VSE Corporation

Second Quarter 2023 Results Conference Call

July 2023

Forward-Looking Statements

This presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. All such statements are intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions. "Forward-looking" statements, as such term is defined by the SEC in its rules, regulations and releases, represent VSE Corporation's (the "Company") expectations or beliefs, including, but not limited to, statements concerning its operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements.

These statements speak only as of the date of this presentation and the Company undertakes no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this presentation, and relate to, among other things, the Company's intent, belief or current expectations with respect to: its future financial condition, results of operations or prospects; our business and growth strategies; and our financing plans and forecasts. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those contained in or implied by the forward-looking statements as a result of various factors, some of which are unknown, including, without limitation the factors identified in the Company's reports filed with the SEC including its Annual Report on Form 10-K for the year ended December 31, 2022.

Non-GAAP Financial Measures

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

The Company has presented forward-looking statements regarding Adjusted EBITDA margin. This non-GAAP financial measure is derived by excluding certain amounts, expenses or income, from the corresponding financial measure determined in accordance with GAAP. The determination of the amounts that are excluded from this non-GAAP financial measure is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period in reliance on the exception provided by item 10(e)(1)(i)(B) of Regulation S-K. We are unable to present a quantitative reconciliation of forward-looking Adjusted EBITDA margin to its most directly comparable forward-looking GAAP financial measure because such information is not available, and management cannot reliably predict all of the necessary components of such GAAP measure without unreasonable effort or expense. In addition, we believe such reconciliation would imply a degree of precision that would be confusing or misleading to investors. The unavailable information could have a significant impact on the company's future financial results. This non-GAAP financial measure is a preliminary estimate and is subject to risks and uncertainties, including, among others, changes in connection with quarter-end and year-end adjustments. Any variation between the company's actual results and preliminary financial data set forth above may be material.

Q2 Business Update

Strong Program Execution and Market Share Gains Driving Record Financial Performance

Aviation
+19% Revenue Growth

- **Record sales results driven by strong execution** on new and existing distribution programs, MRO capability expansion and market-share gains coupled with a robust market backdrop
- **Distribution revenue growth** driven by new product additions, expansion of existing OEM partnerships, entrance into new markets, and improved customer mix and pricing
- **MRO revenue growth and market share gains** driven by an expanded portfolio of service capabilities and products, and contributions from new customers

Fleet
+24% Revenue Growth

- **Record revenue quarter driven by contributions from all revenue channels**
- **Commercial fleet continues to gain market share** driven by an expanded customer base and new product offerings
- **Increased throughput at new e-commerce distribution center,** drove record sales results
- **Completed initial inventory investments supporting** e-commerce distribution center launch
- **Solid performance and growth in USPS program** supported by an expansion of the installed base of vehicles and support of all legacy vehicle types

Record Revenue Growth for Both Aviation and Fleet Segments

21% Company Revenue Growth

Recent Announcements / Strategic Update

Completed an Oversubscribed Follow-on Equity Offering
Announced the Strategic Repositioning of the Business with Increased Exposure to Aviation Aftermarket

Balance Sheet Optimization

Follow-on Equity Offering:

- **Completed oversubscribed equity offering** with net proceeds of approximately $113 million in July 2023
- **Net proceeds** used to repay outstanding borrowings under the Company's revolving credit facility accelerating de-leveraging and helps reposition the balance sheet to support opportunistic growth investments

Executed Variable-to-Fixed Interest Rate Swap

- Entered into $100M 3-year fixed interest rate swap in July '23
- Aggregate of $250M fixed interest rate debt

Repositioned portfolio

Sale of Federal & Defense Segment

- **Announcement:** May 2023, VSE announced a definitive agreement to sell FDS to Bernhard Capital Partners for up to $100M in total cash consideration
- **Rationale:** Sale allows VSE to reposition the business and focus on high-growth, high-margin business opportunities within Aviation and Fleet Aftermarket segments
- **Progress on Close/Timing:** VSE has created a new legal entity and is in the process of obtaining a security clearance for that entity. The transaction is still expected to close in late 2023 or early 2024 and is subject to customary closing conditions and approvals

Acquisition of Desser Aerospace

- **Announcement:** July 2023, VSE announced it closed on its previously announced acquisition of Desser Holding Company LLC ("Desser Aerospace"), a global aftermarket solutions provider of specialty distribution and MRO services
- **Transaction Details:** VSE acquired Desser Aerospace for a net purchase price of $94M (subject to working capital adjustment), following the sale of Desser Aerospace's Proprietary Solutions businesses
- **Rationale:** Acquisition increases VSE's exposure to aviation distribution and MRO markets and provides a platform for geographic expansion into international markets. Desser is a global market leader in aerospace tire distribution and wheel-and-brake MRO

