



NEWS RELEASE

# V2X Announces Strong First Quarter 2023 Results

5/9/2023

## First Quarter 2023 Highlights:

- Revenue of \$943.5 million, up 12.0% y/y on a pro forma basis
- Continued expansion in the Pacific driving strong revenue growth of ~300% y/y
- Awarded new contracts valued at ~\$600 million and secured ~\$250 million in recompetes
- Reported operating income of \$30.6 million; adjusted operating income<sup>1</sup> of \$62.6 million
- Adjusted EBITDA<sup>1</sup> of \$68.0 million with a margin<sup>1</sup> of 7.2%
- Diluted EPS of (\$0.57); adjusted diluted EPS<sup>1</sup> of \$0.80

## 2023 Guidance:

- Reiterating full-year 2023 guidance

MCLEAN, Va., May 9, 2023 /PRNewswire/ -- V2X, Inc. (NYSE:V2X) announced first quarter 2023 financial results.

"V2X reported an excellent start to the year with revenue increasing 12.0% year-over-year, on a pro forma basis during the first quarter," said Chuck Prow, President and Chief Executive Officer of V2X. "Adjusted EBITDA for the quarter was \$68.0 million or a 7.2% margin and reflects a benefit from strong revenue volume and program productivity. The pace of award activity is improving and was exemplified by approximately \$600 million in new business awarded to V2X. With over \$4 billion in bids under evaluation and a robust backlog of ~\$12 billion, the outlook for V2X remains solid."

"Revenue growth in the quarter was generated by continued expansion on existing programs, contribution from new awards, as well as success in securing recompete wins late last year and in early 2023," said Mr. Prow. "Our

teams continued to drive momentum with several notable wins in the quarter. This has been achieved while successfully expanding on our core programs. Importantly, we continue to experience significant growth in the Pacific or INDOPACOM, with our presence and footprint in the region proving to be a key channel to support increasing mission requirements."

Mr. Prow continued, "Our growth activities during the quarter were robust. In March, we were awarded two strategically important new business contracts. Firstly, we were the successful bidder on the Naval Test Wing Pacific contract valued at \$440 million over seven years, which further builds on the services V2X is providing under the \$880 million Naval Test Wing Atlantic program. This effort to support the critical test and evaluation activities performed by the Naval Test Wing Pacific leveraged V2X's proprietary and innovative technology-based solution, AMMO<sup>®</sup>, and demonstrates our commitment to maintaining high levels of mission readiness. We are honored to be selected to support the Navy's preeminent organization for flight testing and flight test support of the latest systems. Secondly, V2X was also awarded a three-year, approximately \$100 million contract to provide critical cybersecurity support services to a government client. This is a key win for V2X in the cyber and IT support domain and leverages our core mission of intersecting our technology and operations capabilities."

"In addition, during the first quarter, we were awarded over \$250 million in recompetes," said Mr. Prow. "This includes a five-year, \$142 million contract with Naval Air Systems Command (NAVAIR) PMA 281 in support of mission planning systems. PMA-281 is responsible for the acquisition and life cycle management of a range of mission planning, control system and execution tools that are developed and integrated in partnership with other services, and foreign nation partners. This recompetes win with the Navy represents successful execution on this deliberate client engagement campaign. We also secured a five-year recompetes contract valued at over \$90 million with a National Security client. Transition to the new contract is complete and I'd like to thank our team for their exceptional performance and dedication to this important client."

Mr. Prow concluded, "The significant momentum in harnessing combined V2X solutions offers an opportunity to deliver growth with access to pursuits that would not have been achievable in the past. We remain focused on delivering on our strategy to drive growth by creating more value in our core markets with converged solutions, increasing market share where our operational knowledge sets us apart, and expanding mission capabilities into adjacent markets."

## First Quarter 2023 Results

On July 5, 2022 ("Closing Date"), Vectrus, Inc. ("Vectrus") completed its merger ("the Merger") with Vertex Aerospace Services Holding Corp. ("Vertex"), thereby forming V2X, Inc. First quarter 2022 "reported results" reflect the contributions of Vectrus from January 1, 2022, through March 31, 2022, unless otherwise noted. Comparisons to historical periods are relative to legacy Vectrus results, unless otherwise noted.

