



THIRD QUARTER 2023 RESULTS CONFERENCE CALL

November 2, 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.

Q3 BUSINESS UPDATE

Strong Program Execution and Market Share Gains Driving Exceptional Financial Performance

Aviation +48% Revenue Growth

- **Record sales results driven by strong execution** on new and existing distribution programs, an increase in MRO activity, market-share gains, and contributions from Desser Aerospace acquisition
- **Distribution revenue growth** driven by strong program execution and the expansion of existing OEM partnerships, entrance into new markets and product lines, and improved pricing and customer mix
- **MRO revenue growth and market share gains** driven by an expanded portfolio of service capabilities and products, contributions from new customers and strong end-market activity

Fleet +22% Revenue Growth

- Revenue driven by growth across all revenue channels
- **Commercial sales channel growth** driven by an expanded customer base and new product offerings
- **Increased sales volume at the new e-commerce distribution center** through disciplined expansion
- **Growth in USPS program** supported by an expansion of the installed base of vehicles and support of all legacy vehicle types

38% Company Revenue Growth

Record Revenue Growth for Aviation, Solid Revenue Growth in Fleet

STRATEGIC UPDATE

Strategic Repositioning of the Business with Increased Aftermarket Exposure



Increased Exposure to Aviation Aftermarket

Desser Aerospace Acquisition

- **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
- **Rationale:** Acquisition increases VSE’s exposure to aviation distribution and MRO markets and provides a platform for geographic expansion into international markets
- **Integration Update:** Acquisition expected to be fully integrated into the Aviation segment systems, processes, and organization in 2024

Honeywell Fuel Control Acquisition

- **Announcement:** October 2023, VSE announced it entered into an asset purchase and perpetual license agreement with Honeywell International Inc. to exclusively manufacture, market, sell, distribution, repair and support certain Honeywell fuel control systems on four key engine platforms
- **Transaction Details:** VSE acquired the perpetual license and assets for \$105M
- **Rationale:** The agreement expands VSE Aviation’s existing distribution and MRO capabilities supporting these Honeywell’s fuel control systems and provides expanded long-term, sustainable revenue and improved margin outlook

Repositioning the Portfolio

Federal & Defense Segment Sale Update

- September 2023, VSE announced a mutual agreement to terminate the sale of its Federal and Defense segment (“FDS”) to Bernhard Capital Partners Management LP
- VSE will continue to pursue the divestiture of FDS in an expedited manner, and the business segment will remain in discontinued operations

Q3 2023 OVERVIEW

TOTAL VSE*

- > Total Revenue: \$231M, +38% Y/Y
- > Net Income: \$12M, +57% Y/Y
- > Adjusted EBITDA: \$32M, +56% Y/Y

AVIATION

- > Revenue: \$152M +48% Y/Y
- > Operating Income: \$21M, +109% Y/Y
- > Adjusted EBITDA: \$25M, +87% Y/Y

FLEET

- > Revenue: \$79M, +22% Y/Y
- > Operating Income: \$9M, +30% Y/Y
- > Adjusted EBITDA: \$9M, +5% Y/Y

BALANCE SHEET

- > \$89M in cash and unused commitment availability
- > Amended credit facility to support M&A
- > Operating cash flow: \$15M; Free cash flow: \$11M

**Excludes discontinued operations*

Record Revenue in Aviation, Strong Revenue Growth in Fleet
Margin Focus Continues: +56% Growth in Adjusted EBITDA



VSE FINANCIAL SUMMARY

	Quarter-to-Date			Year-to-Date		
	3Q'23	3Q'22	VS. 3Q'22	YTD'23	YTD'22	VS. YTD'22
<i>(\$ in millions except EPS)</i>						
Revenue	\$231.4	\$167.4	+38%	\$625.2	\$497.5	+26%
Adjusted EBITDA	\$32.3	\$20.8	+56%	\$82.4	\$56.7	+45%
Adjusted EBITDA %	14.0%	12.4%	+1.6 pts	13.2%	11.4%	+1.8 pts
Operating Income	\$25.3	\$15.1	+67%	\$62.7	\$37.7	+66%
Net Income	\$12.1	\$7.7	+57%	\$30.3	\$18.7	+62%
Adjusted Net Income	\$13.8	\$7.9	+75%	\$33.6	\$21.1	+59%
Diluted EPS	\$0.80	\$0.60	+33%	\$2.22	\$1.46	+52%
Adjusted Diluted EPS	\$0.92	\$0.62	+48%	\$2.46	\$1.64	+50%

