

The Company sponsors a 401(k) plan covering substantially all of its employees who reside in the United States. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the 401(k) plan were \$140 and \$130 for the nine months ended September 30, 2025 and 2024, respectively.

The Company sponsors a Group Retirement Savings Plan (RSP) for its employees who reside in Canada, with the exception of World Aviation Corporation. The Company makes matching contributions of 25% of the employees' contributions up to 6% of the employees' compensation. The Company's matching contributions to the RSP were \$6 and \$5 for the nine months ended September 30, 2025 and 2024, respectively.

The Company sponsored a safe harbor 401(k) plan covering Keystone Turbine Services, Trace Aviation, Inc. and Velocity Aerospace Group, Inc.'s employees. During 2024, the employees of Prime Turbine, LLC and Pacific Turbine USA, LLC were merged into the plan. The Company made safe harbor matching contributions up to 3% of the employees' compensation and 50% on the employees' contributions that are greater than 3% but less than or equal to 5% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$471 and \$423 for the nine months ended September 30, 2025 and 2024, respectively.

In 2024, the Company began sponsoring a safe harbor 401(k) plan covering Aviation Welding Technologies, LLC and CeralUSA, LLC's employees. The Company makes safe harbor matching contributions up to 4% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$53 and \$12 for the nine months ended September 30, 2025 and 2024, respectively.

In 2024, the Company began sponsoring a 401(k) plan covering Icon Aerospace, LLC and The Auxiliary Group, LLC's employees. The Company makes matching contributions up to 2% of the employees' compensation. The Company's matching contributions to the safe harbor 401(k) plan were \$79 and \$3 for the nine months ended September 30, 2025 and 2024, respectively.

The Company pays mandatory contributions to the Central Provident Fund (CPF) retirement fund for all of its employees who reside in Singapore. Rates are set annually based on age. The CPF contribution are subject to monthly and annual salary ceilings. The Company's CPF contributions were \$37 and \$20 for the nine months ended September 30, 2025 and 2024, respectively.

The Company pays mandatory superannuation for all of its employees who reside in Australia. Rates are set by the government and are subject to maximum quarterly earning limits. The Company's superannuation contributions were \$393 and \$425 for the nine months ended September 30, 2025 and 2024, respectively.

11. Income Taxes

The Company's quarterly provision for income taxes is based on the estimated annual effective tax rate adjusted for discrete items that are recorded in the period in which they occur.

For the nine months ended September 30, 2025 and 2024, the Company reported a tax provision of \$4,826 and \$6,471 on pretax book income of \$21,234 and \$12,230, respectively. This resulted in an effective tax rate of 22.7% and 52.9% for September 30, 2025 and 2024, respectively. The Company's effective tax rate differed from the U.S. statutory rate of 21% primarily due to state and foreign income tax expenses, changes in the valuation allowance as a result of the One Big Beautiful Bill (see below), return-to-provision adjustments, and other non-deductible expenses.

On July 4, 2025, the United States Congress passed the budget reconciliation bill H.R. 1 referred to as the One Big Beautiful Bill Act ("OBGBA"). The OBGBA contains several changes to corporate taxation including modifications to capitalization of research and development expenses, limitations on deductions for interest expense and accelerated fixed asset depreciation. The Company has evaluated the legislation and has incorporated the impact into its financial statements for the nine months ended September 30, 2025 and 2024.

No deferred U.S. income tax liability has been recognized on undistributed earnings of certain foreign subsidiaries as they have been deemed permanently invested outside the U.S., and it is not practicable to estimate the deferred tax liability related to such undistributed earnings.

The Company did not record any significant changes in its unrecognized tax benefits or total interest and penalties for tax years remaining open to examination during the nine months ended September 30, 2025 and 2024. Currently, there are not any ongoing audits or examinations with any tax jurisdictions.

12. Stockholders' Equity

During 2025, the Company received stockholder contributions totaling \$1,000, which were made in the form of \$250 of cash and \$750 of rollover equity as a result of the Turner Aviation Limited acquisition discussed in Note 18. The contributions have been recorded as additional paid-in capital in the condensed consolidated statement of changes in stockholders' equity.

The foreign currency translation adjustment included in the condensed consolidated statement of changes in stockholders' equity represents the net effect of translating the financial statements of foreign subsidiaries into the reporting currency. The translation adjustments, recorded as other comprehensive income (loss), was a gain of \$4,292 and a loss of \$420 for the nine months ended September 30, 2025, and 2024, respectively.

Preferred Stock

The Company is authorized to issue preferred stock. As of September 30, 2025 and December 31, 2024, no preferred stock is outstanding.

Common Stock

No dividends were declared or paid as of September 31, 2025 or December 31, 2024.

13. Stock-Based Compensation

Profit Unit Awards

The Parent has granted profit unit awards to certain employees of the Company. The profit unit awards consist of time vesting units and performance vesting units. The time vesting units vest ratably over a four-year period and compensation expense is recorded over the vesting period. The performance vesting units vest upon certain performance conditions being met.

Information regarding the equity incentive awards is as follows:

| | Time vesting units | Performance vesting units | Total |
|--|--------------------|---------------------------|---------------|
| Outstanding, December 31, 2023 | 7,091 | 7,091 | 14,182 |
| Granted | 2,918 | 2,918 | 5,836 |
| Outstanding, September 30, 2024 | 10,009 | 10,009 | 20,018 |

| | Time vesting units | Performance vesting units | Total |
|--|--------------------|---------------------------|---------------|
| Outstanding, December 31, 2024 | 10,009 | 10,009 | 20,018 |
| Granted | 1,289 | 1,288 | 2,577 |
| Outstanding, September 30, 2025 | 11,298 | 11,297 | 22,595 |

14. Related Party Transactions

The Company is required to pay fees to parent companies for management services. Management fees are payable in arrears on the first day of each calendar quarter. Total management fees and expenses paid to parent companies included in other expenses in the condensed consolidated statements of operations and comprehensive income (loss) were \$3,480 and \$1,998 for the nine months ended September 30, 2025 and 2024, respectively.

A stockholder owns and leases hangar space to the Company for which total rent payments approximated \$70 and \$68 for the nine months ended September 30, 2025 and 2024, respectively.

The Company paid expenses of \$155 and \$783 on behalf of certain stockholders for the nine months ended September 30, 2025 and 2024, respectively.

The Company issued a related party note to a stockholder for \$730 during 2023. The note is to be repaid at the earlier of either a) the sale of the Company or b) November 10, 2033. The note bears interest of 5.25%. The outstanding balance of the related party note receivable on the condensed consolidated balance sheet is \$730 at September 30, 2025 and December 31, 2024.

Certain lenders under the Company's Senior Secured Credit Agreement are also equity investors in the Company and are therefore considered related parties. As of September 30, 2025 and December 31, 2024, all amounts outstanding under the Company's long-term debt arrangements were held by related parties. Additional information regarding the terms and conditions of the Company's related-party debt is provided in Note 8, Long-Term Debt.

15. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value into the following hierarchy are determined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 Unobservable inputs for the asset or liability.

For cash, accounts receivable and accounts payable, the fair value approximates the carrying value due to the short maturity periods of these financial instruments.

The carrying value of the Company's long-term debt approximated fair value as of September 30, 2025, based on current borrowing rates available to the Company for instruments with similar terms, maturities, and credit risk.

16. Concentrations of Risk

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Deposits in Canadian, Brazilian, United Kingdom, Australian, and Singaporean banks totaled \$2,910 and \$3,643 at September 30, 2025 and December 31, 2024, respectively.

The Company is periodically subject to risk with regards to certain large customers, the loss of any of such could have an adverse impact on the Company. At September 30, 2025 and 2024, there were no customers considered to be significant.

17. Commitments and Contingencies

The Company is a licensed Federal Aviation Administration (FAA) repair facility and is subject to regulatory inspection and compliance requirements to maintain such licenses. In addition, certain of the Company's vendors and customers have inspection and compliance requirements. These compliance and regulatory obligations periodically result in claims and investigations related to products, contracts and employment matters which may result in litigation or other legal action including warranty liability to repair or replace certain products or fines, penalties and compensatory damages. Management of the Company believes, based upon current information, that the outcome of any such disputes and investigations will not have a material effect on our financial position, results of operations, or cash flows. Where it is reasonably possible that the Company will incur losses in excess of recorded amounts in connection with any such matters, the Company will disclose either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

18. Business Combinations

AWT/CeralUSA Holdings, LLC

On April 16, 2024, the Company completed the acquisition of the equity interests of AWT/CeralUSA Holdings, LLC (AWT/Ceral) for an aggregate cash purchase price of \$16,465, which included \$486 of cash acquired. The consideration was allocated to the assets acquired and liabilities assumed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, Business Combinations ("ASC 805"), which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. The result of operations of AWT/Ceral are consolidated with the Company from the date of acquisition. This strategic acquisition enhances the Company's welding and coating capabilities while broadening its product offerings for the airline market.