- Revenue of \$943.5 million, up 12.0% y/y on a pro forma basis
- Operating income of \$30.6 million, including merger and integration related costs of \$9.4 million, and amortization of acquired intangible assets of \$22.6 million
- Adjusted operating income<sup>1</sup> of \$62.6 million
- Adjusted EBITDA<sup>1</sup> of \$68.0 million with a 7.2% adjusted EBITDA margin<sup>1</sup>
- Diluted EPS of (\$0.57)
- Adjusted diluted EPS<sup>1</sup> of \$0.80
- Net debt as of March 31, 2023 of \$1,288.6 million
- Total backlog as of March 31, 2023 of \$11.8 billion

"Our first quarter financial results were a strong start to the year," said Susan Lynch, Senior Vice President and Chief Financial Officer. "Pro forma revenue increased 12.0% year-over-year to \$943.5 million. Revenue growth was driven by momentum in the Pacific, expansion on existing programs, and the contribution from new business wins awarded in 2022 and 2023. Notably, revenue from the Pacific increased approximately 300% year-over-year and 18% sequentially, reflecting our agile readiness position to support the increased operational tempo of mission exercises in the region."

For the quarter, the Company reported operating income of \$30.6 million and adjusted operating income<sup>1</sup> of \$62.6 million. Adjusted EBITDA<sup>1</sup> was \$68.0 million with a margin of 7.2%. First quarter diluted EPS was (\$0.57), due primarily to merger and integration related costs, loss on extinguishment of debt, amortization of acquired intangible assets, and interest expense. Adjusted diluted EPS<sup>1</sup> for the quarter was \$0.80 cents.

Ms. Lynch continued, "In the first quarter, V2X successfully enhanced its capital structure through a lower cost credit facility with greater liquidity. The new \$750 million credit facility eliminated the second lien term loan B, the incremental portion of the first lien term loan B, and the asset-based loan revolver and was replaced with a lower cost \$500 million revolver and a \$250 million term loan A. In order to manage interest rate risk and uncertainty, the Company also entered into interest rate swaps, converting 30% of its variable-rate term loan debt into fixed rate-debt. I would like to thank our banking partners for their support and trust in our business. At the end of the quarter, our net consolidated indebtedness to EBITDA<sup>1</sup> (net leverage ratio) was 3.8x. We are focused on reducing debt and expect that our leverage ratio will show further improvement in 2023."

"Net cash used in operating activities for the quarter was \$38.5 million. Adjusted net cash used in operating activities<sup>1</sup> was \$23.4 million, which adds back \$13.4 million of CARES Act related payments and \$1.7 million of M&A and integration costs," said Ms. Lynch. "Cash flow followed our normal seasonal pattern and we expect operating cash flow to ramp to our previously communicated guidance."

Total backlog as of March 31, 2023, was \$11.8 billion and funded backlog was \$2.6 billion. The trailing twelve-month book-to-bill was 1.4x.

## Reiterating 2023 Guidance

Ms. Lynch concluded, "I am pleased with our strong start to the year. Our teams continue to work together seamlessly, making notable progress on integration milestones while driving results across the board. We have made great strides in harmonizing our processes, technology, and applications, which is allowing us to deliver on our commitments. As such, the Company is reiterating its guidance for 2023." Guidance for 2023 remains as follows:

\$ millions, except for per share amounts	2023 Guidance		2023 Mid-Point
Revenue	\$3,800 To	\$3,900	\$3,850
Adjusted EBITDA <sup>1</sup>	\$290 To	\$310	\$300
Adjusted Diluted Earnings Per Share <sup>1</sup>	\$3.80 To	\$4.30	\$4.05
Adjusted Net Cash Provided by Operating Activities <sup>1</sup>	\$115.0 To	\$135.0	\$125.0

Forward-looking statements are based upon current expectations and are subject to factors that could cause actual results to differ materially from those suggested here, including those factors set forth in the Safe Harbor Statement below.