(excludes discontinued operations)

REVENUE

- Aviation +48% and Fleet +22%
- Aviation:** Record revenue growth driven by strong program execution, an expansion of product offerings and repair capabilities, and Desser Aerospace contributions
- Fleet:** Revenue growth driven by market share gains within commercial sales channels and increased support of USPS' growing installed base

ADJUSTED EBITDA

- +56% 3Q'23 Y/Y primarily driven by record Aviation profitability
- Higher revenue and improved profitability within Aviation MRO and Distribution, combined with higher sales volume in Fleet

Q3 2023 Revenue +38%, Adjusted EBITDA +56%, Adjusted Net Income +75% year-over-year

CONSOLIDATED PERFORMANCE BRIDGE

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
3Q'22 QTD	\$167.4	\$15.1	\$20.8	12.4%
Aviation	+49.8	+11.0	+11.7	+2.6 pts
Fleet	+14.2	+2.0	+0.5	(0.7) pts
Corporate	--	(2.8)	(0.7)	(0.3) pts
3Q'23 QTD	\$231.4	\$25.3	\$32.3	14.0%

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
3Q'22 YTD	\$497.5	\$37.7	\$56.7	11.4%
Aviation	+89.4	+28.3	+27.1	+2.9 pts
Fleet	+38.3	+4.0	+1.6	(0.6) pts
Corporate	--	(7.3)	(3.0)	(0.5) pts
3Q'23 YTD	\$625.2	\$62.7	\$82.4	13.2%

(excludes discontinued operations)

- **AVIATION** segment revenue and profit growth supported by strong program execution, expansion in distribution product offerings and MRO capabilities, margin-enhancing continuous improvement projects, and contributions from Desser Aerospace acquisition
- **FLEET** segment revenue growth driven by increased activity within e-commerce fulfillment, commercial fleet sales, and USPS; Profitability impacted by customer mix, partially offset by scaling new Memphis, TN distribution facility

Record Revenue and Earnings in Aviation
Driving +56% 3Q'23 Adjusted EBITDA growth

AVIATION SEGMENT

(\$ in millions)	Quarter-to-Date			Year-to-Date		
	3Q'23	3Q'22	vs. 3Q'22	3Q'23	3Q'22	vs. 3Q'22
Revenue	\$152.4	\$102.6	+48%	\$390.3	\$300.9	+30%
Adjusted EBITDA	\$25.3	\$13.6	+87%	\$63.5	\$36.4	+74%
Adjusted EBITDA %	16.6%	13.2%	+3.4 pts	16.3%	12.1%	+4.2 pts
Operating income (loss)	\$21.0	\$10.0	+109%	\$52.4	\$24.1	+118%
<u>Revenue by Type:</u>						
Distribution	\$107.6	\$73.6	+46%	\$278.0	\$223.6	+24%
Repair (MRO)	\$44.7	\$29.0	+54%	\$112.3	\$77.3	+45%

Y/Y COMPARISONS:

- Revenue increased 48% to \$152M in 3Q'23, driven by growth in distribution programs, increases in MRO activity, and the addition of Desser Aerospace
- Adjusted EBITDA increased 87% to \$25M (16.6% of revenue) in 3Q'23, driven by continued contributions from distribution programs, MRO market share gains, focused actions supporting gross margin expansion, increased operating leverage and contributions from Desser Aerospace
- Distribution and MRO revenue increased 46% and 54%, respectively, in 3Q'23

FY 2023 ASSUMPTIONS:

- Revenue Growth: +30-35% Y/Y
- Adjusted EBITDA %: Higher end of 14-16% range

Above Market Revenue Growth Driven by New Programs and Market Share Gains Across Distribution and MRO; Adjusted EBITDA Margin Expansion Driven by Operating Leverage and Margin Improvement Initiatives