Purchase Price Consideration

| | |
|---|----------|
| Assets acquired | |
| Cash and cash equivalents | \$ 486 |
| Accounts receivable | 803 |
| Inventory | 49 |
| Prepaid expenses and other current assets | 8 |
| Property & equipment | 17 |
| Right of use asset | 972 |
| Deferred tax asset | 214 |
| Goodwill | 15,092 |
| Liabilities assumed | |
| Accounts payable | 123 |
| Accrued expenses | 83 |
| Lease liabilities | 970 |
| Net assets acquired | \$16,465 |

Unaudited Pro Forma Condensed Consolidated Financial information

The following unaudited pro forma financial information for the nine months ended September 30, 2024 has been prepared by adjusting the Company's historical consolidated results to reflect the acquisition of AWT/Ceral as though the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information reflects the application of business combination accounting.

The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2023, nor is it intended to be indicative of future results of operations.

| | Nine months ended September 30, 2024 |
|------------|--|
| Revenues | \$ 338,668 |
| Net income | \$ 7,562 |

The Company's condensed consolidated statements of operations for the nine months ended September 30, 2024 include revenue of \$4,269 and income of \$1,589 attributable to AWT/Ceral since the date of acquisition.

Costs incurred for the purchase of AWT/Ceral comprise of \$1,041 recorded in operating expenses in the condensed consolidated statement of operations and comprehensive income (loss) as of September 30, 2024.

UAS Holdings, LLC

On September 23, 2024, the Company completed the acquisition of the equity interests of UAS Holdings, LLC (UAS) for an aggregate purchase price of \$467,061, which included \$6,621 of cash acquired. The purchase price was paid to the sellers through cash of \$458,861 and rollover equity comprised of parent company units fair valued at \$8,200. The fair value of the rollover equity was estimated by comparison to a similar equity transaction for cash at the same date. The consideration was allocated to the assets acquired and liabilities assumed in accordance with ASC 805, which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. The results of operations of UAS are consolidated by the Company from the date of acquisition. This strategic acquisition significantly enhanced the Company's avionics and engine services capabilities while broadening its product offerings for the airline market.

Purchase Price Consideration

| | |
|---|------------------|
| Assets acquired | |
| Cash and cash equivalents | \$ 6,621 |
| Accounts receivable | 11,854 |
| Inventory | 23,303 |
| Prepaid expenses and other current assets | 526 |
| Property & equipment | 13,776 |
| Right of use asset | 6,764 |
| Identified intangible assets | 193,548 |
| Deferred tax asset | 1,183 |
| Goodwill | 222,412 |
| Liabilities assumed | |
| Accounts payable | 2,161 |
| Accrued expenses | 4,001 |
| Lease liabilities | 6,764 |
| Net assets acquired | \$467,061 |

The acquired intangible assets of approximately \$193,548 were assigned to tradenames of \$787, certifications of \$48,591, and customer relationships of \$144,170.

Unaudited Pro Forma Condensed Consolidated Financial information

The following unaudited pro forma financial information for the nine months ended September 30, 2024 has been prepared by adjusting the Company's historical consolidated results to reflect the acquisition of UAS as though the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information reflects the application of business combination accounting, including incremental amortization expense related to acquired intangible assets and interest expense associated with acquisition financing.

The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2023, nor is it intended to be indicative of future results of operations.

| | Nine months ended September 30, 2024 |
|------------|--|
| Revenues | \$ 406,214 |
| Net income | \$ 7,224 |

The Company's condensed consolidated statements of operations for the nine months ended September 30, 2024 include revenue of \$3,896 and income of \$728 attributable to UAS since the date of acquisition.

Costs incurred for the purchase of UAS comprise of \$5,031 recorded in operating expenses in the condensed consolidated statement of operations and comprehensive income (loss) as of September 30, 2024.

Turner Aviation

On July 9, 2025, the Company acquired Turner Aviation Limited (Turner), for an aggregate purchase price of \$77,337, inclusive of cash acquired amounting to \$3,261, an earnout of \$762, and rollover equity of \$747. The consideration was allocated to the assets acquired and liabilities assumed in accordance with ASC 805, which includes purchase accounting adjustments to reflect the fair values of the underlying assets and liabilities. The results of operations of Turner are consolidated by the Company from the date of acquisition. This strategic acquisition allows the Company to enter European markets as Turner is headquartered in the United Kingdom, specializing in the repair and overhaul of a wide range of avionics, components, and fuel systems.

Purchase Price Consideration

| | |
|---|-----------------|
| Assets acquired | |
| Cash and cash equivalents | \$ 3,261 |
| Accounts receivable | 2,566 |
| Inventory | 4,677 |
| Prepaid expenses and other current assets | 290 |
| Income taxes receivable | 11 |
| Property & equipment | 504 |
| Right of use asset | 527 |
| Identified intangible assets | 34,562 |
| Goodwill | 46,463 |
| Liabilities assumed | |
| Accrued compensation and benefits | 718 |
| Deferred tax liability | 11,828 |
| Accounts payable | 1,650 |
| Accrued expenses | 801 |
| Lease liabilities | 527 |
| Net assets acquired | \$77,337 |

Unaudited Pro Forma Condensed Consolidated Financial information

The following unaudited pro forma summary for the period ended September 30, 2025 and September 30, 2024 has been prepared by adjusting the Company's historical consolidated results to reflect the acquisition of Turner as though the acquisition had occurred on January 1, 2024. The unaudited pro forma financial information reflects the application of business combination accounting, including incremental amortization expense related to acquired intangible assets and interest expense associated with acquisition financing.

The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition occurred on January 1, 2024, nor is it intended to be indicative of future results of operations.

| | Nine months ended September 30, | |
|------------|---------------------------------|------------|
| | 2025 | 2024 |
| Revenues | \$ 443,565 | \$ 353,152 |
| Net income | \$ 20,207 | \$ 3,499 |

The Company's condensed consolidated statements of operations for the nine months ended September 30, 2025 include revenue of \$6,359 and income of \$1,326 attributable to Turner since the date of acquisition.

Costs incurred for the purchase of Turner comprise of \$3,881 recorded in operating expenses in the condensed consolidated statement of operations and comprehensive income (loss) as of September 30, 2025.

The total consideration includes an accrual of \$762 as of the acquisition date representing the estimated fair value of contingent consideration the Company may be obligated to pay should Turner meet a certain earnings objective following the acquisition. The acquisition-date fair value of contingent consideration was estimated using Monte Carlo simulation option pricing method. The contingent consideration liability is remeasured at fair value each reporting period.

The goodwill recognized as part of the acquisitions is tax deductible, the non-deductible portion is related to the UAS goodwill acquired through rollover equity. Goodwill is attributable primarily to the expected synergies and assembled workforces of the acquired businesses.

19. Subsequent Events

Subsequent events have been evaluated and disclosed through January 23, 2026, the date the condensed consolidated financial statements were available to be issued.

On November 7, 2025, the Company entered into a definitive agreement to acquire all of the equity interests of H.E.R.O.S. Inc., a premier Rolls Royce MRO provider based in Chandler, Arizona, for \$13,600. H.E.R.O.S is recognized for its technical expertise, strong customer relationships, and long-standing support for both domestic and international operators.

On December 15, 2025, the Company signed a letter of intent to be acquired by VSE Corporation (the "Buyer"). Under the terms of the agreement, the Buyer will acquire 100% of the outstanding equity interests of the Company for an aggregate base purchase price of approximately \$2,025,000 subject to customary closing adjustments. The transaction is subject to the satisfaction of customary closing conditions and regulatory approvals and is expected to close in the first half of 2026.

On January 7, 2026, the Company entered into a definitive agreement to acquire all of the equity interests of Aviation Concepts LLC, a Fixed Base Operator facility based in Florida, for \$5,500.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

On January 29, 2026, VSE Corporation (“VSE” or “the Company”), VSE Mach HoldCo Acquisition Corp., a direct, wholly-owned subsidiary of the Company (“Rollover Purchaser”), VSE Mach Acquisition Corp., a direct, wholly-owned subsidiary of Rollover Purchaser (“Cash Purchaser”), GenNx/PAG IntermediateCo Inc. (“PAG HoldCo”) and GenNx360 PAG Buyer, LLC (“Seller”) entered into the Stock Purchase Agreement (the “Stock Purchase Agreement”). Pursuant to the terms of the Stock Purchase Agreement, subject to the satisfaction or waiver of specified conditions, Cash Purchaser will acquire all of the capital stock of PAG HoldCo from Seller, with PAG HoldCo becoming an indirect, wholly-owned subsidiary of the Company (the “Acquisition”). The completion of the Acquisition is subject to customary closing conditions, including required regulatory approvals.

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X.

The unaudited pro forma Condensed Combined Balance Sheet as of September 30, 2025 gives effect to the Acquisition, the Equity Financing (as defined below), and the Debt Financing (as defined below) as if those transactions had been completed on September 30, 2025 and combines the unaudited Condensed Combined Balance Sheet of the Company as of September 30, 2025 with the unaudited Condensed Combined Balance Sheet of PAG Holding Corp. (“PAG”), a direct wholly-owned subsidiary of PAG HoldCo, and its subsidiaries as of September 30, 2025. Reference to “PAG” in this unaudited pro forma condensed combined financial information refers to PAG and its subsidiaries, unless stated otherwise or the context indicates otherwise herein.