## First Quarter 2023 Conference Call

Management will conduct a conference call with analysts and investors at 4:30 p.m. ET on Tuesday, May 9, 2023. U.S.-based participants may dial in to the conference call at 888-886-7786, while international participants may dial 416-764-8658. A live webcast of the conference call as well as an accompanying slide presentation will be available here: <https://app.webinar.net/4AayJaN5XPr>

A replay of the conference call will be posted on the V2X website shortly after completion of the call and will be available for one year. A telephonic replay will also be available through May 23, 2023, at 844-512-2921 (domestic) or 412-317-6671 (international) with passcode 30124902.

Presentation slides that will be used in conjunction with the conference call will also be made available online in advance at <https://investors.vectrus.com/>. V2X recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with its obligations under the U.S. Securities and Exchange Commission ("SEC") Regulation FD.

Footnotes:

<sup>1</sup> See "Key Performance Indicators and Non-GAAP Financial Measures" for descriptions and reconciliations.

## About V2X

V2X is a leading provider of critical mission solutions and support to defense clients globally, formed by the 2022 Merger of Vectrus and Vertex to build on more than 120 combined years of successful mission support. The Company delivers a comprehensive suite of integrated solutions across the operations and logistics, aerospace, training and technology markets to national security, defense, civilian and international clients. Our global team of approximately 15,000 employees brings innovation to every point in the mission lifecycle, from preparation, to operations, to sustainment, as it tackles the most complex challenges with agility, grit, and dedication.

## Safe Harbor Statement

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 (the "Act"): Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Act. These forward-looking statements include, but are not limited to, all the statements and items listed under "Reiterating 2023 Guidance" above and other assumptions contained therein for purposes of such guidance, other statements about our 2023 performance outlook, revenue, contract opportunities, and any discussion of future operating or financial performance.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "could," "potential," "continue" or similar terminology. These statements are based on the beliefs and assumptions of the management of the Company based on information currently available to management.

These forward-looking statements are not guarantees of future performance, conditions, or results, and involve a number of known and unknown risks, uncertainties, assumptions, and other important factors, many of which are outside our management's control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and our present expectations or projections. For a discussion of some of the risks and uncertainties that could cause actual results to differ from such forward-looking statements, see the risks and other factors detailed from time to time our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the SEC.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

V2X, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended	
	March 31, 2023	April 1, 2022
Revenue	\$ 943,460	\$ 456,471
Cost of revenue	864,630	419,275
Selling, general, and administrative expenses	48,251	31,959
Operating income	30,579	5,237
Loss on extinguishment of debt	(22,052)	—
Interest expense, net	(31,744)	(1,681)
(Loss) income from operations before income taxes	(23,217)	3,556
Income tax (benefit) expense	(5,737)	701
Net (loss) income	\$ (17,480)	\$ 2,855
(Loss) earnings per share		
Basic	\$ (0.57)	\$ 0.24
Diluted	\$ (0.57)	\$ 0.24
Weighted average common shares outstanding - basic	30,927	11,759
Weighted average common shares outstanding - diluted	30,927	11,902

V2X, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except per share information)	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 62,145	\$ 116,067
Receivables	759,813	728,582
Prepaid expenses	78,218	74,234
Other current assets	26,016	13,049
Total current assets	926,192	931,932
Property, plant, and equipment, net	82,311	78,715
Goodwill	1,655,545	1,653,822
Intangible assets, net	475,345	497,951
Right-of-use assets	48,577	52,825
Other non-current assets	21,370	17,858
Total non-current assets	2,283,148	2,301,171
<b>Total Assets</b>	<b>\$ 3,209,340</b>	<b>\$ 3,233,103</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 402,655	\$ 406,706
Compensation and other employee benefits	143,937	168,038
Short-term debt	15,500	11,850
Other accrued liabilities	198,101	196,538
Total current liabilities	760,193	783,132
Long-term debt, net	1,291,969	1,262,811
Deferred tax liabilities	9,927	15,813
Operating lease liabilities	37,082	41,083
Other non-current liabilities	131,698	133,185
Total non-current liabilities	1,470,676	1,452,892
Total liabilities	2,230,869	2,236,024
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Preferred stock; \$0.01 par value; 10,000 shares authorized; No shares issued and		