FLEET SEGMENT

(\$ in millions)	Quarter-to-Date			Year-to-Date		
	3Q'23	3Q'22	vs 3Q'22	3Q'23	3Q'22	vs 3Q'22
Revenue	\$79.0	\$64.8	+22%	\$234.8	\$196.5	+19%
Adjusted EBITDA	\$9.2	\$8.7	+5%	\$26.9	\$25.3	+7%
Adjusted EBITDA %	11.6%	13.5%	(1.9) pts	11.5%	12.8%	(1.3) pts
Operating income	\$8.5	\$6.5	+30%	\$22.3	\$18.3	+22%
<u>Revenue by Type:</u>						
Other Government	\$41.6	\$39.2	+6%	\$126.8	\$114.1	+11%
DoD	\$0.0	\$0.2	(100)%	\$0.0	\$3.2	(100)%
Commercial	\$37.4	\$25.4	+47%	\$108.0	\$79.3	+36%

Y/Y COMPARISONS:

- Revenue increased 22% to \$79M in 3Q'23, driven by solid growth in e-commerce fulfillment, commercial fleet sales, and USPS sales
- As a percentage of total Fleet sales, Commercial customers accounted for 47% of segment revenue in Q3 2023, up ~8 pts vs. prior-year period
- Adjusted EBITDA increased 5% to \$9.2M, driven by increased sales volume

FY 2023 ASSUMPTIONS:

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

Revenue increased +22% with Balanced Contributions from Commercial and USPS Revenue Channels
EBITDA \$ Growth Supported by Strong Revenue Increases

BALANCE SHEET OPTIONALITY

	Quarter-to-Date		
(\$ in millions)	3Q'23	2Q'23	1Q'23
Operating Cash Flow	\$15.3	\$(16.4)	\$(48.7)
Free Cash Flow	\$10.7	\$(19.7)	\$(51.5)
Debt (less Cash)	\$440	\$371	\$351
Net Leverage Ratio	4.2x	3.7x	3.7x
Pro Forma Net Leverage Ratio ⁽¹⁾	3.7x	3.7x	3.6x
Unused Commitments	\$89	\$71	\$93

(1) Pro Forma Net leverage includes the TTM EBITDA contributions from prior acquisitions

- Cash and unused commitment availability of \$89M
- 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
- Free cash flow is expected to accelerate in the fourth quarter
- Pro Forma net leverage is expected to be below 3.5x in 4Q'23, driven by growing Adjusted EBITDA and accelerated free cash flow generation in the fourth quarter

Net Leverage Expected to be Below 3.5x by the End of 4Q'23

Free Cash Flow Expected to Accelerate into Q4'23

ENTERING NEXT PHASE OF VSE'S TRANSFORMATION

FDS SALE / REPOSITION BUSINESS

- > Continue to pursue the near-term sale of FDS segment assets
- > Reposition VSE into two segments – Aviation and Fleet
- > Focus on aftermarket distribution and MRO services supporting aviation and fleet customers

INTEGRATE/TRANSITION ACQUISITIONS

- > Transition and implement Honeywell Fuel Controls license program
- > Successfully integrate Precision Fuel and Desser Aerospace
- > Provide Precision and Desser Aerospace customer bases with expanded product and service offering
- > Leverage Desser Aerospace's platform for 2024 international market launch

EXPAND AVIATION AFTERMARKET OFFERINGS

- > Continue to 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
- > Free cash flow is expected to accelerate in the fourth quarter 2023
- > Pro forma net leverage ratio expected to improve to below 3.5x by the end of the year



VSE CORPORATION

「APPENDIX

GAAP to Non-GAAP RECONCILIATIONS

EBITDA and Adjusted EBITDA

(\$ in thousands, except per share data)

	1Q2022	2Q2022	3Q2022	1Q2023	2Q2023	3Q2023
Net income	\$ 6,289	\$ 4,755	\$ 7,699	\$ 8,120	\$ 10,089	\$ 12,111
Interest expense, net	3,610	3,872	4,821	5,980	7,366	8,459
Income taxes	2,118	1,908	2,589	2,678	3,182	4,694
Amortization of intangible assets	4,094	4,016	3,813	3,939	3,601	3,203
Depreciation and other amortization	1,176	1,252	1,551	1,447	1,587	1,836
EBITDA	17,287	15,803	20,473	22,164	25,825	30,303
Non-recurring professional fees	—	—	—	—	—	300
Acquisition, integration and restructuring costs	287	192	283	1,475	625	1,700
Russia/Ukraine conflict	—	2,335	—	—	—	—
Adjusted EBITDA	\$ 17,574	\$ 18,330	\$ 20,756	\$ 23,639	\$ 26,450	\$ 32,303