The unaudited pro forma Condensed Combined Statements of Operations for the nine months ended September 30, 2025 and year ended December 31, 2024 give effect to the Acquisition, the Equity Financing, and the Debt Financing as if those transactions had occurred on January 1, 2024, the first day of the Company’s fiscal year 2024, and combines the historical results of the Company and PAG (see “Description of the Equity Financing” and “Description of the Debt Financing” for explanations of the Equity Financing and Debt Financing). The unaudited pro forma Condensed Combined Statement of Operations for the nine months ended September 30, 2025 combines the unaudited Condensed Combined Statement of Operations of the Company for the nine months ended September 30, 2025 with PAG’s unaudited Condensed Combined Statement of Operations for the nine months ended September 30, 2025. The unaudited pro forma Condensed Combined Statement of Operations for the fiscal year ended December 31, 2024 combines the audited Condensed Combined Statement of Operations of the Company for the fiscal year ended December 31, 2024 and PAG’s audited Condensed Combined Statement of Operations for the fiscal year ended December 31, 2024.

The historical financial statements of the Company and PAG have been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are transaction accounting adjustments which are necessary to account for the Acquisition, the Equity Financing, and the Debt Financing, in accordance with U.S. GAAP. The pro forma adjustments are based upon available information and certain assumptions that VSE’s management believes are reasonable.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial information;
- the separate audited financial statements of the Company as of and for the fiscal year ended December 31, 2024 and the related notes, included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on March 3, 2025;
- the separate unaudited financial statements of the Company as of and for the nine months ended September 30, 2025 and the related notes, included in the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2025, filed with the SEC on October 27, 2025;
- the separate audited financial statements of PAG as of and for the fiscal year ended December 31, 2024 and the related notes, included in PAG’s audited annual financial statements for the fiscal year ended December 31, 2024, included in the Company’s Current Report on Form 8-K filed with the SEC on February 2, 2026; and
- the separate unaudited financial statements of PAG as of and for the nine months ended September 30, 2025 and the related notes, included in the Company’s Current Report on Form 8-K filed with the SEC on February 2, 2026.

Description of the Acquisition

On January 29, 2026, the Company, Rollover Purchaser, Cash Purchaser, PAG HoldCo and Seller entered into the Stock Purchase Agreement, pursuant to which, at the closing of the Acquisition (such date, the “Closing Date”), among other things, Cash Purchaser will acquire all of the capital stock of PAG HoldCo from Seller. Pursuant to and in accordance with the terms of the Stock Purchase Agreement, on the Closing Date, (i) Rollover Purchaser will issue shares of Class B common stock, par value \$0.05 per share, of Rollover Purchaser (“Rollover Purchaser Shares”) to Seller in exchange for \$275 million of the issued and outstanding shares of PAG HoldCo, (ii) Cash Purchaser will pay \$1.75 billion in cash (the “Cash Consideration”) to Seller to obtain all remaining capital stock of PAG HoldCo held by Seller, and (iii) Rollover Purchaser will contribute the acquired shares of PAG HoldCo acquired by Rollover Purchaser to Cash Purchaser. Pursuant to the Stock Purchase Agreement, in connection with the Closing Date, VSE, Rollover Purchaser and Seller will enter into a redemption and exchange agreement (the “Exchange Agreement”), pursuant to which, among other things and subject to certain restrictions, Seller will obtain the right to exchange Rollover Purchaser Shares with an aggregate value equal to \$275 million for shares of common stock, par value \$0.05 per share, of the Company (such shares, the “Exchange Shares”) on a one-for-one basis, subject to customary antidilution and change of control adjustments. In addition, pursuant to the Stock Purchase Agreement, on the Closing Date Seller will also obtain the right to a contingent earn-out payment of \$125 million, payable in cash, shares of common stock of the Company or a combination thereof, at the Company’s sole discretion, upon the satisfaction of certain profitability targets in fiscal year 2026 by PAG HoldCo and its subsidiaries (such payment, the “Earn-Out Payment”).

The Company anticipates that approximately \$1.76 billion will be required to pay the Cash Consideration and to pay transaction fees and expenses relating to the Acquisition. The Acquisition is expected to close in the second quarter of 2026, subject to the satisfaction of customary closing conditions.

Description of the Debt Financing

In connection with entering into the Stock Purchase Agreement, the Company will seek to fund the Cash Consideration through the issuance of debt, common stock, and tangible equity units (“TEUs”) for total proposed gross proceeds of \$1.85 billion. As part of the financing of the Acquisition, the Company entered into a debt commitment letter (the “Debt Commitment Letter”) with one or more financial institutions (collectively, the “Commitment Parties”). Subject to the terms of the Debt Commitment Letter, the Commitment Parties have committed to provide new senior secured financing of up to \$1.95 billion, consisting of (i) a \$900 million 364-day bridge loan facility (the “Bridge Facility”), (ii) a \$550 million term loan B facility (the “New Term Loan B Facility”), (iii) a \$100 million upside of the Company’s existing revolving credit facility from \$400 million to \$500 million (as amended, the “New Revolving Credit Facility”), and (iv) a \$400 million upside of the Company’s existing term loan A facility from \$296.25 million to \$696.25 million (as amended, the “New Term Loan A Facility”). In addition, the Debt Commitment Letter will provide for backstop commitments of the Company’s existing revolving credit facility and existing term loan A facility (the “Backstop Facility”) and together with the Bridge Facility, the New Revolving Credit Facility, the New Term Loan A Facility and the New Term Loan B Facility, the “Debt Financing”). The commitments under (i) the Bridge Facility will be reduced on a dollar-for-dollar basis by, among other things, the proceeds of any public offerings, block transactions, or a combination thereof, of up to \$1.0 billion in the aggregate of the Company’s common stock and TEUs and (ii), assuming the commitments under the Bridge Facility are reduced to \$0, the New Term Loan A Facility and the New Term Loan B Facility commitments may be reduced. The Backstop Facility was obtained in the event that the Company is unable to obtain the necessary amendments under its Existing Credit Agreement to close the Acquisition.

The funding of the Debt Financing is contingent on the satisfaction of customary conditions, including (i) the execution and delivery of definitive documentation with respect to the facilities in accordance with the terms set forth in the Debt Commitment Letter and (ii) the consummation of the Acquisition in accordance with the Stock Purchase Agreement. The unaudited pro forma condensed combined financial information assumes that the Company (i) does not borrow under the New Revolving Credit Facility or the Bridge Facility and (ii) incurs new borrowings under the New Term Loan A Facility in the amount of \$350 million (\$646.25 million when aggregated with existing borrowings) and under the New Term Loan B Facility in the amount of \$500 million. The final terms of the Debt Financing, including the amounts of borrowings, if any, under the New Revolving Credit Facility, the Bridge Facility, the New Term Loan A Facility and the New Term Loan B Facility could differ materially from these assumptions, including as a result of the final amount of proceeds raised in the Equity Financing.

Description of the Equity Financing

To finance a portion of the purchase price for the Acquisition, the Company intends to offer and issue through registered offerings (i) \$350 million of TEUs, with a stated amount of \$50 per unit (the “TEU Offering”), and (ii) \$650 million of shares of its common stock (the “Common Stock Offering”) and, together with the TEU Offering, the “Equity Financing”).

Each TEU is comprised of (i) a prepaid stock purchase contract (a “purchase contract”) and (ii) a senior amortizing note, which will pay quarterly installments, in each case issued by the Company. Unless earlier redeemed by the Company in connection with a merger termination redemption or settled earlier at the holder’s option or at the Company’s option, each TEU purchase contract will, subject to postponement in certain limited circumstances, automatically settle three years after original issuance, and the Company will deliver a specified number of shares of common stock per TEU based upon applicable settlement rates and the market value of the Company’s common stock. The TEU amortizing notes are expected to have a specified initial principal amount and a specified interest rate and the Company will make specified payments of interest and partial repayments of principal on quarterly installment payment dates. The amounts set forth above in this paragraph and elsewhere in the unaudited pro forma condensed combined financial information assume no exercise of the underwriters’ option to purchase additional TEUs in connection with the TEU Offering. The final amount of shares of common stock or TEUs that are sold and the gross proceeds thereof could differ materially from these assumptions, which may result in corresponding reductions in borrowings under the Debt Financing.

For the Common Stock Offering, the unaudited pro forma condensed combined financial information assumes a public offering price in the Common Stock Offering of \$218.57 per share, which is the last reported sale price of the common stock on the Nasdaq Global Select Market on January 30, 2026, and would result in the issuance of 2,973,876 shares in the Common Stock Offering. The actual offering price and number of shares of common stock issued in the Common Stock Offering is subject to changes in stock price, among other factors. The amounts set forth above in this paragraph and elsewhere in the unaudited pro forma financial information assume no exercise of the underwriters’ options to purchase additional shares of the Company’s common stock and additional TEUs in connection with the Common Stock Offering and the TEU Offering, respectively.

The Equity Financing and Debt Financing are collectively referred to as the “Financing.”

Accounting for the Acquisition

The Acquisition is being accounted for as a business combination using the acquisition method with the Company as the accounting acquirer in accordance with Accounting Standards Codification (“ASC”) Topic 805, Business Combinations. Under this method of accounting, the aggregate consideration will be allocated to PAG HoldCo’s assets acquired and liabilities assumed based upon their estimated fair values on the Closing Date. The process of valuing the net assets of PAG HoldCo immediately prior to the Acquisition, as well as evaluating accounting policies for conformity, is preliminary. Any differences between the estimated fair value of the consideration transferred and the estimated fair value of the assets acquired and liabilities assumed will be recorded as goodwill. Accordingly, the aggregate consideration allocation and related adjustments reflected in the unaudited pro forma condensed combined financial information are preliminary and subject to revision based on a final determination of fair value. Refer to Note 1 - Basis of Presentation for more information.