Q2 2023 Overview

Total VSE*	> Total Revenue: $205M, +21% Y/Y > Net Income: $10M, +112% Y/Y > Adjusted EBITDA: $27M, +44% Y/Y
Aviation	> Revenue: $125M +19% Y/Y > Operating Income: $16M, +145% Y/Y > Adjusted EBITDA: $19M, +61% Y/Y
Fleet	> Revenue: $81M, +24% Y/Y > Operating Income: $8M, +46% Y/Y > Adjusted EBITDA: $10M, +24% Y/Y
Balance Sheet	> $71M in cash and unused commitment availability > Amended credit facility to support M&A > Operating cash flow: $(16)M; Free cash flow: $(20)M

(excludes discontinued operations)

Record Segment Revenue, Combined +21% for Both Aviation and Fleet
+44% Growth in Adjusted EBITDA

VSE CORPORATION

VSE Financial Summary

VSE Corporation

($ in millions except EPS)	Quarter-to-Date 2Q'23	2Q'22	vs. 2Q'22	Year-to-Date YTD'23	YTD'22	vs. YTD'22
Revenue	$205.2	$169.8	+21%	$393.8	$330.1	+19%
Adjusted EBITDA	$26.5	$18.3	+44%	$50.1	$35.9	+40%
Adjusted EBITDA %	12.9%	10.8%	+2.1 pts	12.7%	10.9%	+1.8 pts
Operating Income	$20.6	$10.5	+96%	$37.4	$22.6	+66%
Net Income	$10.1	$4.8	+112%	$18.2	$11.0	+65%
Adjusted Net Income	$10.6	$6.7	+59%	$19.8	$13.2	+50%
Diluted EPS	$0.78	$0.37	+110%	$1.42	$0.87	+63%
Adjusted Diluted EPS	$0.82	$0.52	+58%	$1.53	$1.03	+49%

(excludes discontinued operations)

Revenue

- Aviation +19% and Fleet +24%
- Commercial aviation end-markets remain robust; Continue to drive market share gains within BG&A markets
- Fleet growth driven by e-commerce fulfillment and commercial fleet market share gains, and an expansion in the USPS installed base

Adjusted EBITDA

- +44% 2Q'23 Y/Y driven by Aviation and Fleet outperformance
- Aviation MRO and Distribution growth and higher sales volume in Fleet

Q2 2023 Revenue +21%, Adjusted EBITDA +44%, Adjusted Net Income +59% year-over-year

Consolidated Performance Bridge

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
2Q'22 QTD	$169.8	$10.5	$18.3	10.8%
Aviation	+19.7	+9.3	+7.4	+2.8 pts
Fleet	+15.7	+2.5	+1.9	(0.1) pts
Corporate	--	(1.7)	(1.1)	(0.6) pts
2Q'23 QTD	$205.2	$20.6	$26.5	12.9%

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
2Q'22 YTD	$330.1	$22.6	$35.9	10.9%
Aviation	+39.7	+17.3	+15.5	+3.0 pts
Fleet	+24.0	+2.1	+1.3	(0.5) pts
Corporate	--	(4.6)	(2.6)	(0.7) pts
2Q'23 YTD	$393.8	$37.4	$50.1	12.7%

(excludes discontinued operations)

- **Aviation** segment revenue and profit growth supported by strong program execution, expansion in distribution product offerings and MRO capabilities, and margin-enhancing continuous improvement projects
- **Fleet** segment revenue growth driven by e-commerce fulfillment, commercial fleet sales and USPS activity; sequential quarterly improvement in profitability driven by scaling new Memphis, TN distribution facility
- **Corporate** expenses have increased due to expenses previously allocated to the FDS segment now being held at Corporate

Record Revenue and Earnings in Aviation

+44% 2Q Adjusted EBITDA growth

Aviation Segment

($ in millions)	Quarter-to-Date			Year-to-Date		
	2Q'23	2Q'22	vs. 2Q'22	2Q'23	2Q'22	vs. 2Q'22
Revenue	$124.7	$105.0	+19%	$238.0	$198.3	+20%
Adjusted EBITDA	$19.2	$11.9	+61%	$38.1	$22.8	+67%
Adjusted EBITDA %	15.4%	11.4%	+4.0 pts	16.0%	11.5%	+4.5 pts
Operating income (loss)	$15.8	$6.5	+145%	$31.4	$14.1	+123%
Revenue by Type:						
Distribution	*$89.2*	*$79.1*	*+13%*	*$170.3*	*$150.0*	*+14%*
Repair (MRO)	*$35.6*	*$26.0*	*+37%*	*$67.6*	*$48.3*	*+40%*

