



2018 Investor Presentation

(June 2019)



This VSE 5-Year Retrospective is neither an offer or solicitation to anyone to purchase, sell or otherwise trade in VSE common stock or any other securities. The information in this Retrospective is qualified in its entirety by reference to the financial information, risk factors and other detailed information regarding VSE included in its reports and other publicly available documents that VSE files with the Securities and Exchange Commission and are also available on VSE's website. Such reports and other documents include VSE's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and definitive proxy solicitation materials.

All Compound Annual Growth Rates (CAGRs) are 2014 – 2018, unless otherwise noted.

The Future of VSE

VSE's Legacy

- **Value Proposition:**
 - Maintain, Extend and Enhance Legacy Systems and Assets
 - 60 years of operational service excellence
- **M&A:** Pivoted away from core federal business
- **Result:** Successful diversification into three segments with balanced financials and risk:
 - Federal & Defense Services
 - Aviation Parts & Services
 - Fleet Vehicle Supply Chain Management

VSE's Evolution

- **Value Proposition:**
 - Maintain, Extend and Enhance Legacy *and* Next Generation Systems and Assets
 - Continued focus on operational service excellence, quality and execution
- **M&A:** Expansion and enhancement of core capabilities complementing existing VSE segments
- **Result:** Focus on profitable growth for all business segments through product, service and market expansion

VSE Maintains, Extends and Enhances Legacy *and* Next Generation Systems & Assets

AVIATION PARTS & SERVICES

- Expand to modern platform support
- Enhance services
- Grow distribution network through new products & customers

FLEET VEHICLE SUPPLY CHAIN MANAGEMENT

- Expand small- to medium-commercial fleet support through parts & product management solutions (including e-commerce)
- Continue long-term partnership with USPS

DEFENSE & FEDERAL SERVICES

- Investment in business development to win & execute new opportunities for near term growth

- Solidify value proposition for each segment ←
- Build and execute strategies for profitable growth ←
- Focus on investment, alignment & execution ←

Groups & Subsidiaries



Our **Aviation Group** provides maintenance, repair and overhaul (MRO) services, parts distribution, supply chain services, logistics and material support for commercial aerospace and corporate and regional aircraft platforms. Our VSE Aviation Inc. subsidiary includes 1st Choice Aerospace, Prime Turbines, CT Aerospace, Kansas Aviation, Air Parts & Supply Co., VSE Aviation GmbH and VSE Aviation Singapore PTE LTD. VSE Aviation companies serve commercial and federal markets.



Our **Supply Chain Management Group** specializes in the design and distribution of fleet vehicle maintenance and defense components. Our Wheeler Bros. subsidiary has distributed high quality vehicle parts to the US Postal Service and Department of Defense for over 50 years. WBI's core expertise lies in sourcing, design, warehousing, tracking vehicle parts, as well as reverse engineering parts that are no longer supported by original equipment manufacturers.



Our **Federal Services Group** provides support and technical services to our defense and federal customers to improve operational readiness and enhance mission success across the force. We leverage our technical expertise, knowledge and cadre of industry-leading strategic partners to support critical platforms and operations and deliver high quality, cost effective products and services that create, sustain and improve customer systems, equipment and processes.

VSE 5-Year Financial Data

Financial Metric	2014	2015	2016	2017	2018
Revenue	\$424.1M	\$534.0M	\$691.8M	\$760.1M	\$697.2M
Net Income	\$19.4M	\$24.9M	\$26.8M	\$39.1M	\$35.1M
Net Margin	4.6%	4.7%	3.9%	5.1%	5.0%
Operating Income	\$36.9M	\$50.5M	\$51.5M	\$54.3M	\$54.2M
Operating Margin	8.7%	9.5%	7.4%	7.1%	7.8%
Long Term Debt	\$23.5M	\$215.2M	\$193.6M	\$165.6M	\$151.1M
Earnings Per Share	\$1.81	\$2.32	\$2.48	\$3.61	\$3.23
Diluted Earnings Per Share	\$1.81	\$2.31	\$2.47	\$3.60	\$3.21
Dividends Per Share	\$0.195	\$0.215	\$0.235	\$0.270	\$0.310
Stockholders' Equity (BOY)	\$186.8M	\$205.5M	\$229.3M	\$255.2M	\$293.1M
Stockholders' Equity (EOY)	\$205.5M	\$229.3M	\$255.2M	\$293.1M	\$328.4M
Return on Stockholders' Equity (BOY)	10.4%	12.1%	11.7%	15.3%	12.0%

2014 – 2018 CAGRs:

Revenue CAGR = 10.5%
 Net Income CAGR = 12.6%
 Stockholders' Equity CAGR = 9.4%

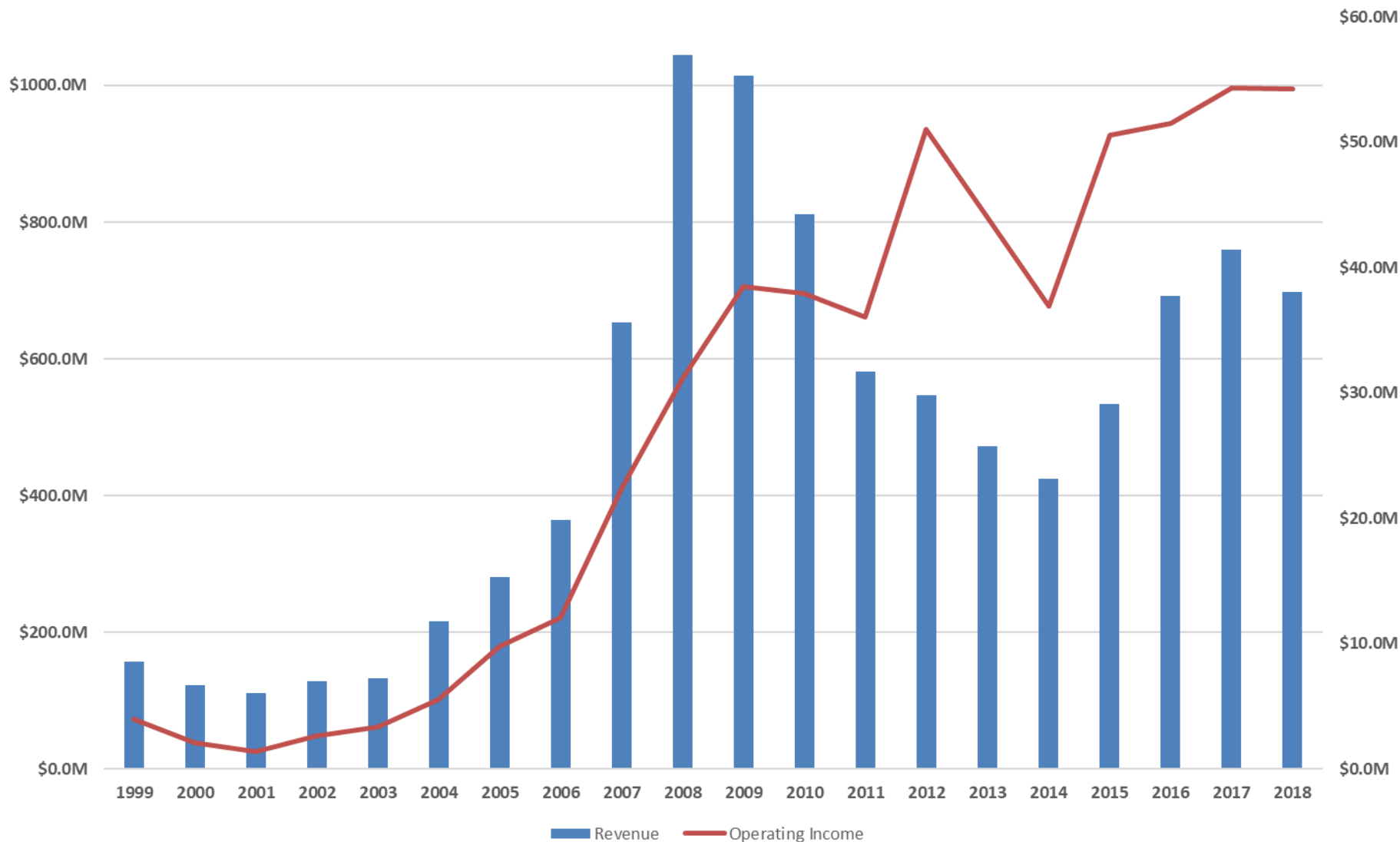
Diluted EPS growing from \$1.81 in 2014 to \$3.21 in 2018 CAGR = 12.1%