The Company plans to finance the Acquisition with cash from the combined company balance sheets and the Financing.

All financial data included in the unaudited pro forma condensed combined financial information is presented in thousands of U.S. Dollars and has been prepared on the basis of U.S. GAAP and the Company’s accounting policies.

The unaudited pro forma condensed combined financial information presented is for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the Acquisition and the Financing had been completed on the dates set forth above, nor is it indicative of the future results or financial position of the combined company.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2025

(\$ in 000's)

| | VSE Corporation Historical As of September 30, 2025 (Note 1) | PAG's Historical (Reclassified) As of September 30, 2025 (Note 2) | Transaction Accounting Adjustments | | | | | | |
|--|--|---|---|------|---|------|--|------|-----------------------|
| (In Thousands) | | | Equity- Related Adjustments (Note 4) | | Debt- Related Adjustments (Note 5) | | Acquisition- Related Adjustments (Note 6) | | Pro Forma Combined |
| ASSETS | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 8,784 | \$ 14,736 | \$ 965,125 | 4(a) | \$ 837,437 | 5(a) | \$(1,764,736) | 6(a) | \$ 61,346 |
| Receivables (net) | 176,399 | 64,039 | — | | — | | (1,438) | 6(b) | 239,000 |
| Contract assets | 34,027 | 10,253 | — | | — | | — | | 44,280 |
| Inventories | 464,315 | 187,461 | — | | — | | — | | 651,776 |
| Prepaid expenses and other current assets | 38,755 | 4,860 | — | | — | | — | | 43,615 |
| Total current assets | 722,280 | 281,349 | 965,125 | | 837,437 | | (1,766,174) | | 1,040,017 |
| Property and equipment, net | 82,986 | 61,349 | — | | — | | — | | 144,335 |
| Intangible assets, net | 201,849 | 314,111 | — | | — | | 285,889 | 6(c) | 801,849 |
| Goodwill | 428,705 | 441,007 | — | | — | | 875,134 | 6(d) | 1,744,846 |
| Operating lease right-of-use assets | 42,975 | 30,197 | — | | — | | 6,691 | 6(e) | 79,863 |
| Note receivable | 26,342 | — | — | | — | | — | | 26,342 |
| Other assets | 55,310 | 1,106 | — | | 825 | 5(b) | — | | 57,241 |
| Total assets | \$ 1,560,447 | \$ 1,129,119 | \$ 965,125 | | \$ 838,262 | | \$ (598,460) | | \$3,894,493 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Current portion of long-term debt | \$ 7,500 | \$ 7,104 | \$ 19,133 | 4(b) | \$ 13,750 | 5(c) | \$ (7,060) | 6(g) | \$ 40,427 |
| Accounts payable | 112,425 | 23,535 | — | | — | | 17,454 | 6(f) | 153,414 |
| Accrued expenses and other current liabilities | 61,357 | 48,593 | — | | — | | 1,141 | 6(e) | 111,091 |
| Dividends payable | 2,069 | — | — | | — | | — | | 2,069 |
| Total current liabilities | 183,351 | 79,232 | 19,133 | | 13,750 | | 11,535 | | 307,001 |
| Long-term debt, less current portion | 348,596 | 686,189 | 36,545 | 4(c) | 824,512 | 5(d) | (686,189) | 6(g) | 1,209,653 |
| Deferred compensation | 7,331 | — | — | | — | | — | | 7,331 |
| Long-term operating lease obligations | 37,609 | 27,443 | — | | — | | 3,328 | 6(e) | 68,380 |
| Deferred tax liabilities | — | 16,770 | — | | — | | 111,381 | 6(h) | 128,151 |
| Other long-term liabilities | 220 | — | — | | — | | 26,300 | 6(i) | 26,520 |
| Total liabilities | 577,107 | 809,634 | 55,678 | | 838,262 | | (533,645) | | 1,747,036 |
| Stockholders' equity: | | | | | | | | | |
| Common stock | 1,034 | — | 149 | 4(d) | — | | 65 | 6(j) | 1,248 |
| Additional paid-in capital | 597,210 | 259,217 | 909,298 | 4(d) | — | | 15,718 | 6(j) | 1,781,443 |
| Retained earnings | 384,416 | 61,523 | — | | — | | (81,853) | 6(j) | 364,086 |
| Accumulated other comprehensive income | 680 | (1,255) | — | | — | | 1,255 | 6(j) | 680 |
| Total stockholders' equity | 983,340 | 319,485 | 909,447 | | — | | (64,815) | | 2,147,457 |
| Total liabilities and stockholders' equity | \$ 1,560,447 | \$ 1,129,119 | \$ 965,125 | | \$ 838,262 | | \$ (598,460) | | \$3,894,493 |

See the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For The Nine Months Ended September 30, 2025

(\$ in 000's, except share and per share data)

| (In Thousands) | VSE Corporation Historical As of September 30, 2025 (Note 1) | PAG's Historical (Reclassified) As of September 30, 2025 (Note 2) | Transaction Accounting Adjustments | | | | Pro Forma Combined |
|--|--|---|---|---|--|------|-----------------------|
| | | | Equity- Related Adjustments (Note 4) | Debt- Related Adjustments (Note 5) | Acquisition- Related Adjustments (Note 7) | | |
| Revenues: | | | | | | | |
| Products | \$ 510,189 | \$ — | \$ — | \$ — | \$ (10,993) | 7(a) | \$ 499,196 |
| Services | 300,904 | 431,150 | — | — | (2,502) | 7(a) | 729,552 |
| Total revenues | 811,093 | 431,150 | — | — | (13,495) | | 1,228,748 |
| Costs and operating expenses: | | | | | | | |
| Products | 429,377 | — | — | — | (10,993) | 7(b) | 418,384 |
| Services | 270,510 | 342,978 | — | — | (1,474) | 7(c) | 612,014 |
| Selling, general and administrative expenses | 5,594 | 8,213 | — | — | — | | 13,807 |
| Earn-out receivable fair value adjustments | 29,200 | — | — | — | — | | 29,200 |
| Amortization of intangible assets | 19,308 | 11,839 | — | — | 25,661 | 7(e) | 56,808 |
| Total costs and operating expenses | 753,989 | 363,030 | — | — | 13,194 | | 1,130,213 |
| Operating income | 57,104 | 68,120 | — | — | (26,689) | | 98,535 |
| Interest expense, net | 18,723 | 46,886 | 1,976 | 4(e) 38,606 | 5(e) (46,886) | 7(f) | 59,305 |
| Income from continuing operations before income taxes | 38,381 | 21,234 | \$ (1,976) | (38,606) | 20,197 | | 39,230 |
| Provision (benefit) for income taxes | 7,184 | 4,826 | (494) | 4(f) (9,613) | 5(f) 5,050 | 7(g) | 6,953 |
| Net income from continuing operations | \$ 31,197 | \$ 16,408 | \$ (1,482) | \$ (28,993) | \$ 15,147 | | \$ 32,277 |
| Earnings (loss) per share (Note 8): | | | | | | | |
| Basic | | | | | | | |
| Continuing operations | \$ 1.51 | | | | | 8 | \$ 1.23 |
| Diluted | | | | | | | |
| Continuing operations | \$ 1.50 | | | | | 8 | \$ 1.21 |
| Weighted average shares outstanding: | | | | | | | |
| Basic | 20,656,680 | | | | | 8 | 26,273,477 |
| Diluted | 20,742,957 | | | | | 8 | 26,626,872 |

See the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For The Year Ended December 31, 2024
(\$ in 000's, except share and per share data)

| (In Thousands) | VSE Corporation Historical As of December 31, 2024 (Note 1) | PAG's Historical (Reclassified) As of December 31, 2024 (Note 2) | Transaction Accounting Adjustments | | | | | Pro Forma Combined | |
|--|---|--|---|------|---|------|--|-----------------------|--------------------|
| | | | Equity- Related Adjustments (Note 4) | | Debt- Related Adjustments (Note 5) | | Acquisition- Related Adjustments (Note 7) | | |
| Revenues: | | | | | | | | | |
| Products | \$ 482,800 | \$ — | \$ — | | \$ — | | \$ (12,452) | 7(a) | \$ 470,348 |
| Services | 303,456 | 472,049 | — | | — | | (4,263) | 7(a) | 771,242 |
| Total revenues | 786,256 | 472,049 | — | | — | | (16,715) | | 1,241,590 |
| Costs and operating expenses: | | | | | | | | | |
| Products | 404,873 | — | — | | — | | (12,452) | 7(b) | 392,421 |
| Services | 279,168 | 392,611 | — | | — | | (1,741) | 7(c) | 670,038 |
| Selling, general and administrative expenses | 13,629 | 10,940 | — | | — | | 18,892 | 7(d) | 43,461 |
| Lease abandonment and termination costs | 12,205 | — | — | | — | | — | | 12,205 |
| Amortization of intangible assets | 17,625 | 7,660 | — | | — | | 42,340 | 7(e) | 67,625 |
| Total costs and operating expenses | 727,500 | 411,211 | — | | — | | 47,039 | | 1,185,750 |
| Operating income | 58,756 | 60,838 | — | | — | | (63,754) | | 55,840 |
| Interest expense, net | 34,947 | 46,686 | 3,920 | 4(e) | 52,122 | 5(e) | (46,686) | 7(f) | 90,989 |
| Income from continuing operations before income taxes | 23,809 | 14,152 | (3,920) | | (52,122) | | (17,068) | | (35,149) |
| Provision (benefit) for income taxes | 4,407 | 7,371 | (980) | 4(f) | (12,979) | 5(f) | (4,267) | 7(g) | (6,448) |
| Net income from continuing operations | \$ 19,402 | \$ 6,781 | \$ (2,940) | | \$ (39,143) | | \$ (12,801) | | \$ (28,701) |
| Earnings (loss) per share (Note 8): | | | | | | | | | |
| Basic | | | | | | | | | |
| Continuing operations | \$ 1.09 | | | | | | | 8 | \$ (1.22) |
| Diluted | | | | | | | | | |
| Continuing operations | \$ 1.08 | | | | | | | 8 | \$ (1.22) |
| Weighted average shares outstanding: | | | | | | | | | |
| Basic | 17,878,608 | | | | | | | 8 | 23,495,405 |
| Diluted | 17,975,295 | | | | | | | 8 | 23,495,405 |