Y/Y Comparisons:

- Revenue increased 19% to $125M in 2Q'23 vs. the prior-year period, driven by strong program execution on new and existing distribution awards and higher MRO activity
- Distribution and MRO revenue increased 13% and 37%, respectively, in 2Q'23 versus the prior-year period
- Adjusted EBITDA increased 61% to $19.2M (15.4% of revenue) in 2Q'23, driven by contributions from new program wins, robust MRO revenue growth, and favorable product mix and price

2023 Assumptions:

- Revenue Growth: +25-30% Y/Y, including the Desser Aerospace acquisition
- Adjusted EBITDA %: Higher end of 13-15% range, driven by revenue mix and commercial recovery

New distribution programs, expanded MRO capabilities and strong end-markets drive sustainable profitable growth

Fleet Segment

($ in millions)	Quarter-to-Date			Year-to-Date		
	2Q'23	2Q'22	vs 2Q'22	2Q'23	2Q'22	vs 2Q'22
Revenue	$80.5	$64.7	+24%	$155.8	$131.8	+18%
Adjusted EBITDA	$9.6	$7.7	+24%	$17.7	$16.5	+7%
Adjusted EBITDA %	11.9%	12.0%	(0.1) pts	11.4%	12.5%	(1.2)pts
Operating income	$7.9	$5.4	+46%	$13.8	$11.7	+17%
Revenue by Type:						
Other Government	*$42.5*	*$37.5*	*+13%*	*$85.3*	*$74.9*	*+14%*
DoD	*$0.0*	*$1.3*	*(100)%*	*$0.0*	*$3.0*	*(100)%*
Commercial	*$38.0*	*$26.0*	*+46%*	*$70.6*	*$53.9*	*+31%*

Y/Y Comparisons:

- Revenue increased 24% to $80.5M in 2Q'23 vs. the prior-year period, driven by strong growth in e-commerce fulfillment, commercial fleet sales, and USPS sales
- As a percentage of total Fleet sales, Commercial customers account for 47% of segment revenue in Q2 2023, up ~7 pts vs. prior-year period
- Adjusted EBITDA increased 24% to $9.6M vs. the prior-year period, driven by increased sales volume.

2023 Assumptions:

- Revenue Growth: +20-25% Y/Y
- Adjusted EBITDA %: 11-13%

Execution of commercial revenue diversification strategy continues to drive above-market growth

Balance Sheet Optionality

($ in millions)	Quarter-to-Date 2Q'23	Quarter-to-Date 1Q'23
Operating Cash Flow	$(16.4)	$(48.7)
Free Cash Flow	$(19.7)	$(51.5)
Debt (less Cash)	$371	$351
Net Leverage Ratio	3.7x	3.7x
Unused Commitments	$71	$93

- *Net leverage TTM EBITDA includes contributions from FDS operations*

- Cash and unused commitment availability of $71M
- Initial inventory purchase for the Olive Branch distribution facility is complete
- Capital allocation priorities include financing bolt-on acquisitions and working capital needs for strategic investments to support growth prospects
- Amended credit facility in July to provide an incremental $90M Term Loan A and a revision of certain financial covenants
- Net leverage is expected to be below 3.5x in 3Q'23, driven by growing Adjusted EBITDA and positive free cash flow in the quarter, and proceeds from the recently announced common stock offering, partially offset by the Desser Aerospace acquisition
- Maintain outlook for positive free cash flow in the second half of 2023

Net leverage expected to be below 3.5 times by the end of 3Q'23

Entering Next Phase of VSE's Transformation

VSE Corporation

Complete FDS Sale / Reposition Business	> Complete the sale of the Federal & Defense Services business > Ensure a smooth and successful transition for our employees and customers > 100% focus on aftermarket distribution and MRO services supporting aviation and fleet customers
Integrate Acquisitions	> Successfully integrate Precision Fuel and Desser Aerospace > Provide combined customer bases with expanded product and services offering > Leverage Desser Aerospace's platform to expand into international markets
Expand Aviation Aftermarket Offerings	> Expand full-service, product distribution and MRO capabilities through organic and inorganic opportunities > Focus on high-growth, underserved portions of the Aviation market > Offer a differentiated solutions-oriented approach focused on addressing customers' supply chain and repair needs
Drive Commercial Fleet Growth	> Drive commercial growth while supporting legacy programs within Fleet business > Scale newly launched distribution and e-commerce fulfillment center (+$50M FY 2023 contribution) > Support new and legacy US Postal Service vehicles and expand offerings for all USPS vehicle types
Deliver 2H'23 FCF	> Deliver positive second-half 2023 free cash flow driven by disciplined cash management > Use cash proceeds from the equity offering and FDS sale to support debt paydown and balance sheet optionality