Historic Stock Activity

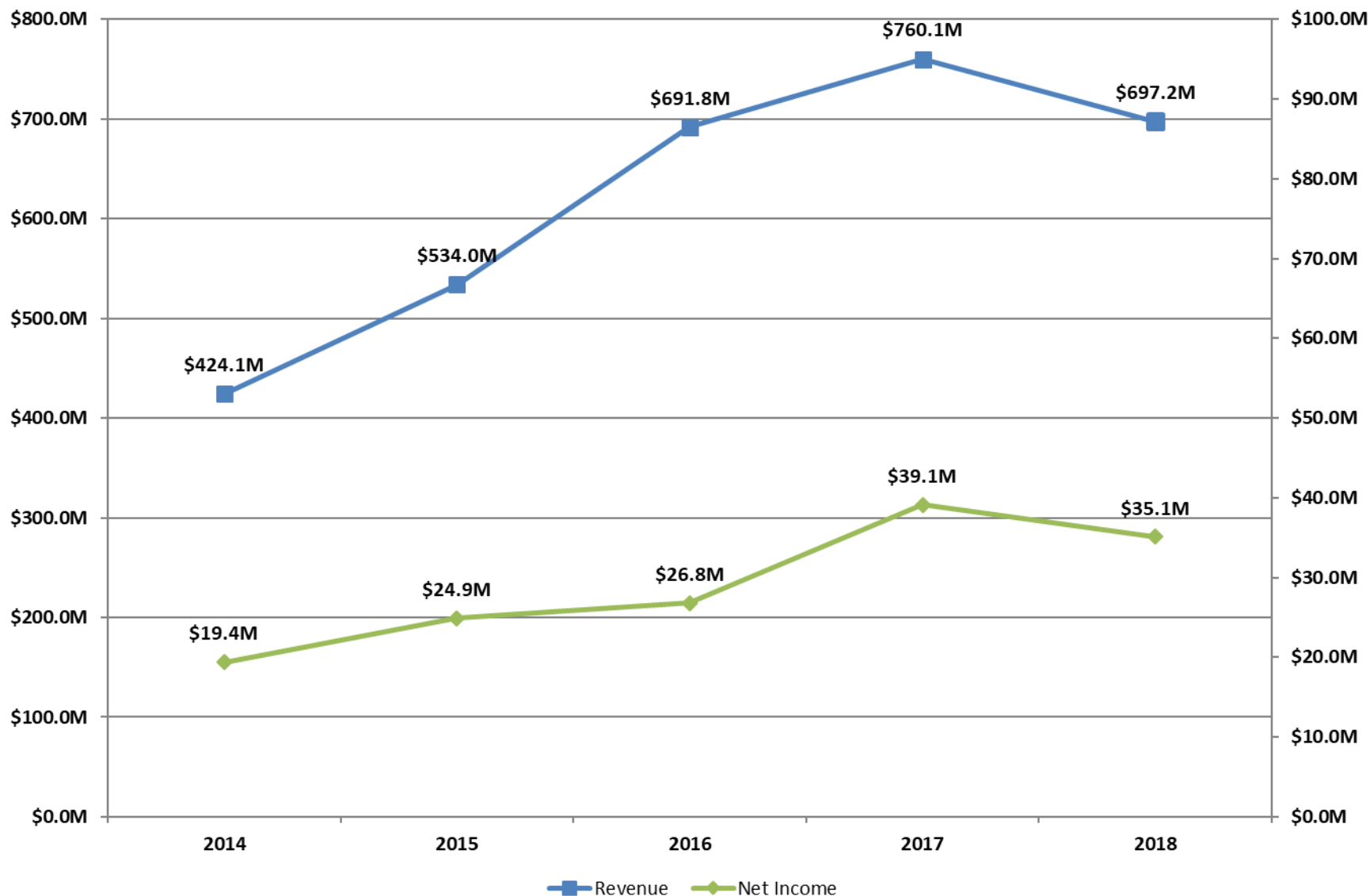


May 1999 – May 2019
 Source: E*Trade

VSE's Revenue & Operating Income



Revenue and Net Income

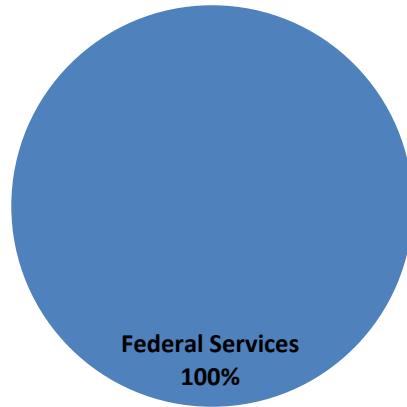


VSE's Path to Diversification

(Revenue by Segment)