See the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 - Basis of Presentation

The unaudited pro forma condensed combined financial information and related notes are prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses”.

The Company and PAG’s historical financial statements were prepared in accordance with U.S. GAAP and presented in U.S. dollars. As discussed in Note 2, certain reclassifications were made to align the Company and PAG’s financial statement presentation. The Company is currently in the process of evaluating PAG’s accounting policies, which will be finalized upon completion of the Acquisition, or as more information becomes available. As a result of that review, additional differences could be identified between the accounting policies of the two companies. With the information currently available, the Company has determined that no significant adjustments are necessary to conform PAG’s financial statements to the accounting policies used by the Company.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805, with the Company as the accounting acquirer, using the fair value concepts defined in ASC Topic 820, Fair Value Measurement, and based on the historical financial statements of the Company and PAG. Under ASC 805, all assets acquired and liabilities assumed in a business combination are recognized and measured at their assumed acquisition date fair value, while transaction costs associated with the business combination are expensed as incurred. The excess of consideration for the Acquisition over the estimated fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The allocation of the aggregate consideration for the Acquisition depends upon certain estimates and assumptions, all of which are preliminary. The allocation of the aggregate consideration for the Acquisition has been made for the purpose of developing the unaudited pro forma condensed combined financial information. The final determination of fair values of assets acquired and liabilities assumed relating to the Acquisition could differ materially from the preliminary allocation of aggregate consideration for the Acquisition. The final valuation will be based on the actual net tangible and intangible assets of PAG existing on the Closing Date.

The amounts herein have been presented on the basis of continuing operations in accordance with Article 11 of Regulation S-X. In April 2025, the Company completed the previously announced sale of all of the issued and outstanding shares of common stock of its Fleet segment. In its most recent Quarterly Report on Form 10-Q, the Company presented the Fleet segment in discontinued operations. Accordingly, the unaudited pro forma Condensed Combined Statement of Operations for the year ended December 31, 2024 has been adjusted to reflect the Fleet segment as part of discontinued operations and exclude it from continuing operations. The historical amounts presented for VSE Corporation as of December 31, 2024 have been adjusted to reflect discontinued operations as follows:

| (In Thousands) | VSE Corporation Historical As of December 31, 2024 prior to Discontinued Operations | Adjustment for Discontinued Operations | Adjusted VSE Statement of Operations |
|--|---|--|--|
| Revenues: | | | |
| Products | \$ 776,676 | \$ (293,876) | \$ 482,800 |
| Services | 303,456 | — | 303,456 |
| Total revenues | 1,080,132 | (293,876) | 786,256 |
| Costs and operating expenses: | | | |
| Products | 675,015 | (270,142) | 404,873 |
| Services | 279,168 | — | 279,168 |
| Selling, general and administrative expenses | 14,576 | (947) | 13,629 |
| Lease abandonment and termination costs | 12,205 | — | 12,205 |
| Amortization of intangible assets | 17,749 | (124) | 17,625 |
| Total costs and operating expenses | 998,713 | (271,213) | 727,500 |
| Operating income | 81,419 | (22,663) | 58,756 |
| Interest expense, net | 34,939 | 8 | 34,947 |
| Income from continuing operations before income taxes | 46,480 | (22,671) | 23,809 |
| Provision for income taxes | 9,982 | (5,575) | 4,407 |
| Net income (loss) from continuing operations | 36,498 | (17,096) | 19,402 |
| (Loss) income from discontinued operations, net of tax | (21,174) | (17,096) | (4,078) |
| Net income | \$ 15,324 | \$ — | \$ 15,324 |
| Earnings (loss) per share: | | | |
| Basic | | | |
| Continuing operations | \$ 2.04 | | \$ 1.09 |
| Discontinued operations | (1.18) | | (0.23) |
| | \$ 0.86 | | \$ 0.86 |

| | | |
|---|----------------|----------------|
| Diluted | | |
| Continuing operations | \$ 2.03 | \$ 1.08 |
| Discontinued operations | (1.18) | (0.23) |
| | <u>\$ 0.85</u> | <u>\$ 0.85</u> |
| Weighted average shares outstanding: | | |
| Basic | 17,878,608 | 17,878,608 |
| Diluted | 17,975,295 | 17,975,295 |

The pro forma adjustments represent management's best estimates and are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances.

Note 2 - Reclassification adjustments

During the preparation of the unaudited pro forma condensed combined financial information, management performed a preliminary analysis of PAG's financial information to identify differences in accounting policies as compared to those of the Company and differences in financial statement presentation as compared to the presentation of the Company. With the information currently available, the Company noted no material differences in accounting policies. Certain reclassification adjustments have been made to conform PAG's historical financial statement presentation to the Company's financial statement presentation. Following the Acquisition, the combined company will finalize the review of accounting policies, reclassifications, and intercompany activity, which could be materially different from the amounts set forth in the unaudited pro forma condensed combined financial information presented herein.

- A) Refer to the table below for a summary of reclassification adjustments made to present PAG's balance sheet as of September 30, 2025 to conform with that of the Company's:

| <i>(in 000's)</i> | PAG and Subsidiaries Historical Condensed Combined Balance Sheet Line Items | PAG and Subsidiaries As of September 30, 2025 | Reclassification | Note | PAG and Subsidiaries Reclassified Amount As of September 30, 2025 | VSE Financial Statement Line Item |
|-----------------------|---|--|-------------------------|-------------|--|--|
| | Cash | \$ 14,736 | \$ — | | \$ 14,736 | Cash and cash equivalents |
| | Restricted cash | 292 | (292) | (a) | — | Prepaid expenses and other current assets |
| | Accounts receivable, net of allowances | 64,039 | — | | 64,039 | Receivables, net |
| | Contract Assets | 10,253 | — | | 10,253 | Contract assets |
| | Inventory | 187,461 | — | | 187,461 | Inventories |
| | Prepaid expenses and other assets | 4,568 | 292 | (a) | 4,860 | Prepaid expenses and other current assets |
| | Property and equipment, net | 61,287 | 62 | (b) | 61,349 | Property and equipment, net |
| | Goodwill, net | 441,007 | — | | 441,007 | Goodwill |
| | Other intangible assets, net | 314,111 | — | | 314,111 | Intangible assets, net |
| | Related party receivable | 730 | — | (c) | 730 | Other assets |
| | Operating lease, right-of-use assets, net | 30,197 | — | | 30,197 | Operating lease right-of-use assets |
| | Financing lease, right-of-use assets, net | 62 | (62) | (b) | — | Property and equipment, net |
| | Other non-current assets | 376 | — | | 376 | Other assets |
| | Current maturities of long-term debt | 32 | 44 | (e) | 76 | Current portion of long-term debt |
| | Current maturities of long-term debt - related party | 7,028 | — | | 7,028 | Current portion of long-term debt |
| | Accounts payable | 23,535 | — | | 23,535 | Accounts payable |
| | Accrued compensation and benefits | 10,335 | 38,258 | (d) | 48,593 | Accrued expenses and other current liabilities |
| | Other accrued liabilities | 24,676 | (24,676) | (d) | — | Accrued expenses and other current liabilities |
| | Operating lease liabilities, current portion | 4,976 | (4,976) | (d) | — | Accrued expenses and other current liabilities |
| | Financing lease liabilities, current portion | 44 | (44) | (e) | — | Current portion of long-term debt |
| | Other payables | 4,046 | (4,046) | (d) | — | Accrued expenses and other current liabilities |
| | Income taxes payable | 4,560 | (4,560) | (d) | — | Accrued expenses and other current liabilities |
| | Long-term debt, less current maturities and unamortized debt issuance costs | 58 | — | | 58 | Long-term debt, less current portion |
| | Long-term debt, less current maturities and unamortized debt issuance costs - related party | 686,109 | — | | 686,109 | Long-term debt, less current portion |
| | Deferred income taxes | 16,770 | — | | 16,770 | Deferred tax liabilities |
| | Operating lease liabilities, net of current portion | 27,443 | — | | 27,443 | Long-term operating lease obligations |

| | | | | | |
|---|---------|---------|-----|---------|--|
| Financing lease liabilities, net of current portion | 22 | — | (f) | 22 | Long-term debt, less current portion |
| Common stock | — | — | | — | Common stock |
| Additional paid-in capital | 260,942 | (1,725) | (g) | 259,217 | Additional paid-in capital |
| Accumulated other comprehensive income (loss) | (2,980) | 1,725 | (g) | (1,255) | Accumulated other comprehensive income |
| Retained Earnings | 61,523 | — | | 61,523 | Retained earnings |