outstanding	—	—
Common stock; \$0.01 par value; 100,000 shares authorized; 31,005 and 30,470 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	310	305
Additional paid in capital	748,137	748,877
Retained earnings	235,944	253,424
Accumulated other comprehensive loss	(5,920)	(5,527)
Total shareholders' equity	<u>978,471</u>	<u>997,079</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,209,340</u>	<u>\$ 3,233,103</u>

V2X, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Three Months Ended	
	March 31, 2023	April 1, 2022
<b>Operating activities</b>		
Net (loss) income	\$ (17,480)	\$ 2,855
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation expense	5,412	1,591
Amortization of intangible assets	22,606	2,301
Loss (gain) on disposal of property, plant, and equipment	31	(16)
Stock-based compensation	12,872	2,558
Amortization of debt issuance costs	2,513	204
Loss on extinguishment of debt	22,052	—
Changes in assets and liabilities:		
Receivables	(30,649)	(29,898)
Prepaid expenses	(3,840)	(4,849)
Other assets	(5,938)	4,520
Accounts payable	(4,115)	22,693
Deferred taxes	(6,034)	—
Compensation and other employee benefits	(24,182)	(21,138)
Other liabilities	(11,740)	(7,202)
<b>Net cash used in operating activities</b>	<u>(38,492)</u>	<u>(26,381)</u>
<b>Investing activities</b>		
Purchases of capital assets	(9,076)	(2,195)
Proceeds from the disposition of assets	—	17
<b>Net cash used in investing activities</b>	<u>(9,076)</u>	<u>(2,178)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	250,000	—
Repayments of long-term debt	(421,013)	(2,600)
Proceeds from revolver	348,750	217,000
Repayments of revolver	(163,750)	(200,000)
Proceeds from exercise of stock options	5	—
Payment of debt issuance costs	(7,507)	(458)
Prepayment premium on early redemption of debt	(1,600)	—
Payments of employee withholding taxes on share-based compensation	(12,806)	(1,626)
<b>Net cash (used in) provided by financing activities</b>	<u>(7,921)</u>	<u>12,316</u>
<b>Exchange rate effect on cash</b>	<u>1,567</u>	<u>729</u>
Net change in cash and cash equivalents	(53,922)	(15,514)
Cash and cash equivalents - beginning of period	116,067	38,513
<b>Cash and cash equivalents - end of period</b>	<u>\$ 62,145</u>	<u>\$ 22,999</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 29,066</u>	<u>\$ 1,513</u>
Income taxes paid (refunded)	<u>\$ 300</u>	<u>\$ 66</u>
Purchase of capital assets on account	<u>\$ 494</u>	<u>\$ 5</u>

Key Performance Indicators and Non-GAAP Measures

The primary financial performance measures we use to manage our business and monitor results of operations are revenue trends and operating income trends. Management believes that these financial performance measures are the primary drivers for our earnings and net cash from operating activities. Management evaluates its contracts and business performance by focusing on revenue, operating income, and operating margin. Operating income represents revenue less both cost of revenue and selling, general and administrative (SG&A) expenses. Cost of revenue consists of labor, subcontracting costs, materials, and an allocation of indirect costs, which includes service center transaction costs. SG&A expenses consist of indirect labor costs (including wages and salaries for executives and administrative personnel), bid and proposal expenses and other general and administrative expenses not allocated to cost of revenue. We define operating margin as operating income divided by revenue.

We manage the nature and amount of costs at the program level, which forms the basis for estimating our total costs and profitability. This is consistent with our approach for managing our business, which begins with management's assessing the bidding opportunity for each contract and then managing contract profitability throughout the performance period.