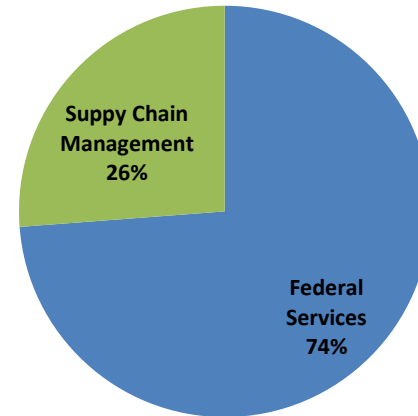
2010

Pre-Wheeler Bros. Acquisition



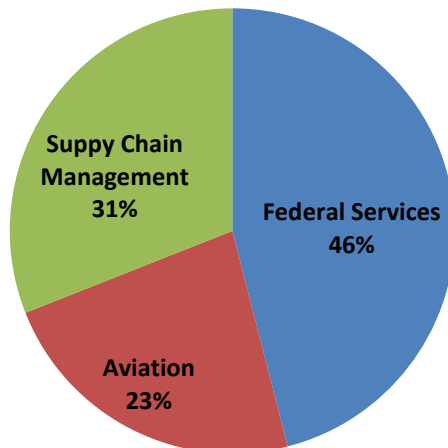
2012

Post-Wheeler Bros. Acquisition

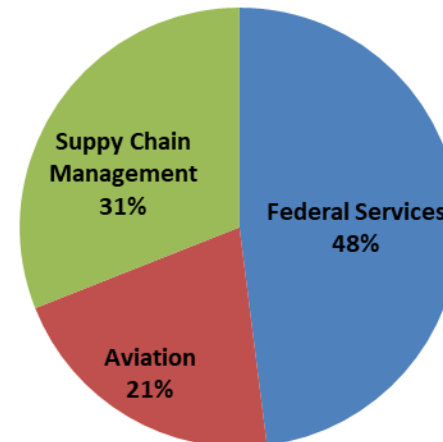


2015

Post-Aviation Acquisition

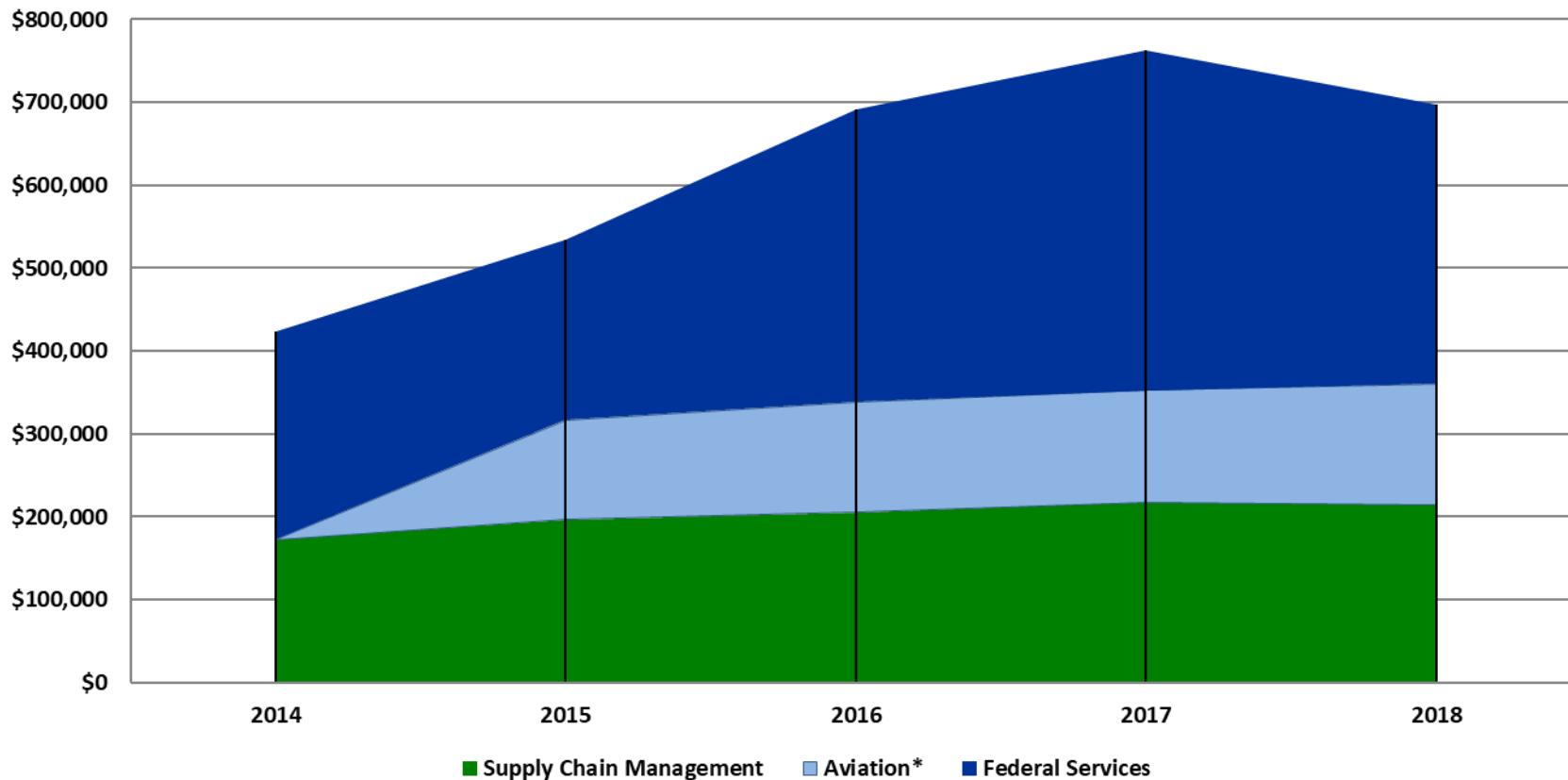


2018



Revenue by Segment

