

Second Quarter 2024 Results Conference Call

August 1, 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, 2023.

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, Adjusted EBITDA Pro Forma, trailing-twelve month Adjusted EBITDA, net debt, pro forma net leverage, 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

2024 Operating Plan Update – A Year of Focused Execution

Aviation

- **European Distribution Expansion:**
 - Pratt Whitney Canada Europe Middle-East & Africa (EMEA) Program implementation is on schedule. Revenue is anticipated to reach full-year run-rate by Q4'24.
 - Tire product line to be added to the new distribution center in Q4'24.
- **OEM Licensed Program Launch:**
 - Implementation of fuel control program outpacing expectations. Facility expansion supporting program operational by year end.
- **Desser Aerospace Integration:** Expected completion within the next twelve months.
- **New E-Commerce Site Launch:** Q3'24.
- **Turbine Controls Acquisition (TCI):** Focus on expanding capacity and increasing scope with OEM partners.

Fleet

- **Strategic Review Update**
 - Strategic Review in process with further updates after USPS system and revenue recovery occurs in late 2024.
 - Repositioning organizational structure, including expanding existing commercial and e-commerce partnerships.
- **Memphis Distribution Facility Update:**
 - Continues to ramp, supporting 29% organic growth YTD.
- **USPS Operational Update:**
 - Fleet remains committed to supporting USPS through their transition to a new Fleet Management Information System.

Corporate

- **Completed Follow-on Equity Offering**
 - In May 2024, VSE completed a follow-on equity offering of 2.4 million shares at \$71.00 per share.
 - Net proceeds used to fund acquisition of TCI by repaying outstanding borrowings to support reduction in Net Leverage
- **Corporate Restructuring**
 - \$17 million charge in Q2'24 aligned with past disclosures, supporting the Federal and Defense Segment divestitures, closure and relocation of the Virginia headquarters, and other corporate restructuring initiatives.
 - VSE to relocate corporate headquarters one of the existing operating facilities. Details to be finalized by year-end.

Q2 2024 Business Segment Update

Aviation +55% Revenue Growth

- **Record sales** driven by balanced execution from both revenue channels (distribution and MRO) and contributions from both Desser Aerospace and Turbine Controls Inc. acquisitions
 - **Distribution** revenue growth driven by expansion of OEM partnerships, strong program execution and scaling new programs
 - **MRO** revenue growth and market share gains driven by expanded repair capabilities and offerings, supported by strong end-market activity
- **Record profitability** driven by contributions from new distribution programs, MRO market share gains, new OEM licensed manufacturing program, and contributions from recent acquisitions

Fleet (9)% Revenue Decline

- **Revenue decline** driven by a reduction in USPS maintenance repair volume, partially offset by growth in e-commerce fulfillment and commercial fleet sales
 - **Commercial sales channel growth** driven by expanded product offerings with new and existing customers and disciplined expansion of new distribution fulfillment center
 - **USPS program** revenue decline driven by the impacts of the USPS conversion to a new Fleet Management Information Systems (FMIS) platform resulting in a temporary reduction in maintenance-related activities and therefore less product and part requirements
- **Profitability** impacted by decline in USPS revenue

VSE Financial Summary

	Quarter-to-Date			Year-to-Date		
	2Q'24	2Q'23	vs. 2Q'23	2Q'24	2Q'23	vs. 2Q'23
<i>(\$ in millions except EPS)</i>						
Revenue	\$266.0	\$205.2	+30%	\$507.5	\$393.8	+29%
Adjusted EBITDA	\$31.3	\$26.5	+18%	\$63.6	\$50.1	+27%
Adjusted EBITDA %	11.8%	12.9%	(1.1) bps	12.5%	12.7%	(0.2) bps
Operating Income	\$6.1	\$20.6	(70)%	\$30.3	\$37.4	(19)%
Net Income	\$(2.8)	\$10.1	(128)%	\$9.3	\$18.2	(49)%
Adjusted Net Income	\$11.1	\$10.6	+5%	\$24.9	\$19.8	+26%
Diluted EPS	\$(0.16)	\$0.78	(121)%	\$0.56	\$1.42	(60)%
Adjusted Diluted EPS	\$0.64	\$0.82	(22)%	\$1.50	\$1.53	(2)%

(excludes discontinued operations)

Revenue

- Aviation +55% and Fleet (9)%
- Aviation:** Record revenue and profitability driven by strong distribution program execution, expanded portfolio of MRO capabilities, and contributions from both Desser and TCI acquisitions
- Fleet:** Revenue decline impacted by a reduction in USPS repair activity, partially offset by growth in e-commerce fulfillment and commercial fleet sales

Adjusted EBITDA

- +18% in 2Q'24 vs. the prior-year period driven by record Aviation profitability, partially offset by a decline in Fleet profitability