- a) Reclassification of \$292 thousand of restricted cash to prepaid expenses and other current assets.
- b) Reclassification of \$62 thousand of finance lease, right-of-use assets to property and equipment, net.
- c) Reclassification of \$730 thousand of related party receivable to other assets.
- d) Reclassification of \$10 million of accrued compensation and benefits, \$25 million of other accrued liabilities, \$5 million of current portion of operating lease liabilities, \$4 million of other payables and \$5 million of income taxes payable to accrued expenses and other current liabilities.
- e) Reclassification of \$44 thousand of financing lease liabilities, current portion to current portion of long-term debt.
- f) Reclassification of \$22 thousand of financing lease liabilities, net of current portion to long-term debt, less current portion.
- g) Reclassification of \$2 million of accumulated other comprehensive income (loss) to additional paid-in capital.

- B) Refer to the table below for a summary of adjustments made to present PAG's Statement of Operations for the nine months ended September 30, 2025 to conform with that of the Company's:

| (in 000 \$) | PAG and Subsidiaries Historical Condensed Combined Statement of Operations Line Items | PAG and Subsidiaries for the nine months ended September 30, 2025 | Reclassification | Note | PAG and Subsidiaries Reclassified for the nine months ended September 30, 2025 | VSE Financial Statement Line Item |
|----------------|---|--|------------------|----------|--|---|
| | Revenues | \$ 431,150 | \$ — | | \$ 431,150 | Services |
| | Cost of Sales | 262,730 | 76,788 | (h), (j) | 339,518 | Costs and Operating Expenses - Services |
| | General and administrative expenses | 92,948 | — | | 4,315 | Selling, general and administrative expenses |
| | | | (76,794) | (h) | — | Costs and Operating Expense - Services |
| | | | (11,839) | (i) | 11,839 | Amortization of intangible assets |
| | Transaction and acquisition expenses | 3,787 | — | | 3,787 | Selling, general and administrative expenses |
| | Interest expense, net - related party | 46,886 | — | | 46,886 | Interest expense, net |
| | Loss on extinguishment of debt | — | — | | — | Selling, general and administrative expenses |
| | Related party management fee | 3,480 | — | | 3,480 | Costs and Operating Expenses - Services |
| | (Gain) loss on foreign exchange | (20) | — | | (20) | Costs and Operating Expenses - Services |
| | Other expense, net | 105 | 6 | (j) | 111 | Selling, general and administrative expenses |
| | Provision for (benefit from) income taxes | 4,826 | — | | 4,826 | Provision for income taxes |

h) Reclassification of \$77 million of general and administrative to Costs and Operating Expenses - Services.

i) Reclassification of \$12 million of general and administrative expenses to amortization of intangible assets.

j) Reclassification of \$6 thousand of other expense, net to Costs and Operating Expenses - Services.

- C) Refer to the table below for a summary of adjustments made to present PAG's Statement of Operations for the year ended December 31, 2024 to conform with that of the Company's:

| <i>(in 000 \$)</i> | PAG and Subsidiaries Historical Condensed Combined Statement of Operations Line Items | PAG and Subsidiaries Year Ended December 31, 2024 | Reclassification | Note | PAG and Subsidiaries Reclassified Year Ended December 31, 2024 | VSE Financial Statement Line Item |
|--------------------|--|---|------------------|----------|---|---|
| | Revenues | \$ 472,049 | \$ — | | \$ 472,049 | Services |
| | Cost of Sales | 306,660 | 83,490 | (k), (m) | 390,150 | Costs and Operating Expenses - Services |
| | General and administrative expenses | 94,867 | — | | 3,710 | Selling, general and administrative expenses |
| | | | (83,497) | (k) | — | Costs and Operating Expenses - Services |
| | | | (7,660) | (l) | 7,660 | Amortization of intangible assets |
| | Transaction and acquisition expenses | 7,289 | — | | 7,289 | Selling, general and administrative expenses |
| | Interest expense, net - related party | 46,686 | — | | 46,686 | Interest expense, net |
| | Loss on extinguishment of debt | — | — | | — | Selling, general and administrative expenses |
| | Related party management fee | 2,651 | — | | 2,651 | Costs and Operating Expenses - Services |
| | (Gain) loss on foreign exchange | (190) | — | | (190) | Costs and Operating Expenses - Services |
| | Other expense, net | (66) | (7) | (m) | (59) | Selling, general and administrative expenses |
| | Provision for (benefit from) income taxes | 7,371 | — | | 7,371 | Provision for income taxes |

k) Reclassification of \$83 million of general and administrative to Costs and Operating Expenses - Services.

l) Reclassification of \$8 million of general and administrative expenses to amortization of intangible assets.

m) Reclassification of \$7 thousand of other expense, net to Costs and Operating Expenses - Services.

Note 3 – Preliminary aggregate consideration allocation

Estimated Aggregate Consideration for the Acquisition

The following table summarizes the preliminary estimated aggregate consideration for the Acquisition with reference to the Company's share price of \$218.57 on January 30, 2026:

| <i>(in 000 \$)</i> | Amount |
|--|--------------------|
| Estimated cash paid for outstanding PAG capital stock (i) | \$1,025,968 |
| Estimated shares of the Company common stock issued to PAG stockholders (ii) | 275,000 |
| Estimated payment of PAG debt (iii) | 693,249 |
| Estimated contingent consideration (iv) | 26,300 |
| Estimated payment of PAG transaction expenses (v) | 45,519 |
| Preliminary estimated aggregate consideration for the Acquisition | \$2,066,036 |

- (i) The cash component of the preliminary estimated aggregate consideration for the Acquisition is based on the enterprise value of PAG on a cash-free, debt-free basis, assuming a normalized level of working capital at closing and will be subject to customary adjustments for working capital, cash, debt, and transaction expenses.
- (ii) Value of the Exchange Shares issued is based on 1,308,721 shares of the Company common stock being issued at a share price of \$210.13, which is the arithmetic mean of \$201.69, which is the 20 Day Volume-Weighted Average Price (“VWAP”) prior to the signing date of the Stock Purchase Agreement, and \$218.57, which is the assumed public offering price of the Common Stock Offering based on the closing price of the Company’s common stock on January 30, 2026.
- (iii) At closing, an estimated \$693 million will be paid out in cash to settle outstanding PAG debt.
- (iv) Contingent consideration is in the form of an Earn-Out Payment paid in Company common stock, cash, or a combination of the two, at the sole discretion of the Company, determined based on the achievement of certain full-year 2026 adjusted EBITDA performance thresholds by PAG. If the Company elects to pay any portion of the Earn-Out Payment in the form of common stock, the number of shares to be delivered will be determined based on the 20 Day VWAP of the Company’s common stock calculated on the Earn-Out Determination Date (as defined in the Stock Purchase Agreement). The amount presented represents the acquisition date provisional fair value of the estimated future payment to Seller based on a closed form Black-Scholes Model.
- (v) These costs consist of legal advisory, financial advisory, accounting and consulting costs of PAG.

Preliminary Aggregate Consideration Allocation

The assumed accounting for the Acquisition, including the preliminary aggregate consideration allocation for the Acquisition, is based on provisional amounts, and the associated purchase accounting is not final. The preliminary allocation of the purchase price to the acquired assets and assumed liabilities is based upon the preliminary estimate of fair values. For the preliminary estimate of fair values of assets acquired and liabilities assumed of PAG, the Company used publicly available benchmarking information as well as a variety of other assumptions, including market participant assumptions. The Company is expected to use widely accepted income-based, market-based, and cost-based valuation approaches upon finalization of purchase accounting for the Acquisition. Actual results may differ materially from the assumptions within the unaudited pro forma condensed combined financial information. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The purchase price adjustments relating to the PAG and the Company combined financial information are preliminary and subject to change, as additional information becomes available and as additional analyses are performed.