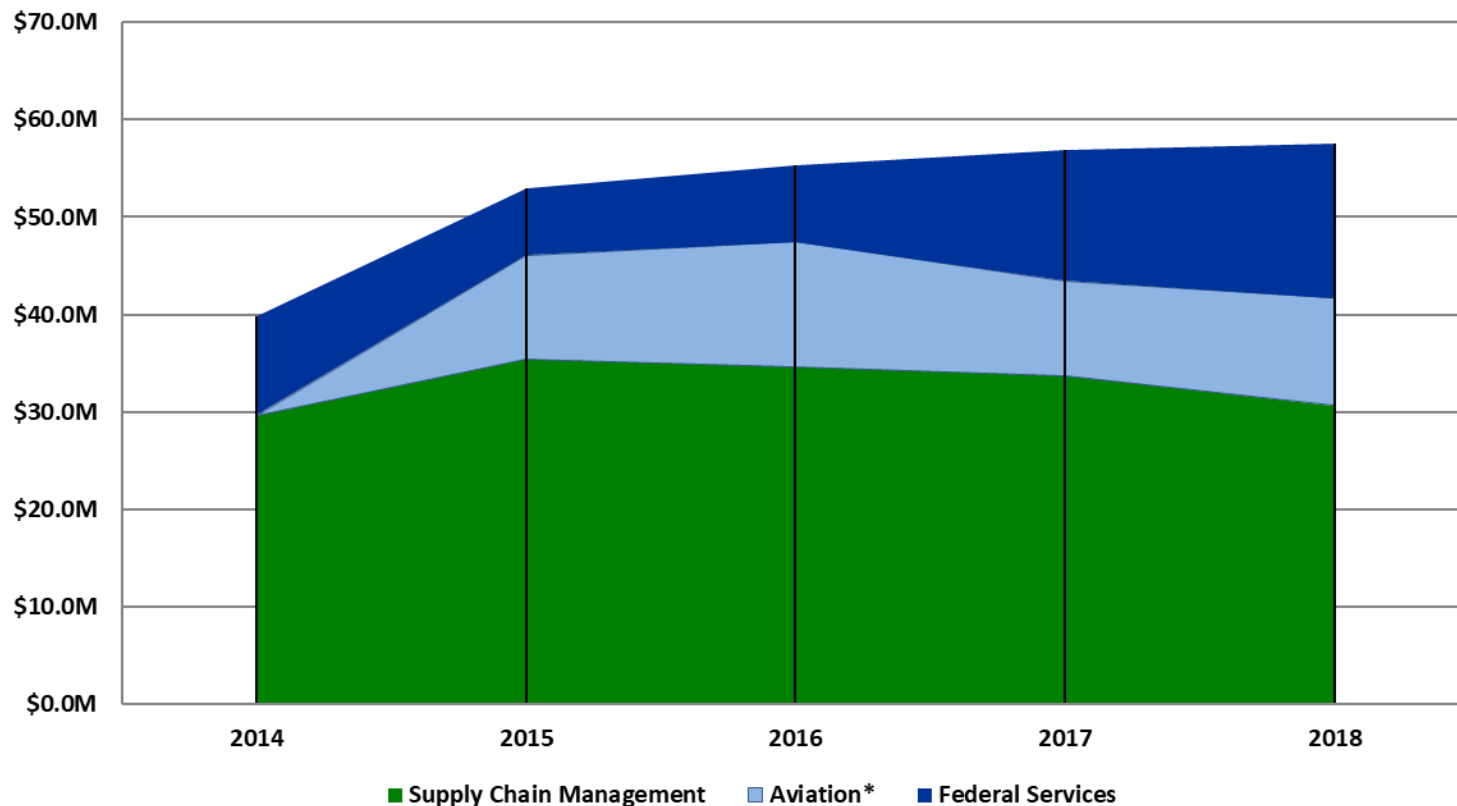
(in thousands)



	2014	2015	2016	2017	2018
Supply Chain Management	\$172,482	\$196,772	\$205,475	\$214,542	\$214,809
Aviation*	\$ -	\$119,729	\$133,466	\$134,809	\$145,423
Federal Services	\$251,589	\$217,481	\$352,849	\$410,762	\$336,986
Total	\$424,071	\$533,982	\$691,790	\$760,113	\$697,218

