



**FOURTH QUARTER AND FULL YEAR 2023
RESULTS CONFERENCE CALL**

March 7, 2024



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. Adjusted EBITDA Pro Forma represents Adjusted EBITDA plus the pre-acquisition portion of EBITDA for the trailing twelve months. 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. Pro Forma Net leverage ratio is calculated as net debt divided by trailing twelve month Adjusted EBITDA Pro Forma. 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.

STRATEGIC UPDATE

Portfolio Transformation to Enhance Growth and Profitability



Strategic Repositioning the Portfolio

Turbine Controls Inc. Acquisition

- **Announcement:** February 2024, VSE announced it signed a definitive agreement to acquire Turbine Controls Inc. ("TCI"), a leading provider of aftermarket support services for the repair and overhaul of components and accessories
- **Rationale:** The acquisition increases VSE's exposure to Commercial aviation MRO markets and expands OEM-authorized repair capabilities
- **Terms:** Total consideration of \$120 million, comprising \$110 million in cash and \$10 million in equity
- **Close Timing:** The acquisition is expected to close in the second quarter of 2024

Federal & Defense Segment Divestiture

- **Announcement:** February 2024, VSE announced it completed the sale of its substantially all of its Federal and Defense segment ("FDS") operating units
- **Transaction Details:** The FDS sale was completed in two separate transactions for a total cash consideration of \$44 million, which included an estimated \$10 million as an estimated working capital adjustment
- **Related Activities:** Associated with the sale of FDS, VSE will cease-use the remaining non-core FDS location in 2Q'24 and relocate its corporate headquarters later this year

Exploring Strategic Alternatives for Fleet

- **Announcement:** February 2024, VSE initiates a process to explore and evaluate strategic alternatives involving its Fleet segment
- **Rationale:** Strategic process to determine market value of Fleet assets. It allows VSE to focus on executing its strategic objectives and strengthening its balance sheet
- **Timing:** VSE has not set a definitive timetable for the completion of the strategic process

FULL-YEAR 2023 BUSINESS UPDATE

Successful Program Execution, Coupled with Market Share Gains and Strategic Acquisitions, Drive Record Financial Performance

Aviation +33% Revenue Growth

- **Record sales driven by execution** on distribution programs, increase in MRO activity, market-share gains, and contributions from acquisitions
- **Distribution revenue growth** driven by strong program execution, the expansion of existing OEM partnerships, and entrance into new markets
- **MRO revenue growth and market share gains** driven by expanded repair capabilities and product offerings and strong end-market activity
- **Three Successful Acquisitions:** Precision Fuel Controls, Desser Aerospace and Fuel Control Manufacturing and License Program

Fleet +21% Revenue Growth

- **Strong revenue growth** driven by commercial sales channel and solid contributions from the USPS
- **Commercial sales channel growth** driven by expanded product offerings with new and existing customers
- **Increased sales volume from e-commerce** customers and partners supported by disciplined expansion from new distribution center
- **USPS program** driven by an expansion of the installed base of vehicles and continued support of legacy vehicles

Total Company Revenue Growth of 29%

Record Revenue for Aviation and Fleet segments

FINANCIAL SUMMARY

	Quarter-to-Date			Full Year		
	4Q'23	4Q'22	VS. 4Q'22	2023	2022	VS. 2022
(\$ in millions except EPS)						
Revenue	\$235.3	\$172.0	+37%	\$860.5	\$669.4	+29%
Adjusted EBITDA	\$31.4	\$21.6	+46%	\$113.8	\$78.2	+45%
Adjusted EBITDA %	13.4%	12.5%	+0.9 pts	13.2%	11.7%	+1.5 pts
Operating Income	\$25.3	\$15.9	+59%	\$88.0	\$53.6	+64%
Net Income	\$12.8	\$7.9	+62%	\$43.2	\$26.7	+62%
Adjusted Net Income	\$13.4	\$8.3	+62%	\$47.0	\$29.4	+60%
Diluted EPS	\$0.82	\$0.62	+32%	\$3.04	\$2.08	+46%
Adjusted Diluted EPS	\$0.85	\$0.65	+31%	\$3.31	\$2.29	+45%

(excludes discontinued operations)

4Q 2023 REVENUE

- Aviation +43% and Fleet +26%
- 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, partially offset by a modest decline in USPS activity