In addition to the key performance measures discussed above, we consider adjusted net income, adjusted diluted earnings per share, adjusted operating income, adjusted EBITDA, adjusted EBITDA margin, adjusted operating cash flow, and pro forma revenue to be useful to management and investors in evaluating our operating performance, and to provide a tool for evaluating our ongoing operations. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives. We provide this information to our investors in our earnings releases, presentations, and other disclosures.

Adjusted net income, adjusted diluted earnings per share, adjusted operating income, adjusted EBITDA, adjusted EBITDA margin, adjusted operating cash flow, and pro forma revenue, however, are not measures of financial performance under GAAP and should not be considered a substitute for financial measures determined in accordance with GAAP. Definitions and reconciliations of these items are provided below.

- Pro forma revenue is defined as the combined results of our operations for the three months ended March 31, 2023 and April 1, 2022 as if the Merger had occurred on January 1, 2021.
- Adjusted operating income is defined as operating income, adjusted to exclude items that may include, but are not limited to, significant charges or credits, and unusual and infrequent non-operating items that impact current results but are not related to our ongoing operations, such as M&A, integration, and related costs.
- Adjusted EBITDA is defined as operating income, adjusted to exclude depreciation and amortization of intangible assets, and items that may include, but are not limited to, significant charges or credits, and unusual and infrequent non-operating items that impact current results but are not related to our ongoing

operations, such as M&A, integration, and related costs.

- Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.
- Adjusted net income is defined as net income, adjusted to exclude items that may include, but are not limited to, significant charges or credits, and unusual and infrequent non-operating items that impact current results but are not related to our ongoing operations, such as M&A, integration and related costs, amortization of acquired intangible assets, amortization of debt issuance costs, and loss on extinguishment of debt.
- Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted average diluted common shares outstanding.
- Cash interest, net is defined as interest expense, net adjusted to exclude amortization of debt issuance costs.
- Adjusted operating cash flow is defined as net cash provided by (or used in) operating activities adjusted to exclude infrequent non-operating items, such as M&A payments and related costs.

In this document, the Company presents certain forward-looking non-GAAP metrics. The Company does not provide outlook on a GAAP basis because the items that the Company excludes from GAAP to calculate the comparable non-GAAP measure can be dependent on future events that are less capable of being controlled or reliably predicted by management and are not part of the Company's routine operating activities. Additionally, management does not forecast many of the excluded items for internal use and therefore cannot create or rely on outlook done on a GAAP basis. The occurrence, timing and amount of any of the items excluded from GAAP to calculate non-GAAP could significantly impact the Company's fiscal 2023 GAAP results.

(\$K, except per share data)	Three Months Ended	
	April 1, 2022	March 31, 2023
Revenue	\$ 456,471	\$ 943,460
Operating income	\$ 5,237	\$ 30,579
Plus:		
Depreciation expense	1,591	5,412
Amortization of intangible assets	2,301	22,606
M&A, integration and related costs	9,068	9,415
Adjusted EBITDA	\$ 18,197	\$ 68,012
Adjusted EBITDA margin	4.0 %	7.2 %
Minus:		
Cash interest expense, net	1,477	29,231
Income tax (benefit) expense, as adjusted	2,981	8,245
Depreciation expense	1,591	5,412
Adjusted net income	\$ 12,148	\$ 25,124

(\$K, except per share data)	Three Months Ended
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(In thousands)	2023	%	2022	%
Prime contractor	\$ 879,179	93 %	\$ 427,093	94 %
Subcontractor	64,281	7 %	29,378	6 %
Total revenue	<u>\$ 943,460</u>		<u>\$ 456,471</u>	

### Revenue by Geographic Region

(In thousands)	Three Months Ended			
	March 31, 2023	%	April 1, 2022	%
United States	\$ 548,770	58 %	\$ 167,980	37 %
Middle East	281,121	30 %	235,754	52 %
Asia	64,317	7 %	16,206	4 %
Europe	49,252	5 %	36,531	7 %
Total revenue	<u>\$ 943,460</u>		<u>\$ 456,471</u>	

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