*Acquired January 2015

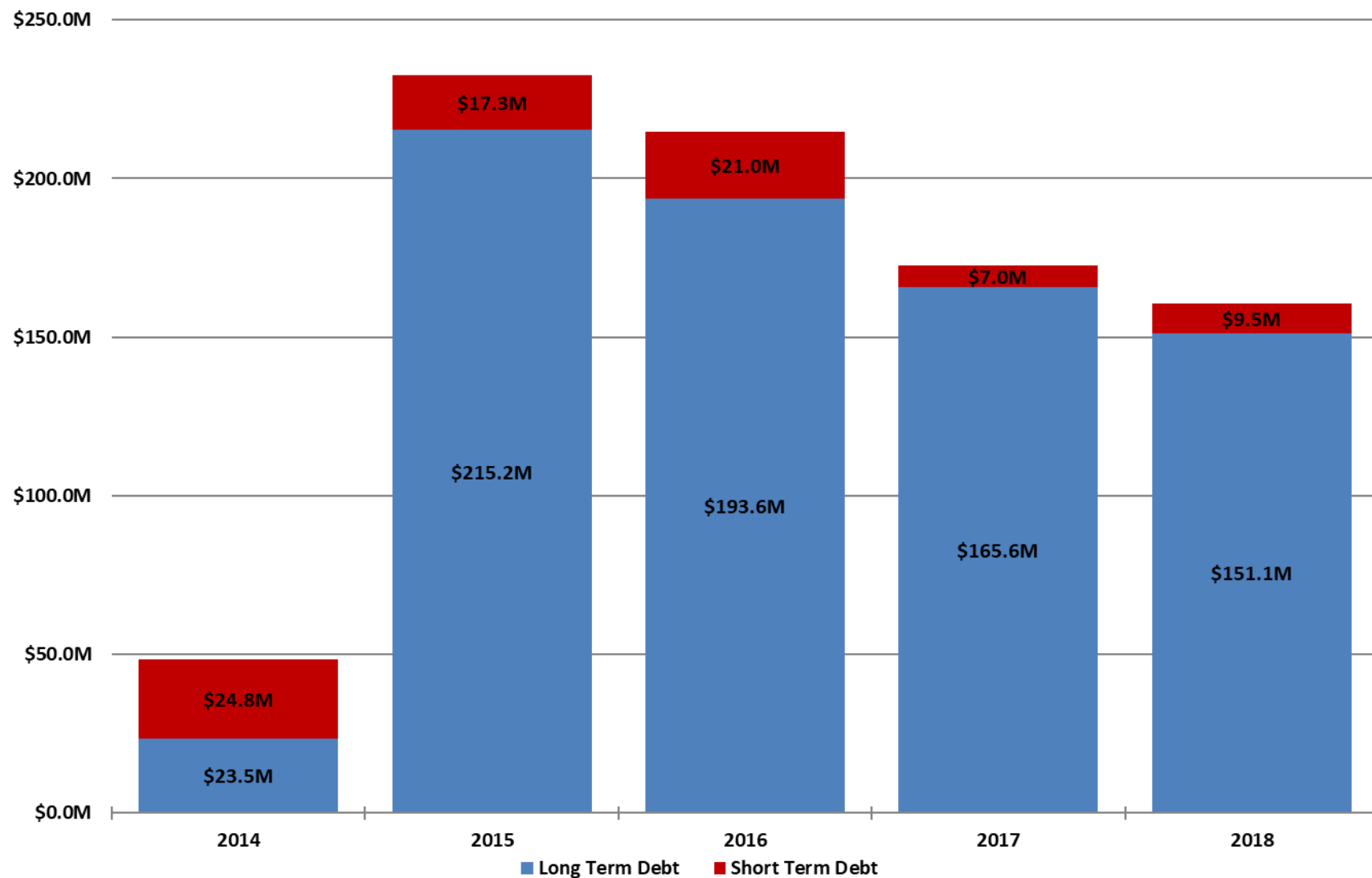
Operating Income by Segment



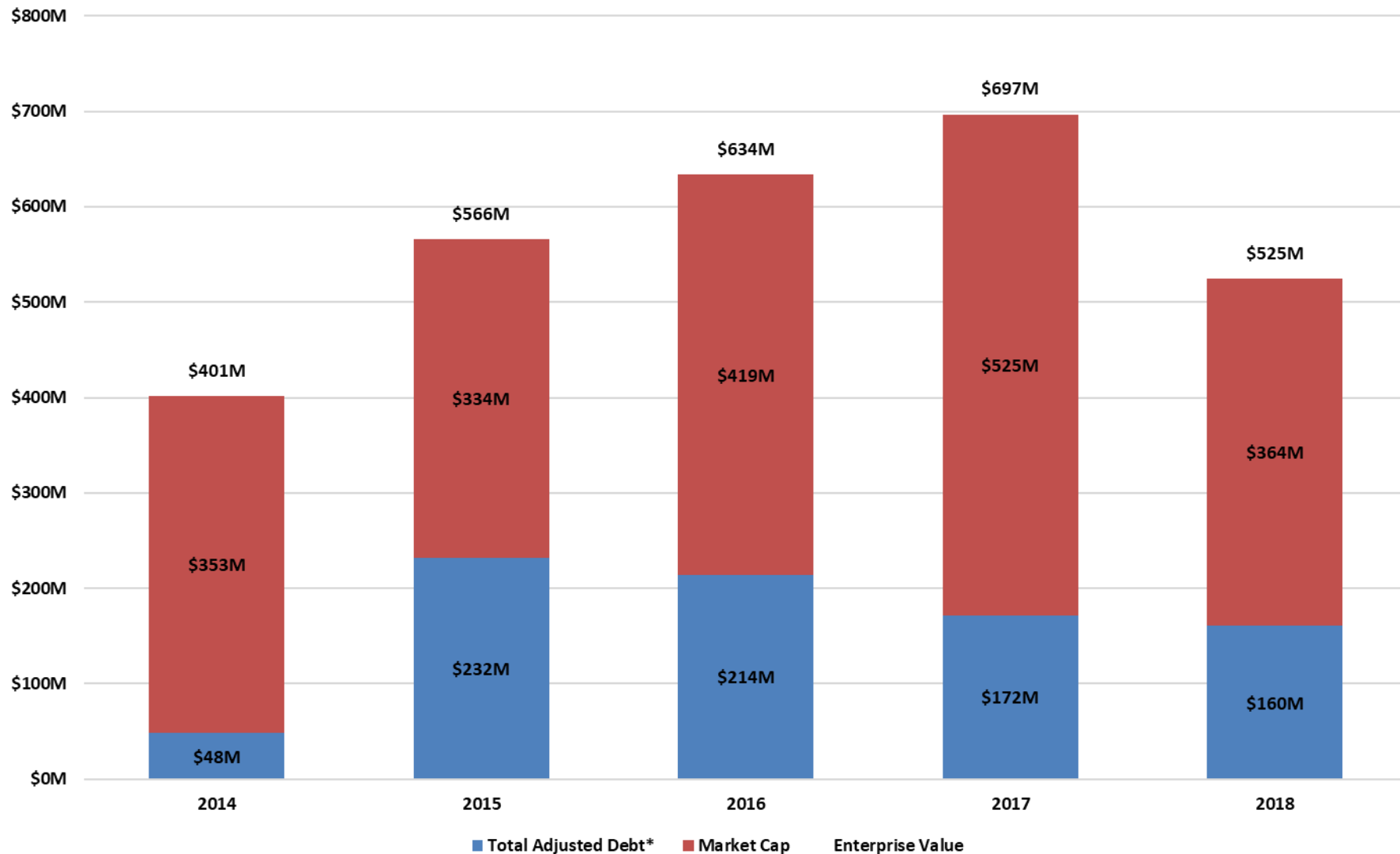
	2014	2015	2016	2017	2018
Supply Chain Management	\$29.7M	\$35.5M	\$34.6M	\$33.8M	\$30.6M
Aviation*		\$10.6M	\$12.8M	\$9.7M	\$11.1M
Federal Services	\$10.1M	\$6.8M	\$7.8M	\$13.4M	\$15.8M
Corporate Expense	(\$2.9M)	(\$2.4M)	(\$3.7M)	(\$2.5M)	(\$3.3M)
Operating Income	\$36.9M	\$50.5M	\$51.5M	\$54.3M	\$54.2M

* Acquired January 2015

Debt (EOY)



Enterprise Value (EOY)