Consolidated Performance Bridge

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
2Q'23 QTD	\$205.2	\$20.6	\$26.5	12.9%
Aviation	+68.1	+8.7	+11.8	+1.1 pts
Fleet	(7.4)	(5.7)	(6.3)	(2.0) pts
Corporate	--	(17.5)	(0.7)	(0.2) pts
2Q'24 QTD	\$266.0	\$6.1	\$31.3	11.8%

	Revenue	Operating Income	Adj. EBITDA	Adj. EBITDA Margin %
2Q'23 YTD	\$393.8	\$37.4	\$50.1	12.7%
Aviation	+117.2	+15.4	+20.6	+1.1 pts
Fleet	(3.5)	(5.0)	(6.9)	(1.3) pts
Corporate	--	(17.5)	(0.2)	--
2Q'24 YTD	\$507.5	\$30.3	\$63.6	12.5%

(excludes discontinued operations)

- AVIATION** segment revenue and profit growth supported by strong program execution, execution on distribution programs, scaling of new programs, expansion of MRO capabilities, and contributions from recent acquisitions
- FLEET** segment revenue and profit decline driven by lower USPS demand activity, partially offset by growth within commercial fleet and e-commerce fulfillment sales

Aviation Segment

(\$ in millions)	Quarter-to-Date			Year-to-Date		
	2Q'24	2Q'23	vs. 2Q'23	2Q'24	2Q'23	vs. 2Q'23
Revenue	\$192.8	\$124.7	+55%	\$355.2	\$238.0	+49%
Adjusted EBITDA	\$31.0	\$19.2	+61%	\$58.7	\$38.1	+54%
Adjusted EBITDA %	16.1%	15.4%	+0.7 pts	16.5%	16.0%	+0.5 pts
Operating income (loss)	\$24.5	\$15.8	+55%	\$46.8	\$31.4	+49%
<u>Revenue by Type:</u>						
Distribution	\$117.5	\$89.2	+32%	\$229.2	\$170.3	+35%
Repair (MRO)	\$75.4	\$35.6	+112%	\$126.0	\$67.6	+86%

Y/Y Comparisons:

- Revenue +55% to a record \$193M in 2Q'24 vs. the prior-year period, driven by strong execution on existing distribution programs, scaling of new awards, expanded portfolio of MRO capabilities, and contributions from recent acquisitions
- Distribution and MRO revenue increased 32% and 112%, respectively, in 2Q'24 vs. the prior-year period
- Adjusted EBITDA + 61% in 2Q'24 vs. the prior-year period to a record \$31M (16.1% of revenue)

FY 2024 Assumptions:

- Revenue Growth: +34-38% Y/Y, including the Desser Aerospace and TCI acquisitions
- Adjusted EBITDA %: 15.5-16.5% range, driven by revenue mix offset by lower margin contributions from recent unintegrated acquisitions

Fleet Segment

(\$ in millions)	Quarter-to-Date			Year-to-Date		
	2Q'24	2Q'23	vs 2Q'23	2Q'24	2Q'23	vs 2Q'23
Revenue	\$73.1	\$80.5	(9)%	\$152.3	\$155.8	(2)%
Adjusted EBITDA	\$3.3	\$9.6	(66)%	\$10.8	\$17.7	(39)%
Adjusted EBITDA %	4.5%	11.9%	(7.4) pts	7.1%	11.4%	(4.3) pts
Operating income	\$2.2	\$7.9	(72)%	\$8.8	\$13.8	(36)%
<i>Revenue by Type:</i>						
<i>Other Government</i>	\$26.6	\$42.5	(37)%	\$61.2	\$85.3	(28)%
<i>Commercial</i>	\$46.5	\$38.0	+22%	\$91.1	\$70.6	+29%

Y/Y Comparisons:

- Revenue (9)% to \$73M in 2Q'24 vs. the prior-year period, driven by a decrease in USPS repair activity, partially offset by growth in e-commerce fulfillment and commercial fleet sales
- Commercial customers accounted for 64% of segment revenue, in Q2 2024, vs. 47% in prior-year period, as a percentage of total Fleet segment sales
- Adjusted EBITDA decreased (66)% to \$3M vs. the prior-year period, driven by mix and lower USPS sales volume

FY 2024 Assumptions:

- Revenue Growth: 0-5% Y/Y
- Adjusted EBITDA %: 6-8%

Balance Sheet Optionality

	Quarter-to-Date	
	2Q'24	1Q'24
<i>(\$ in millions)</i>		
Operating Cash Flow	\$(18)	\$(79)
Free Cash Flow	\$(21)	\$(87)
Debt (less Cash)	\$445	\$471
Net Leverage Ratio	3.5x	3.8x
Pro Forma Net Leverage Ratio ⁽¹⁾	3.2x	3.7x

- Pro forma net leverage is 3.2x as of 2Q'24
- Pro forma net leverage is expected to improve by year-end, driven by stronger free cash flow generation in second-half of the year
- Capital allocation priorities include financing bolt-on Aviation segment acquisitions and working capital needs for strategic Aviation segment inventory and investments to support growth