4Q 2023 ADJUSTED EBITDA

- +46% 4Q'23 Y/Y primarily driven by record Aviation profitability
- Increased revenue within Aviation MRO and Distribution, combined with higher sales volume in Fleet

4Q 2023 Revenue +37%, Adjusted EBITDA +46%, Adjusted Net Income +62% year-over-year

CONSOLIDATED PERFORMANCE BRIDGE

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
4Q'22 QTD	\$172.0	\$15.9	\$21.6	12.5%
Aviation	+46.5	+6.5	+8.1	+0.9 pts
Fleet	+16.8	+3.4	+1.9	(0.2) pts
Corporate	--	(0.5)	(0.2)	-- pts
4Q'23 QTD	\$235.3	\$25.3	\$31.4	13.4%

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
4Q'22 YTD	\$669.4	\$53.6	\$78.2	11.7%
Aviation	+135.9	+34.8	+35.3	+2.4 pts
Fleet	+55.2	+7.4	+3.5	(0.5) pts
Corporate	--	(7.8)	(3.2)	(0.4) pts
4Q'23 YTD	\$860.5	\$88.0	\$113.8	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 and commercial fleet sales, partially offset by USPS; Profitability impacted by customer mix

Record Revenue and Earnings in Aviation
+46% 2023 4Q Adjusted EBITDA growth

AVIATION SEGMENT - 2023 4Q REVIEW

(\$ in millions)	Quarter-to-Date			Full Year		
	4Q'23	4Q'22	vs. 4Q'22	2023	2022	vs. 2022
Revenue	\$153.7	\$107.2	+43%	\$544.0	\$408.1	+33%
Adjusted EBITDA	\$23.9	\$15.8	+52%	\$87.4	\$52.1	+68%
Adjusted EBITDA %	15.6%	14.7%	+0.9 pts	16.1%	12.8%	+3.3 pts
Operating income (loss)	\$18.8	\$12.3	+52%	\$71.2	\$36.4	+95%
<u>Revenue by Type:</u>						
Distribution	\$108.9	\$77.1	+41%	\$386.9	\$300.7	+29%
Repair (MRO)	\$44.8	\$30.1	+49%	\$157.2	\$107.4	+46%

4Q 2023 Y/Y COMPARISONS:

- Revenue increased 43% to \$154M in 4Q'23, driven by strong execution on new and legacy distribution programs, an increase in MRO activity, and the addition of Desser Aerospace
- Adjusted EBITDA of \$24M increased 52% in 4Q'23, driven by contributions from distribution programs, MRO market share gains, improved pricing and product mix, increased operating leverage, and contributions from Desser Aerospace
- Distribution and MRO revenue increased 41% and 49%, respectively, in 4Q'23

FY 2024 ASSUMPTIONS:

- Revenue Growth: +24-28% Y/Y
- Adjusted EBITDA %: 15-16% range

Above-Market Growth Driven by New Programs, Market Share Gains, and Contributions from the Desser Acquisition
Adjusted EBITDA Margin Expansion Driven by Operating Leverage and Margin Improvement Initiatives

FLEET SEGMENT - 2023 4Q REVIEW

(\$ in millions)	Quarter-to-Date			Full Year		
	4Q'23	4Q'22	vs 4Q'22	2023	2022	vs 2022
Revenue	\$81.6	\$64.8	+26%	\$316.5	\$261.3	+21%
Adjusted EBITDA	\$9.8	\$7.9	+24%	\$36.7	\$33.2	+11%
Adjusted EBITDA %	12.0%	12.2%	(0.2) pts	11.6%	12.7%	(1.1) pts
Operating income	\$9.0	\$5.6	+60%	\$31.3	\$23.9	+31%
<u>Revenue by Type:</u>						
Other Government	\$38.6	\$39.8	(3)%	\$165.4	\$153.9	+7%
DoD	\$0.2	\$0.1	90%	\$0.2	\$3.3	(94)%
Commercial	\$42.8	\$24.9	+72%	\$150.8	\$104.2	+45%

4Q 2023 Y/Y COMPARISONS:

- Revenue increased 26% to \$82M in 4Q'23, driven by solid growth in e-commerce fulfillment and commercial fleet sales, slightly offset by lower USPS sales
- As a percentage of total Fleet sales, Commercial customers accounted for 52% of segment revenue in 4Q'23, compared to 38% in the prior-year period – **first time in Fleet history Commercial > 50%**
- Adjusted EBITDA increased 24% to \$10M, driven by increased sales volume