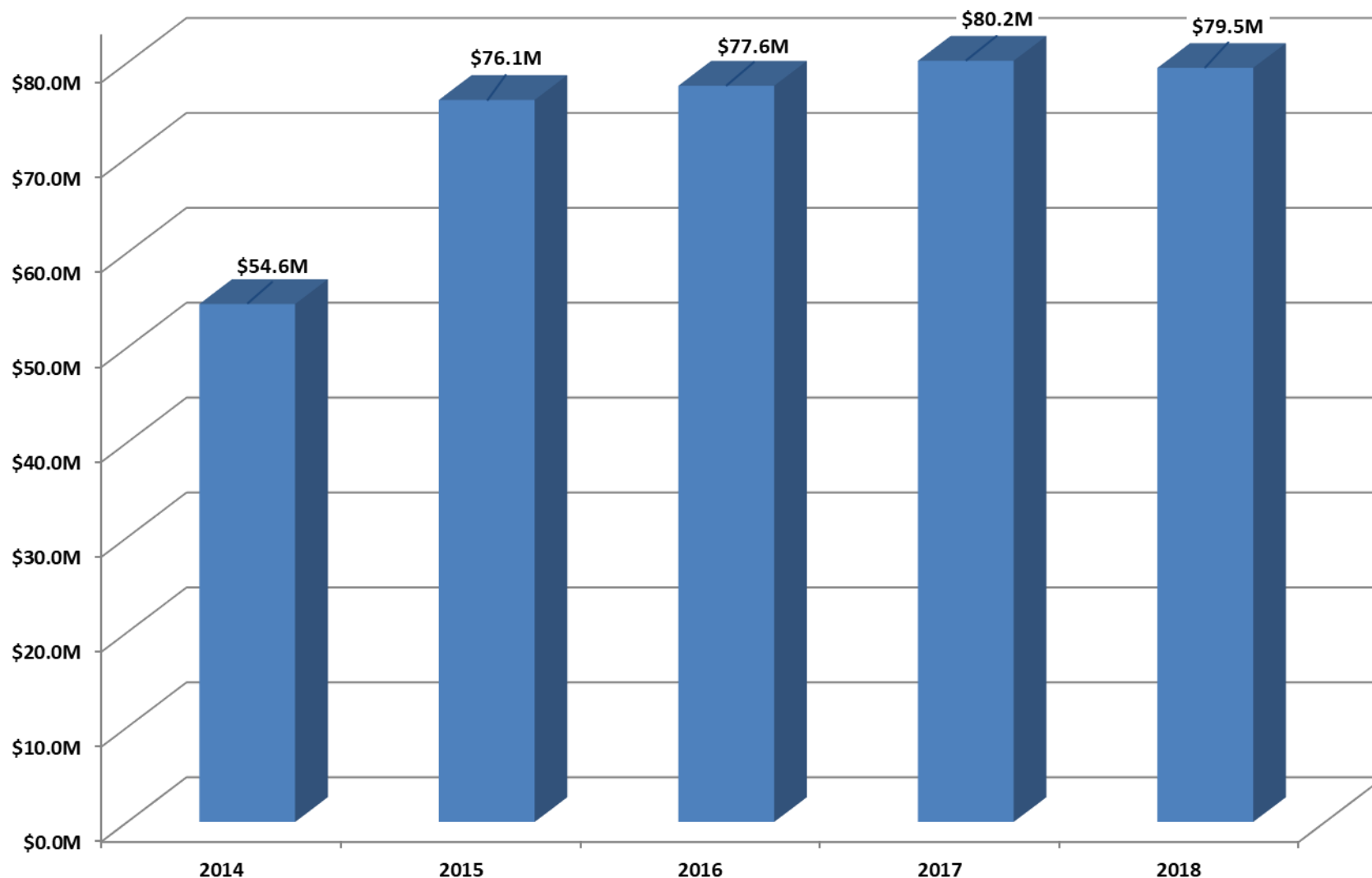
*Total Debt less cash and cash equivalents

Non-GAAP Financial Information

(Unaudited, in thousands)

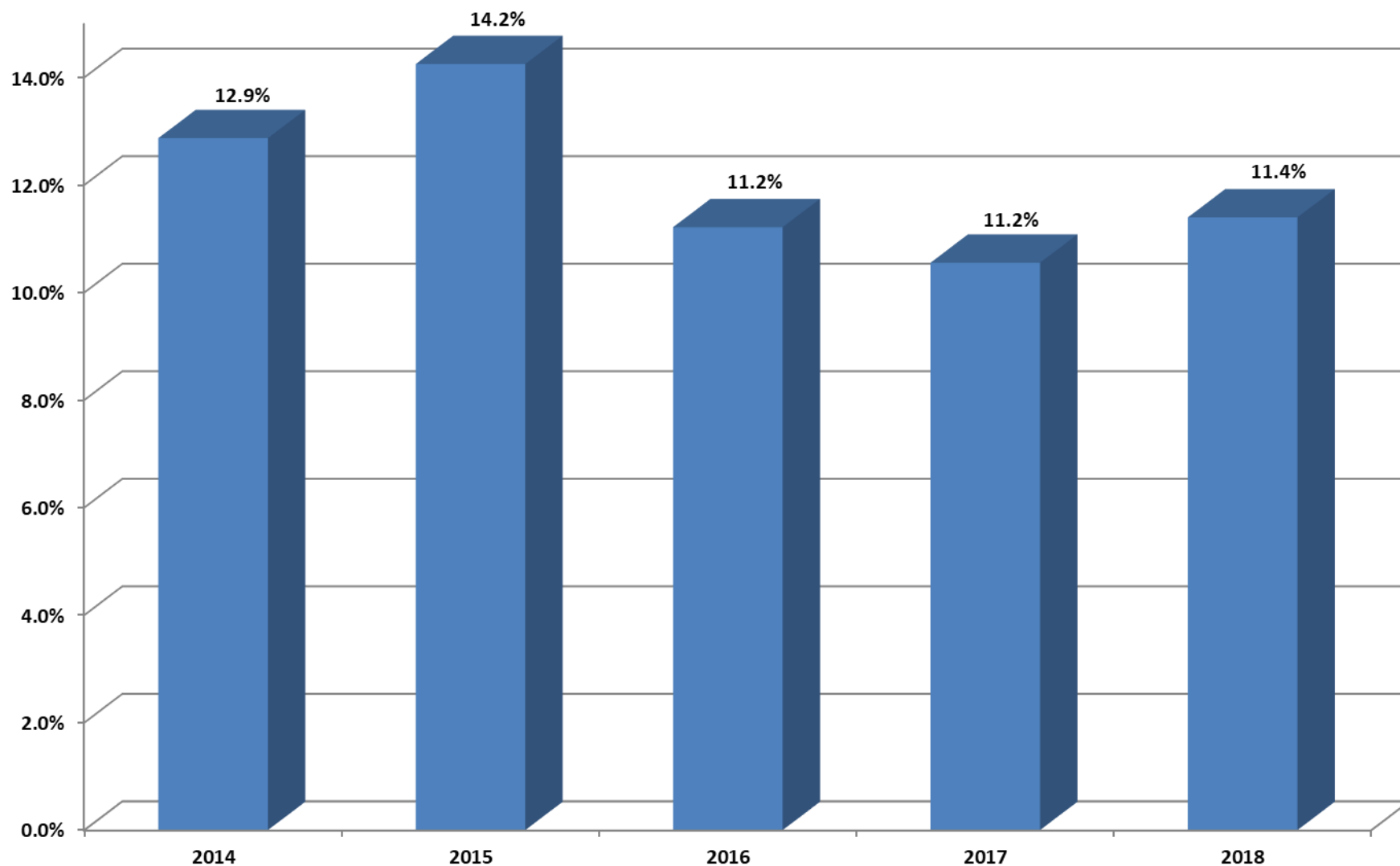
The following slides contain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP") under SEC Regulation G, including EBITDA, EBITDA Margin and Free Cash Flows. EBITDA represents net income before interest expense, income taxes, amortization of intangible assets, and depreciation and other amortization. EBITDA Margin represents EBITDA, as defined above, divided by our fiscal year end revenue. We define Free Cash Flow as cash flow from operating activities minus capital expenditures. Non-GAAP financial information should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP. The non-GAAP measures displayed in the following charts are reconciled to the comparable GAAP financial measures as follows:

	2014	2015	2016	2017	2018
Net Income	\$19,365	\$24,918	\$26,793	\$39,096	\$35,080
Interest Expense	\$3,983	\$9,544	\$9,855	\$9,240	\$8,982
Income Taxes	\$12,458	\$16,077	\$14,881	\$5,989	\$10,168
Amortization and Depreciation	\$18,770	\$25,541	\$26,046	\$25,882	\$25,224
EBITDA	\$54,576	\$76,080	\$77,575	\$80,207	\$79,454
	2014	2015	2016	2017	2018
Net Cash Provided by Operating Activities	\$49,715	\$37,574	\$47,193	\$50,420	\$18,855
Purchases of Property and Equipment	(\$3,414)	(\$10,562)	(\$6,546)	(\$3,743)	(\$3,117)
Free Cash Flows	\$46,301	\$27,012	\$40,647	\$46,677	\$15,738



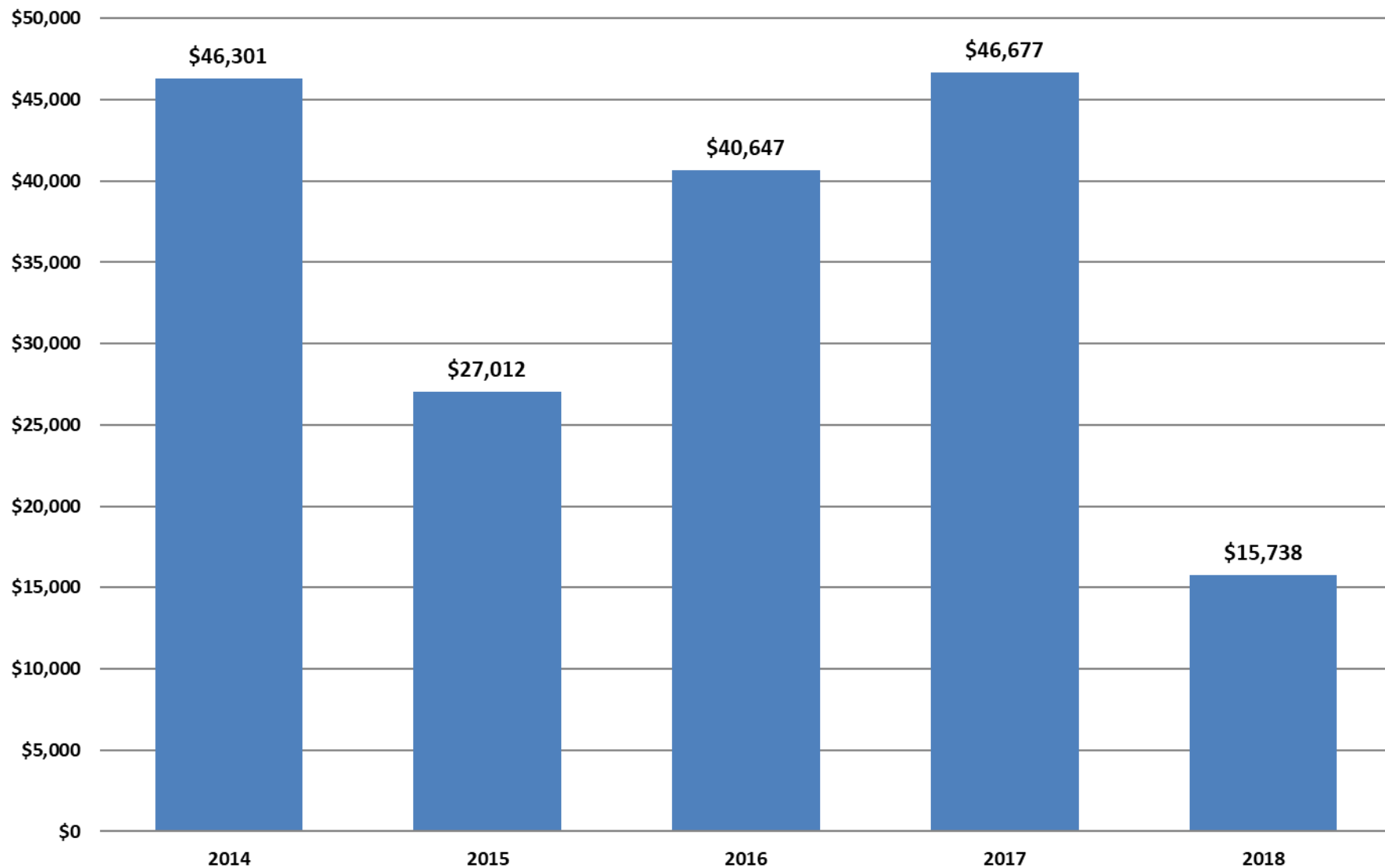
EBITDA Margin

(Non-GAAP Financial Information/Unaudited)



Free Cash Flow*

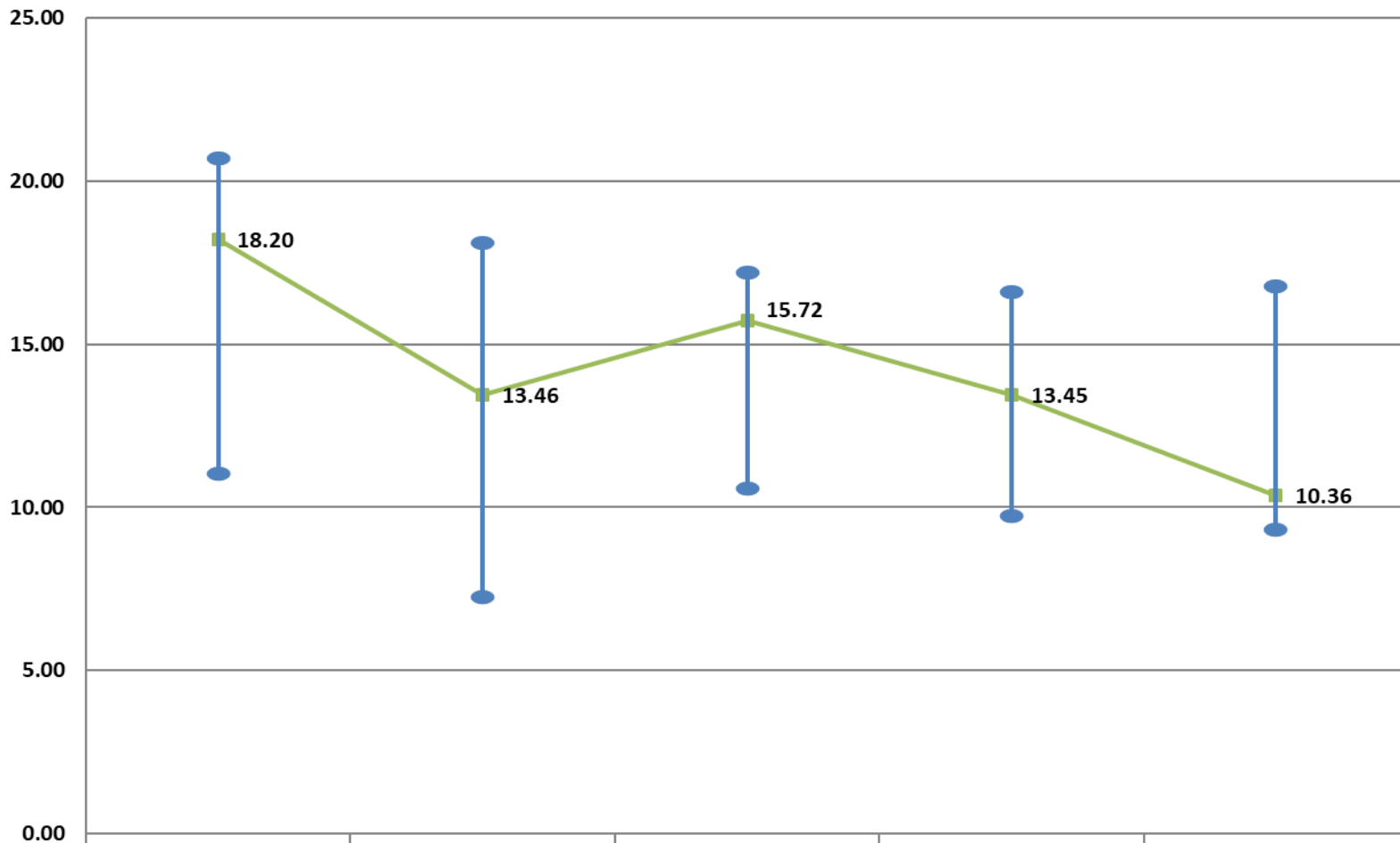
(in thousands)