The following table summarizes the preliminary aggregate consideration allocation, as if the Acquisition had been completed on September 30, 2025:

| <i>(in 000's)</i> | Amount |
|--|---------------|
| Cash and cash equivalents | \$ 14,736 |
| Receivables, net | 64,039 |
| Contract assets | 10,253 |
| Inventories | 187,461 |
| Prepaid expenses and other current assets | 4,860 |
| Property and equipment, net | 61,349 |
| Intangible assets, net (i) | 600,000 |
| Goodwill | 1,316,141 |
| Operating lease right-of-use assets | 36,888 |
| Note receivable | — |
| Other assets | 1,106 |
| Current portion of long-term debt | 44 |
| Accounts payable | 22,097 |
| Accrued expenses and other current liabilities | 49,734 |
| Dividends payable | — |
| Long-term debt, less current portion | — |
| Deferred compensation | — |

| | |
|---|---------------------------|
| Long-term operating lease obligations | 30,771 |
| Deferred tax liabilities (ii) | 128,151 |
| Other long-term liabilities | — |
| Total fair value of net assets acquired: | <u>\$2,066,036</u> |

- (i) Preliminary identifiable intangible assets in the unaudited pro forma condensed combined financial information consists of the following:

| <u>(in 000's)</u> | <u>Preliminary Fair Value</u> | <u>Estimated Useful Life</u> |
|---|-----------------------------------|----------------------------------|
| Preliminary fair value of intangible assets acquired: | | |
| Customer relationships | <u>\$ 600,000</u> | 11 -13 YEARS |

A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the amortization expense of approximately \$4 million for the nine months ended September 30, 2025 and \$5 million for the year ended December 31, 2024. Pro forma amortization is preliminary and based on the use of straight-line amortization. The amount of amortization following the Acquisition may differ significantly between periods based upon the final value assigned and amortization methodology used for each identifiable intangible asset.

- (ii) Deferred tax assets and liabilities were derived based on incremental differences in the book and tax basis created from the preliminary aggregate consideration allocation.

Note 4 – Equity-Related Adjustments

The following summarizes the pro forma adjustments in connection with the TEU Offering, the Common Stock Offering and the Acquisition as if each had occurred on January 1, 2024 for the purposes of the unaudited pro forma Condensed Combined Statement of Operations, and as if it had occurred on September 30, 2025 for the purposes of the unaudited pro forma Condensed Combined Balance Sheet.

- (a) Adjustments to cash consists of the following:

| <u>(in 000's)</u> | <u>Amount</u> |
|---|-------------------------|
| Gross proceeds raised from the equity component of the TEUs | \$292,600 |
| Gross proceeds raised from the debt component of the TEUs | 57,400 |
| Gross proceeds raised from sale of common stock | 650,000 |
| Cash paid for financing fees related to TEUs and common stock | <u>\$(34,875)</u> |
| Net pro forma transaction accounting adjustment to cash and cash equivalents related to Equity Financing | <u>\$965,125</u> |

- (b) Adjustment to record the current portion of the amortizing notes component of the TEUs.

- (c) Adjustment to record the non-current portion of the amortizing notes component of the TEUs.

- (d) Adjustment to record the common stock and purchase contract component of the TEUs. Based on the expected structure of the TEUs, the Company expects the purchase contract component of the TEUs to meet equity classification. The classification of the TEUs will be subject to detailed assessment once finalized and a different conclusion may result in a material impact on the unaudited pro forma condensed combined financial information.

| <u>(in 000's)</u> | <u>Common stock</u> | <u>Additional Paid In Capital</u> |
|---|----------------------|---------------------------------------|
| Issuance of common stock | \$ 149 | \$ 625,476 |
| Equity component of TEUs | — | 283,822 |
| Net pro forma transaction accounting adjustments to equity related to Equity Financing | <u>\$ 149</u> | <u>\$ 909,298</u> |

- (e) Adjustments to interest expense consists of the following:

| <i>(in 000's)</i> | For the Nine Months Ended September 30, 2025 | For the Year Ended December 31, 2024 |
|---|---|---|
| Interest expense related to the debt component of TEUs | \$ 1,507 | \$ 3,013 |
| Amortization of deferred financing fees related to TEUs | 469 | 907 |
| Pro forma adjustment to interest expense | \$ 1,976 | \$ 3,920 |

(f) Adjustment to record the income tax impacts of the pro forma adjustments using a statutory tax rate of 25% for the nine months ended September 30, 2025 and year ended December 31, 2024. These rates do not reflect VSE's effective tax rate, which includes other items and may differ from the rates assumed for purposes of preparing these statements.

Note 5 – Debt-Related Adjustments

The following summarizes the pro forma adjustments in connection with the new Debt Financing and the refinancing of certain existing debts of the Company as if each had occurred on January 1, 2024 for the purposes of the unaudited pro forma Condensed Combined Statements of Operations, and as if each had occurred on September 30, 2025 for the purposes of the unaudited pro forma Condensed Combined Balance Sheet. The following assumes that the Company (i) will not borrow under the New Revolving Credit Facility or the Bridge Facility and (ii) incurs new incremental borrowings under the New Term Loan A Facility in the amount of \$350 million and borrowings under the New Term Loan B Facility in the amount of \$500 million. The final terms of the Financing Transactions, including the amounts of borrowings, if any, under each of the New Revolving Credit Facility, the Bridge Facility, the New Term Loan A Facility and the New Term Loan B Facility, could differ materially from these assumptions.

(a) Adjustments to cash consists of the following:

| <i>(in 000's)</i> | Amount |
|---|------------------|
| Gross proceeds raised from New Term Loan B Facility, net of original issue discount | \$497,500 |
| Gross proceeds raised from New Term Loan A Facility | 350,000 |
| Cash paid for financing fees for the New Term Loan B Facility | (5,938) |
| Cash paid for financing fees for the New Term Loan A Facility | (3,300) |
| Cash paid for financing fees for the New Revolving Credit Facility | (825) |
| Net pro forma transaction accounting adjustment to cash and cash equivalents related to Debt Financing | \$837,437 |

(b) Adjustments to other assets for deferred financing fees related to the New Revolving Credit Facility.

(c) Adjustments to current portion of long-term debt consist of the following:

| <i>(in 000's)</i> | Amount |
|--|-----------------|
| Current portion of New Term Loan B Facility | \$ 5,000 |
| Current Portion of New Term Loan A Facility | 8,750 |
| Total current portion of long-term debt | \$13,750 |

(d) Adjustments to long-term debt consists of the following:

| <i>(in 000's)</i> | Amount |
|---|------------------|
| Record aggregate amount of New Term Loan B Facility, net of current portion and original issue discount | \$492,500 |
| Record aggregate amount of New Term Loan A Facility, net of current portion | 341,250 |
| Less: cash paid for financing fees for the New Term Loan B Facility | (5,938) |
| Less: cash paid for financing fees for the New Term Loan A Facility | (3,300) |
| Total adjustments to debt, net of current position | \$824,512 |

(e) Adjustments to interest expense consists of the following:

| <i>(in 000's)</i> | For the Nine Months Ended September 30, 2025 | For the Year Ended December 31, 2024 |
|---|---|---|
| Interest expense related to new debt borrowings | \$ 37,035 | \$ 50,093 |
| Amortization of deferred financing fees related to new debt borrowings | 1,571 | 2,029 |
| Pro forma adjustment to interest expense related to Debt Financing | \$ 38,606 | \$ 52,122 |

The adjustment to interest expense assumes the principal, stated amount and assumed rates on the Debt Financing do not change from those assumed, however, a 0.125% change in the respective variable interest rate of the respective loans would result in an increase or decrease in pro forma interest expense of approximately \$778 thousand for the nine months ended September 30, 2025 and \$1,051 thousand for the year ended December 31, 2024.

(f) Adjustment to record the income tax impacts of the pro forma adjustments using a statutory tax rate of 25% for the nine months ended September 30, 2025 and year ended December 31, 2024. These rates do not reflect VSE's effective tax rate, which includes other items and may differ from the rates assumed for purposes of preparing these statements.

Note 6 – Acquisition-Related Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

Adjustments included in Acquisition-Related Adjustments column in the unaudited pro forma Condensed Combined Balance Sheet as of September 30, 2025 are as follows:

(a) Reflects adjustment to cash and cash equivalents:

| <i>(in 000's)</i> | <u>Amount</u> |
|--|---------------------------|
| <i>Pro forma transaction accounting adjustments:</i> | |
| Total GAAP Purchase Price | \$2,066,036 |
| Less: Earn-Out Payment | (26,300) |
| Less: Exchange Shares | (275,000) |
| Total acquisition related adjustment to cash | <u>\$1,764,736</u> |

(b) Represents an adjustment to eliminate accounts receivable between the Company and PAG.

(c) Reflects the preliminary purchase accounting adjustment for estimated intangibles based on the acquisition method of accounting. Refer to Note 3 above for additional information on the acquired intangible assets expected to be recognized.

| <i>(in 000's)</i> | <u>Amount</u> |
|--|--------------------------|
| <i>Pro forma transaction accounting adjustments:</i> | |
| Elimination of PAG's historical net book value of intangible assets | \$(314,111) |
| Preliminary fair value of acquired intangibles | 600,000 |
| Net pro forma transaction accounting adjustment to intangible assets, net | <u>\$ 285,889</u> |

The fair value of acquired customer relationships was determined using the "multi-period excess earnings method" which is a variation of the income approach based on expected future revenues derived from the customers acquired. The above fair value estimates are preliminary and subject to change and could vary materially from the actual adjustment on the Closing Date.