FY 2024 ASSUMPTIONS:

- Revenue Growth: +13-17% Y/Y
- Adjusted EBITDA \$: +8-12% Y/Y

Revenue +26% supported by Growth in E-Commerce Fulfillment and Commercial Fleet Sales
EBITDA \$ Growth Driven by Revenue Growth

BALANCE SHEET OPTIONALITY

	4Q Quarter-to-Date		Full Year	
(\$ in millions)	4Q'23	4Q'22	2023	2022
Operating Cash Flow	\$28	\$12	\$(22)	\$8
Free Cash Flow	\$20	\$9	\$(41)	\$(3)
Debt (less Cash)	\$422	\$286	\$422	\$286
Net Leverage Ratio	3.7x	3.1x	3.7x	3.1x
Pro Forma Net Leverage Ratio ⁽¹⁾	3.4x	3.1x	3.4x	3.1x

- Capital allocation priorities include financing bolt-on Aviation segment acquisitions and working capital needs for strategic inventory and investments to support growth prospects
- Amended and extended credit facility in December '23 to provide an extension of the maturity date to October '26 and an incremental \$122M of available capacity under the revolver
- Following the TCI acquisition, anticipate a Pro Forma Net Leverage Ratio to increase to ~4.1x with plans to quickly de-lever by year-end

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

Pro-Forma Net Leverage Ratio to Sequentially Improve in 2H'24 Driven by Strong Free Cash Flow and Improved EBITDA

2024 PRIORITIES TO DRIVE ABOVE-MARKET GROWTH AND ACCELERATE TRANSFORMATION AND STRATEGY

AVIATION SEGMENT

- > New Program Implementation - Pratt & Whitney Europe and Fuel Control Manufacturing
- > Desser Integration
- > Organic Market-Share Gains and Expansion of Distribution Product and MRO Capabilities

TURBINE CONTROLS

- > Successfully Close Acquisition in 2Q'24
- > Growth Strategy to Build Upon Strong VSE Aviation & Turbine Control OEM Relationships and Market Opportunities
- > Integration Planning

FLEET SEGMENT

- > Scale Newly Launched Distribution and E-commerce Fulfillment Center
- > Commercial Revenue Growth Supporting Customer Diversification Strategy
- > Continued Support for USPS Legacy Vehicles and New Vehicle Fleet Additions

FINANCIAL DISCIPLINE

- > Above-Market Revenue Growth in Both Business Segments
- > Deliver Year Over Year Profitability Growth in Both Segments
- > Drive Solid 2H'24 Free Cash Flow and De-Lever Balance Sheet Following TCI Acquisition

STRATEGIC TRANSFORMATION

- > Complete Federal and Defense Segment Divestiture Transitions
- > Reposition of Virginia Corporate Headquarters
- > Strategic Review of Fleet Segment



VSE CORPORATION

「APPENDIX

GAAP to Non-GAAP RECONCILIATIONS

EBITDA and Adjusted EBITDA

(\$ in thousands, except per share data)

	Three months ended December 31,		
	2023	2022	% Change
Net income	\$ 12,834	\$ 7,916	62.1%
Interest expense, net	9,278	5,588	66.0%
Income taxes	3,207	2,437	31.6%
Amortization of intangible assets	3,635	3,812	(4.6)%
Depreciation and other amortization	1,880	1,312	43.3%
EBITDA	30,834	21,065	46.4%
Non-recurring professional fees	—	—	—%
Acquisition, integration and restructuring costs	610	517	18.0%
Russia/Ukraine conflict	—	—	—%
Adjusted EBITDA	\$ 31,444	\$ 21,582	45.7%

(excludes discontinued operations)

For the years ended December 31,

	2023	2022	% Change
Net income	\$ 43,152	\$ 26,659	61.9%
Interest expense, net	31,083	17,893	73.7%
Income taxes	13,761	9,052	52.0%
Amortization of intangible assets	14,378	15,735	(8.6)%
Depreciation and other amortization	6,749	5,291	27.6%
EBITDA	109,123	74,360	46.2%
Non-recurring professional fees	300	—	—%
Acquisition, integration and restructuring costs	4,410	1,279	244.8%
Russia/Ukraine conflict	—	2,335	(100)%
Adjusted EBITDA	\$ 113,833	\$ 78,244	45.5%