*Free Cash Flow is Cash Flow from Operating Activities minus Capital Expenditures

P/E Range w/ Year End P/E

(Split Adjusted)



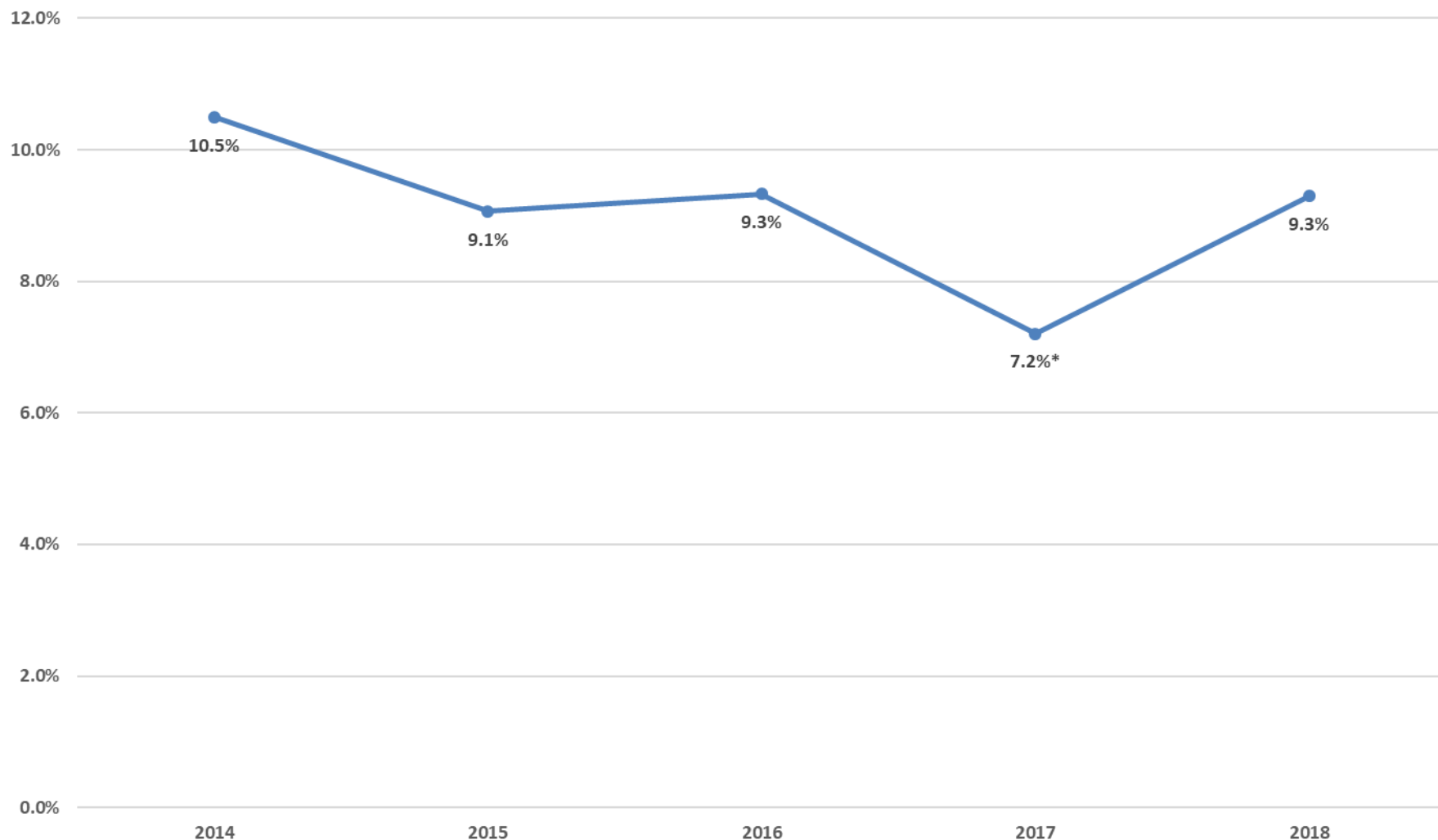
	2014	2015	2016	2017	2018
High P/E	20.68	18.12	17.20	16.59	16.76
Low P/E	11.04	7.26	10.59	9.72	9.32
■ Year End P/E Ratio	18.20	13.46	15.72	13.45	10.36

EPS, P/E and Stock Price



Diluted Earnings Per Share	2014	2015	2016	2017	2018
	\$1.81	\$2.31	\$2.47	\$3.60	\$3.21
Year End P/E Ratio	18.20	13.46	15.72	13.45	9.32
Year End Stock Price	\$32.95	\$31.09	\$38.84	\$48.43	\$29.91

Dividend Payout Ratio



**2017 ratio was affected by the 2018 Tax Cuts & Jobs Act
Ratio Calculation: Dividends/Net Income*

Stockholders' Equity (EOY) and Dividends