(excludes discontinued operations)

GAAP to Non-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)

(\$ in thousands, except per share data)

	1Q2022	2Q2022	3Q2022
Income from continuing operations	\$ 6,289	\$ 4,755	\$ 7,699
Adjustments:			
Acquisition, integration and restructuring costs	287	192	283
Non-recurring professional fees	—	—	—
Debt issuance costs	—	—	—
Russia/Ukraine conflict	—	2,335	—
	6,576	7,282	7,982
Tax impact on adjusted items	(72)	(631)	(71)
Adjusted Income from continuing operations	\$ 6,505	\$ 6,651	\$ 7,911
Weighted Average Diluted Shares	12,803	12,811	12,834
Adjusted EPS (Diluted)	\$ 0.51	\$ 0.52	\$ 0.62

	1Q2023	2Q2023	3Q2023
Income from continuing operations	\$ 8,120	\$ 10,089	\$ 12,111
Adjustments:			
Acquisition, integration and restructuring costs	1,475	625	1,700
Non-recurring professional fees	—	—	300
Debt issuance costs	—	—	266
Russia/Ukraine conflict	—	—	—
	9,595	10,714	14,377
Tax impact on adjusted items	(368)	(156)	(566)
Adjusted Income from continuing operations	\$ 9,227	\$ 10,558	\$ 13,811
Weighted Average Diluted Shares	12,926	12,917	15,050
Adjusted EPS (Diluted)	\$ 0.71	\$ 0.82	\$ 0.92

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	3Q2022	1Q 2023	2Q 2023	3Q 2023
Aviation						
Operating income	\$ 7,622	\$ 6,450	\$ 10,017	\$ 15,663	\$ 15,783	\$ 20,951
Depreciation and amortization	3,035	3,110	3,413	3,254	3,432	4,329
EBITDA	10,657	9,560	13,430	18,918	19,215	25,280
Acquisition, integration and restructuring costs	206	40	140	—	—	40
Russia/Ukraine conflict	—	2,335	—	—	—	—
Adjusted EBITDA	\$ 10,863	\$ 11,935	\$ 13,570	\$ 18,918	\$ 19,215	\$ 25,320
Fleet						
Operating income	\$ 6,381	\$ 5,366	\$ 6,539	\$ 5,899	\$ 7,854	\$ 8,531
Depreciation and amortization	2,328	2,246	2,037	2,087	1,703	662
EBITDA	8,709	7,612	8,576	7,986	9,557	9,193
Acquisition, integration and restructuring costs	81	129	143	158	—	—
Adjusted EBITDA	\$ 8,790	\$ 7,741	\$ 8,719	\$ 8,144	\$ 9,557	\$ 9,193

(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	30-Sep-23
Net cash (used in) provided by operating activities	\$ (48,674)	\$ (16,374)	\$ 15,320
Capital expenditures	(2,840)	(3,297)	(4,658)
Free Cash Flow	\$ (51,514)	\$ (19,671)	\$ 10,662

Reconciliation of Debt to Net Debt

(\$ in thousands)	Three Months Ended		
	31-Mar-23	30-Jun-23	30-Sep-23
Principal amount of debt	\$ 353,998	\$ 377,000	\$ 463,500
Debt issuance costs	(2,143)	(1,890)	(2,730)
Cash and cash equivalents	(532)	(4,163)	(20,667)
Net Debt	\$ 351,323	\$ 370,947	\$ 440,103

Net Leverage Ratio

(\$ in thousands)	Three Months Ended		
	31-Mar-23	30-Jun-23	30-Sep-23
Net Debt	\$ 351,323	\$ 370,947	\$ 440,103
TTM Adjusted EBITDA ⁽¹⁾	\$ 96,160	\$ 99,735	\$ 105,329
Net Leverage Ratio	3.7x	3.7x	4.2x
TTM Adjusted EBITDA Pro forma ⁽²⁾	\$ 97,372	\$ 100,531	\$ 120,080
Pro forma Net Leverage Ratio	3.6x	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.

(2) TTM Pro Forma Adjusted EBITDA includes pre-acquisition portion of EBITDA for the trailing twelve months that is not included in historical results.