GAAP to Non-GAAP RECONCILIATIONS

Adjusted Net Income and Adjusted EPS (Diluted)

	Three months ended December 31,		
(\$ in thousands, except per share data)	2023	2022	% Change
Income from continuing operations	\$ 12,834	\$ 7,916	62.1%
Adjustments:			
Acquisition, integration and restructuring costs	610	517	18.0%
Non-recurring professional fees	—	—	—%
Debt issuance costs	175	—	—%
Russia/Ukraine conflict	—	—	—%
	13,169	8,433	61.5%
Tax impact on adjusted items	(196)	(129)	51.9%
Adjusted Income from continuing operations	\$ 13,423	\$ 8,304	61.6%
Weighted Average Diluted Shares	15,804	12,862	22.9%
Adjusted EPS (Diluted)	\$ 0.85	\$ 0.65	30.8%

	For the years ended December 31,		
	2023	2022	% Change
Income from continuing operations	\$ 43,152	\$ 26,659	61.9%
Adjustments:			
Acquisition, integration and restructuring costs	4,410	1,279	244.8%
Non-recurring professional fees	300	—	—%
Debt issuance costs	441	—	—%
Russia/Ukraine conflict	—	2,335	(100)%
	48,303	30,273	59.6%
Tax impact on adjusted items	(1,286)	(902)	42.6%
Adjusted Income from continuing operations	\$ 47,017	\$ 29,371	60.1%
Weighted Average Diluted Shares	14,185	12,828	10.6%
Adjusted EPS (Diluted)	\$ 3.31	\$ 2.29	44.5%

(excludes discontinued operations)

GAAP to Non-GAAP RECONCILIATIONS

Segment EBITDA and Adjusted EBITDA

(\$ in thousands)	Three months ended December 31,			For the years ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Aviation						
Operating income	\$ 18,771	\$ 12,327	52.3%	\$ 71,168	\$ 36,416	95.4%
Depreciation and amortization	5,064	3,143	61.1%	16,080	12,701	26.6%
EBITDA	23,835	15,470	54.1%	87,248	49,117	53.4%
Acquisition, integration and restructuring costs	86	281	(69.4)%	126	668	(81.1)%
Russia/Ukraine conflict	—	—	—%	—	2,335	(100)%
Adjusted EBITDA	\$ 23,921	\$ 15,751	51.9%	\$ 87,374	\$ 52,120	67.6%
Fleet						
Operating income	\$ 8,973	\$ 5,625	59.5%	\$ 31,257	\$ 23,911	30.7%
Depreciation and amortization	848	2,055	(58.7)%	5,300	8,666	(38.8)%
EBITDA	9,821	7,680	27.9%	36,557	32,577	12.2%
Acquisition, integration and restructuring costs	—	236	(100)%	158	590	(73.2)%
Adjusted EBITDA	\$ 9,821	\$ 7,916	24.1%	\$ 36,715	\$ 33,167	10.7%

(excludes discontinued operations)

GAAP to Non-GAAP RECONCILIATIONS

Balance Sheet

Reconciliation of Operating Cash Flow to Free Cash Flows

Three Months ended December 31, For the years ended December 31,

(\$ in thousands)	2023	2022	2023	2022
Net cash (used in) provided by operating activities	\$27,942	\$12,257	\$(21,829)	\$8,051
Capital expenditures	(7,871)	(3,796)	(18,666)	(11,212)
Free Cash Flow	\$20,071	\$8,461	\$(40,495)	\$(3,161)

Reconciliation of Debt to Net Debt

For the years ended December 31,

(\$ in thousands)	2023	2022
Principal amount of debt	\$433,000	\$288,610
Debt issuance costs	(3,656)	(2,310)
Cash and cash equivalents	(7,768)	(305)
Net Debt	\$421,576	\$285,995

Net Leverage Ratio

For the years ended December 31,

(\$ in thousands)	2023	2022
Net Debt	\$421,576	\$285,995
TTM Adjusted EBITDA	113,833	78,244
Net Leverage Ratio	3.7 x	3.7 x
TTM Adjusted EBITDA Pro forma ⁽¹⁾	\$124,304	\$78,244
Pro forma Net Leverage Ratio	3.4 x	3.7 x

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