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

2024 Priorities to Growth and Accelerate Transformation Strategy

Aviation Segment

- > European Expansion: Pratt & Whitney Program and Product Line Expansion Implementations within new Europe (Germany) Distribution Center-of-Excellence
- > Fuel Control Manufacturing Program Implementation
- > Desser Integration
- > Turbine Controls (TCI) Growth and Integration Planning
- > Organic Market-Share Gains and Expansion of Distribution Product and MRO Capabilities

Fleet Segment

- > Continue to Scale Distribution and E-commerce Fulfillment Center in Olive Branch, MS
- > Commercial Revenue Growth Supporting Customer Diversification Strategy
- > Manage through USPS System Conversion and Provide Continued Support for Legacy and New Vehicles

Financial Discipline

- > Drive Above-Market Revenue Growth and Deliver Improved Profitability in Aviation
- > Generate Above-Market Growth for Commercial Fleet While Managing Near-Term USPS Demand Volatility
- > Drive Solid 2H'24 Free Cash Flow Reducing Net Leverage

Strategic Transformation

- > Complete Federal and Defense Segment Divestiture Transition
- > Relocate Corporate Headquarters
- > Strategic Review of Fleet Segment

Appendix

GAAP to Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA

(\$ in thousands, except per share data)

Three months ended June 30,

	2024	2023	% Change
Net income (loss)	\$ (2,777)	\$ 10,089	(127.5)%
Interest expense, net	9,826	7,366	33.4%
Income taxes	(917)	3,182	(128.8)%
Amortization of intangible assets	4,360	3,601	21.1%
Depreciation and other amortization	2,413	1,587	52.0%
EBITDA	12,905	25,825	(50.0)%
Acquisition, integration and restructuring costs	1,689	625	170.2%
Lease Abandonment costs	12,857	-	-%
Divestiture-related restructuring costs	3,861	-	-%
Adjusted EBITDA	\$ 31,312	\$ 26,450	18.4%

(excludes discontinued operations)

GAAP to Non-GAAP Reconciliations

Adjusted Net Income and Adjusted EPS (Diluted)

	Three months ended June 30,		
<i>(\$ in thousands, except per share data)</i>	2024	2023	% Change
Net (loss) Income from continuing operations	\$ (2,777)	\$ 10,089	(127.5)%
Adjustments:			
Acquisition, integration and restructuring costs	1,689	625	170.2%
Lease abandonment costs	12,857	-	-%
Divestiture-related restructuring costs	3,861	-	-%
	15,630	10,714	45.9%
Tax impact on adjusted items	(4,596)	(156)	2,846.2%
Adjusted Income from continuing operations	\$ 11,034	\$ 10,558	4.5%
Weighted Average Diluted Shares	17,202	12,917	33.2%
Adjusted EPS (Diluted)	\$ 0.64	\$ 0.82	(22.0)%

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

GAAP to Non-GAAP Reconciliations

Segment EBITDA and Adjusted EBITDA

(\$ in thousands)	Three months ended June 30,		
	2024	2023	% Change
Aviation			
Operating income	\$ 24,468	\$ 15,783	55.0%
Depreciation and amortization	6,034	3,432	75.8%
EBITDA	30,502	19,215	58.7%
Acquisition, integration and restructuring costs	474	—	—%
Adjusted EBITDA	\$ 30,976	\$ 19,215	61.2%

Fleet			
Operating income	\$ 2,211	\$ 7,854	(71.8)%
Depreciation and amortization	723	1,703	(57.5)%
EBITDA	2,934	9,557	(69.3)%
Acquisition, integration and restructuring costs	340	-	-%
Adjusted EBITDA	\$ 3,274	\$ 9,557	(65.7)%

(excludes discontinued operations)

GAAP to Non-GAAP Reconciliations

Balance Sheet

Reconciliation of Operating Cash Flow to Free Cash Flows

(\$ in thousands)

	June 30, 2024	March 31, 2024
Net cash (used in) provided by operating activities	\$(17,528)	\$(79,060)
Capital expenditures	(3,945)	(7,729)
Free Cash Flow	\$(21,473)	\$(86,789)

Reconciliation of Debt to Net Debt

(\$ in thousands)

	June 30, 2024	March 31, 2024
Principal amount of debt	\$466,500	\$484,946
Debt issuance costs	(2,992)	(3,324)
Cash and cash equivalents	(18,993)	(10,569)
Net Debt	\$444,515	\$471,053

Net Leverage Ratio

(\$ in thousands)

	June 30, 2024	March 31, 2024
Net Debt	\$444,515	\$471,053
TTM Adjusted EBITDA	127,376	122,515
Net Leverage Ratio	3.5 x	3.8 x
TTM Adjusted EBITDA Pro forma ⁽¹⁾	\$138,944	\$128,481
Pro forma Net Leverage Ratio	3.2 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.