(d) Reflects a preliminary goodwill adjustment of \$441 million which represents the elimination of historical goodwill and excess of the estimated aggregate consideration for the Acquisition over the preliminary fair value of the underlying assets acquired and liabilities assumed.

| <i>(in 000's)</i> | <u>Amount</u> |
|--|--------------------------|
| <i>Pro forma transaction accounting adjustments:</i> | |
| Elimination of PAG's historical goodwill | \$ (441,007) |
| Goodwill per aggregate consideration allocation (Note 3) | 1,316,141 |
| Net pro forma transaction accounting adjustment to goodwill | <u>\$ 875,134</u> |

(e) Reflects the preliminary purchase accounting adjustment for operating lease liabilities, based on the acquisition method of accounting, at the present value of the remaining lease payments in accordance with ASC Topic 805.

| <i>(in 000's)</i> | <u>Amount</u> |
|--|---------------|
| <i>Pro forma transaction accounting adjustments:</i> | |
| Adjustment to operating ROU assets | \$6,691 |
| Adjustment to short-term lease liability | \$1,141 |
| Adjustment to long-term lease liability | \$3,328 |

(f) Represents an adjustment to accounts payable:

| <i>(in 000's)</i> | <u>Amount</u> |
|--|-----------------|
| <i>Pro forma transaction accounting adjustments:</i> | |
| Elimination of accounts payable between the Company and PAG | \$ (1,438) |
| Adjustment to record transaction fees and expenses to be incurred by the Company | 18,892 |
| Net pro forma transaction accounting adjustment to accounts payable | <u>\$17,454</u> |

(g) Represents an adjustment to eliminate \$7 million of PAG's current portion of long-term debt and \$686 million of PAG's non-current portion of long-term debt that will be repaid, or caused to be repaid, by VSE in connection with the Closing Date from the \$2.066 billion acquisition consideration.

(h) Represents the adjustment to deferred tax liability of \$111 million associated with the incremental differences in the book and tax basis created from the preliminary aggregate consideration allocation, primarily resulting from the preliminary fair value of intangible assets. These adjustments were based on the applicable statutory tax rate with the respective estimated aggregate consideration allocation. The effective tax rate of the combined company could be significantly different (either higher or lower) depending on post-acquisition activities, including cash needs, the geographical mix of income and changes in tax law. Because the tax rates used for the unaudited pro forma condensed combined financial information are estimated, the blended rate will likely vary from the actual effective rate in periods subsequent to completion of the Acquisition. This determination is preliminary and subject to change based upon the final determination of the fair value of the acquired assets and assumed liabilities.

(i) Reflects adjustment to other long-term liabilities for Earn-Out Payment included in purchase consideration. Refer to Note 3 for more details.

(j) Reflects the adjustments to stockholders' equity:

| <i>(in 000's)</i> | <u>Common Stock</u> | <u>Additional Paid In Capital</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income</u> |
|--|---------------------|-----------------------------------|--------------------------|---|
| Elimination of transactions between the Company and PAG | \$ — | \$ — | \$ (1,438) | \$ — |
| Issuance of Exchange Shares as part of purchase consideration | 65 | 274,935 | — | — |
| Elimination of historical goodwill | — | (441,007) | — | — |
| Elimination of PAG's historical equity | — | 181,790 | (61,523) | 1,255 |
| Adjustment to accrue for transaction fees and expenses to be incurred by the Company | — | — | (18,892) | — |
| Total adjustment to equity | <u>\$ 65</u> | <u>\$ 15,718</u> | <u>\$ (81,853)</u> | <u>\$ 1,255</u> |

Note 7 – Acquisition-Related Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations

Adjustments included in Acquisition-Related Adjustments column in the unaudited pro forma Condensed Combined Statements of Operations for the nine months ended September 30, 2025 and fiscal year ended December 31, 2024 are as follows:

(a) Represents adjustments to eliminate revenue between the Company and PAG.

(b) Represents adjustments to eliminate cost of sales (products) between the Company and PAG.

(c) Represents adjustments to cost of sales (services) for eliminations between the Company and PAG and for lease remeasurement:

| <i>(in 000's)</i> | <u>For the Nine Months Ended September 30, 2025</u> | <u>For the Year Ended December 31, 2024</u> |
|---|---|---|
| Lease Remeasurement | \$ 1,028 | \$ 2,522 |
| Elimination of PAG-VSE cost of sales (services) | (2,502) | (4,263) |
| Pro forma adjustment to Services | <u>\$ (1,474)</u> | <u>\$ (1,741)</u> |

(d) Represents non-recurring transaction-related costs of approximately \$18.9 million in connection with the Acquisition that were not reflected in the historical Condensed Combined Statement of Operations. These non-recurring transaction-related costs were not eligible for capitalization and are reflected as if incurred on January 1, 2024, the date the Acquisition occurred for purposes of the unaudited pro forma Condensed Combined Statement of Operations.

(e) Represents adjustments to amortization of intangible assets for the nine months ended September 30, 2025 and year ended December 31, 2024:

| <i>(in 000's)</i> | For the Nine Months Ended September 30, 2025 | For the Year Ended December 31, 2024 |
|--|---|---|
| Historical Amortization Elimination | \$ (11,839) | \$ (7,660) |
| Amortization of Acquired Intangible Assets | 37,500 | 50,000 |
| Pro forma adjustment to Amortization of Intangible Assets | \$ 25,661 | \$ 42,340 |

(f) Represents adjustments to add back interest expense related to historical PAG indebtedness that will not be assumed by VSE.

(g) Represents adjustments to record the income tax impacts of the pro forma adjustments using a statutory tax rate of 25% for the nine months ended September 30, 2025 and year ended December 31, 2024.

These rates do not reflect VSE's effective tax rate, which includes foreign taxes and other items and may differ from the rates assumed for purposes of preparing these statements.

Note 8 – Earnings (Loss) Per Share

The unaudited pro forma basic and diluted earnings per share ("EPS") for the nine months ended September 30, 2025 and year ended December 31, 2024 are based on pro forma income reflecting the adjustments discussed above divided by the basic and diluted pro forma weighted-average number of common stock outstanding.

In connection with the issuance of Exchange Shares by the Company to Seller, the number of rollover shares issued is calculated using the arithmetic mean of the 20 Day VWAP prior to the signing of the Stock Purchase Agreement and the assumed public offering price of the Common Stock Offering based on the closing stock price of the Company's common stock on January 30, 2026. The effect of the issuance of Exchange Shares is included in the unaudited pro forma basic and diluted EPS.

In connection with the TEU Offering, prepaid stock purchase contracts will be issued, which give the holder the option to redeem the purchase contracts for a variable number of common stock, subject to a minimum share settlement rate, for no additional consideration. The unaudited pro forma basic EPS calculation gives effect to the assumed TEU issuance by including the minimum number of shares issuable in its weighted average shares outstanding, as if they were issued and outstanding as of January 1, 2024, such that the total weighted average of shares outstanding would be 26.3 million for the nine months ended September 30, 2025 and 23.5 million for the year ended December 31, 2024 on a pro forma consolidated basis.

The unaudited pro forma diluted EPS calculation should give effect to all potentially dilutive shares following the closing of the Acquisition and related transactions, including the shares issuable pursuant to the prepaid stock purchase contracts as part of the TEU Offering and common stock issued as part of the Common Stock Offering. For purposes of calculating unaudited pro forma diluted EPS, the incremental amount of shares that would be exercisable based on the Company's share price at issuance of \$218.57 are included. The exercise of the prepaid purchase contracts is assumed to have occurred on January 1, 2024. The shares issuable pursuant to the exercise of the stock purchase contracts have been excluded from the calculation of unaudited pro forma diluted EPS for the year ended December 31, 2024 because the effect would have been anti-dilutive.

The impact of discontinued operations have been excluded from EPS pursuant to Article 11 of Regulation S-X.

The unaudited pro forma basic EPS are calculated as follows:

| <i>(in 000's)</i> | For the Nine Months Ended September 30, 2025 | For the Year Ended December 31, 2024 |
|---|---|---|
| Pro forma net (loss) income attributable to continuing operations | \$ 32,277 | \$ (28,701) |
| Pro forma basic weighted-average common stock outstanding | 26,273 | 23,495 |
| Pro forma basic EPS - continuing operations | \$ 1.23 | \$ (1.22) |

Should the underwriters fully exercise their option to purchase additional shares of common stock, which is limited to a maximum of 686,279 additional shares, consisting of up to 240,198 additional shares from the TEU Offering and 446,081 from the Common Stock Offering, VSE's pro forma weighted-average shares outstanding would increase by such amounts, and would reduce pro forma basic earnings (loss) per share from continuing operations by \$(0.01) and \$(0.01) per share for the TEU Offering underwriter option and \$0.00 and \$(0.02) for the Common Stock Offering for the nine months ended September 30, 2025 and year ended December 31, 2024, respectively.

The unaudited pro forma diluted EPS are calculated as follows:

| <i>(in 000's)</i> | For the Nine Months Ended September 30, 2025 | For the Year Ended December 31, 2024 |
|---|---|---|
| Pro forma net (loss) income attributable to continuing operations | \$ 32,277 | \$ (28,701) |
| Pro forma diluted weighted-average common stock outstanding | 26,627 | 23,495 |
| Pro forma diluted EPS - continuing operations | \$ 1.21 | \$ (1.22) |

A 10% increase in the Company's stock price would cause a corresponding increase in the earnings per share of approximately \$0.02 for the nine months ended September 30, 2025 and \$0.01 for the year ended December 31, 2024, and a 10% decrease in stock price would cause a corresponding decrease in earnings per share of \$(0.02) for the nine months ended September 30, 2025 and \$(0.04) for the year ended December 31, 2024. The amount of earnings per share following the Acquisition may differ significantly between periods based upon the changes in VSE stock price between filing of this document and actual close of the Acquisition.