Appendix

GAAP to Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA

(in thousands, except per share data)	1Q2022	2Q2022	1Q2023	2Q2023
Net income	$ 6,289	$ 4,755	$ 8,120	$ 10,089
Interest expense, net	3,610	3,872	5,980	7,366
Income taxes	2,118	1,908	2,678	3,182
Amortization of intangible assets	4,094	4,016	3,939	3,601
Depreciation and other amortization	1,176	1,252	1,447	1,587
EBITDA	17,287	15,803	22, 164	25,825
Acquisition, integration and restructuring costs	287	192	1,475	625
Russia/Ukraine conflict	—	2,335	—	—
Adjusted EBITDA	$ 17,574	$ 18,330	$ 23,639	$ 26,450

(excludes discontinued operations)

GAAP to Non-GAAP Reconciliations

Adjusted Net Income and Adjusted EPS (Diluted)

(in thousands, except per share data)

	1Q2022	2Q2022	1Q2023	2Q2023
Income from continuing operations	$ 6,289	$ 4,755	$ 8,120	$ 10,089
Adjustments:				
Acquisition, integration and restructuring costs	287	192	1,475	625
Non-recurring professional fees	—	—	—	—
Contract loss	—	—	—	—
Russia/Ukraine conflict	—	2,335	—	—
	6,576	7,282	9,595	10,714
Tax impact on adjusted items	(72)	(631)	(368)	(156)
Adjusted Income from continuing operations	$ 6,505	$ 6,651	$ 9,227	$ 10,558
Weighted Average Diluted Shares	12,803	12,811	12,926	12,917
Adjusted EPS (Diluted)	$ 0.51	$ 0.52	$ 0.71	$ 0.82

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

(excludes discontinued operations)

GAAP to Non-GAAP Reconciliations

Segment EBITDA and Adjusted EBITDA

(in thousands)	1Q2022	2Q2022	1Q 2023	2Q 2023
Aviation				
Operating income	$ 7,622	$ 6,450	$ 15,663	$ 15,783
Depreciation and amortization	3,035	3,110	3,254	3,432
EBITDA	10,657	9,560	18,918	19,215
Acquisition, integration and restructuring costs	206	40	—	—
Russia/Ukraine conflict	—	2,335	—	—
Adjusted EBITDA	$ 10,863	$ 11,935	$ 18,918	$ 19,215

(in thousands)	1Q2022	2Q2022	1Q 2023	2Q 2023
Fleet				
Operating income	$ 6,381	$ 5,366	$ 5,899	$ 7,854
Depreciation and amortization	2,328	2,246	2,087	1,703
EBITDA	8,709	7,612	7,986	9,557
Acquisition, integration and restructuring costs	81	129	158	—
Adjusted EBITDA	$ 8,790	$ 7,741	$ 8,144	$ 9,557

(excludes discontinued operations)

GAAP to Non-GAAP Reconciliations

Balance Sheet

Reconciliation of Operating Cash Flow to Free Cash Flows

(in thousands)	Three Months Ended 31-Mar-23	30-Jun-23
Net cash (used in) provided by operating activities	$ (48,674)	$ (16,374)
Capital expenditures	(2,840)	(3,297)
Free Cash Flow	$ (51,514)	$ (19,671)

Reconciliation of Debt to Net Debt

(in thousands)	Three Months Ended 31-Mar-23	30-Jun-23
Principal amount of debt	$ 353,998	$ 377,000
Debt issuance costs	(2,143)	(1,890)
Cash and cash equivalents	(532)	(4,163)
Net Debt	$ 351,323	$ 370,947

Net Leverage Ratio

(in thousands)	Three Months Ended 31-Mar-23	30-Jun-23
Net Debt	$ 351,323	$ 370,947
TTM Adjusted EBITDA [1]	96,160	99,735
Net Leverage Ratio	3.7x	3.7x

(1) TTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period and includes contributions from FDS.