

VECTRUS

SECOND QUARTER 2017 RESULTS

CHUCK PROW
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MATT KLEIN
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

AUGUST 8, 2017





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, STATEMENTS IN 2017 GUIDANCE ABOUT OUR REVENUE, OPERATING MARGIN, NET INCOME, EPS AND NET CASH PROVIDED BY OPERATING ACTIVITIES FOR 2017 AND OTHER ASSUMPTIONS CONTAINED THEREIN FOR PURPOSES OF SUCH GUIDANCE, DEBT PAYMENTS, EXPENSE SAVINGS, CONTRACT OPPORTUNITIES, BIDS AND AWARDS, COLLECTIONS, BUSINESS STRATEGY, OUTLOOK, OBJECTIVES, PLANS, INTENTIONS OR GOALS, AND ANY DISCUSSION OF FUTURE OPERATING OR FINANCIAL PERFORMANCE. WHENEVER USED, WORDS SUCH AS "MAY," "WILL," "LIKELY," "ANTICIPATE," "ESTIMATE," "EXPECT," "PROJECT," "INTEND," "PLAN," "BELIEVE," "TARGET," "COULD," "POTENTIAL," "ARE CONSIDERING," "CONTINUE," OR SIMILAR TERMINOLOGY ARE FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE BASED ON THE BELIEFS AND ASSUMPTIONS OF OUR MANAGEMENT BASED ON INFORMATION CURRENTLY AVAILABLE TO MANAGEMENT. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE RESULTS CONTEMPLATED BY THE FORWARD-LOOKING STATEMENTS, OUR HISTORICAL EXPERIENCE AND OUR PRESENT EXPECTATIONS OR PROJECTIONS. THESE RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO: OUR DEPENDENCE ON A FEW LARGE CONTRACTS FOR A SIGNIFICANT PORTION OF OUR REVENUE; COMPETITION IN OUR INDUSTRY; OUR ABILITY TO SUBMIT PROPOSALS FOR AND/OR WIN POTENTIAL OPPORTUNITIES IN OUR PIPELINE; OUR ABILITY TO RETAIN AND RENEW OUR EXISTING CONTRACTS; PROTESTS OF NEW AWARDS; OUR INTERNATIONAL OPERATIONS, INCLUDING THE ECONOMIC, POLITICAL AND SOCIAL CONDITIONS IN THE COUNTRIES IN WHICH WE CONDUCT OUR BUSINESSES; CHANGES IN U.S. GOVERNMENT MILITARY OPERATIONS, INCLUDING ITS OPERATIONS IN AFGHANISTAN; CHANGES IN, OR DELAYS IN THE COMPLETION OF, U.S. OR INTERNATIONAL GOVERNMENT BUDGETS; GOVERNMENT REGULATIONS AND COMPLIANCE THEREWITH, INCLUDING CHANGES TO THE DEPARTMENT OF DEFENSE PROCUREMENT PROCESS; CHANGES IN TECHNOLOGY; INTELLECTUAL PROPERTY MATTERS; GOVERNMENTAL INVESTIGATIONS, REVIEWS, AUDITS AND COST ADJUSTMENTS; CONTINGENCIES RELATED TO ACTUAL OR ALLEGED ENVIRONMENTAL CONTAMINATION, CLAIMS AND CONCERNS; OUR SUCCESS IN EXPANDING OUR GEOGRAPHIC FOOTPRINT OR BROADENING OUR CUSTOMER BASE, MARKETS AND CAPABILITIES; OUR ABILITY TO REALIZE THE FULL AMOUNTS REFLECTED IN OUR BACKLOG; OUR MAINTAINING OUR GOOD RELATIONSHIP WITH THE U.S. GOVERNMENT; IMPAIRMENT OF GOODWILL; OUR PERFORMANCE OF OUR CONTRACTS AND OUR ABILITY TO CONTROL COSTS; OUR LEVEL OF INDEBTEDNESS; OUR COMPLIANCE WITH THE TERMS OF OUR CREDIT AGREEMENT; SUBCONTRACTOR AND EMPLOYEE PERFORMANCE AND CONDUCT; OUR TEAMING ARRANGEMENTS WITH OTHER CONTRACTORS; ECONOMIC AND CAPITAL MARKETS CONDITIONS; ANY FUTURE ACQUISITIONS, INVESTMENTS OR JOINT VENTURES; OUR ABILITY TO RETAIN AND RECRUIT QUALIFIED PERSONNEL; OUR MAINTENANCE OF SAFE WORK SITES AND EQUIPMENT; OUR COMPLIANCE WITH APPLICABLE ENVIRONMENTAL, HEALTH AND SAFETY REGULATIONS; OUR ABILITY TO MAINTAIN REQUIRED SECURITY CLEARANCES; ANY DISPUTES WITH LABOR UNIONS; COSTS OF OUTCOME OF ANY LEGAL PROCEEDINGS; SECURITY BREACHES AND OTHER DISRUPTIONS TO OUR INFORMATION TECHNOLOGY AND OPERATIONS; CHANGES IN OUR TAX PROVISIONS OR EXPOSURE TO ADDITIONAL INCOME TAX LIABILITIES; CHANGES IN U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; ACCOUNTING ESTIMATES MADE IN CONNECTION WITH OUR CONTRACTS; OUR EXPOSURE TO INTEREST RATE RISK; OUR COMPLIANCE WITH PUBLIC COMPANY ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS; TIMING OF PAYMENTS BY THE U.S. GOVERNMENT; RISKS AND UNCERTAINTIES RELATING TO THE SPIN-OFF FROM OUR FORMER PARENT; AND OTHER FACTORS SET FORTH IN PART I, ITEM 1A, – "RISK FACTORS," AND ELSEWHERE IN OUR 2016 ANNUAL REPORT ON FORM 10-K AND DESCRIBED FROM TIME TO TIME IN OUR FUTURE REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. 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.



Q2 2017 HIGHLIGHTS

- Q2 2017 financial results
 - Revenue of \$259.3 million
 - Operating Income \$9.2 million
 - Operating margin of 3.5%
 - Diluted EPS of \$0.49
 - Year-to-date net cash provided by operating activities of \$5.7 million
- Awarded \$97 million Keesler Air Force Base Operations Support Services contract, which has a potential performance period through May 2024
 - Builds on \$278 million Maxwell Air Force Base Operations Support re-compete in Q1 2017
- Ended Q2 2017 with total debt of \$78 million; down \$7 million from Q4 2016
 - Total debt leverage ratio 1.61 to 1.00x
- Successfully obtained ISO/IEC 20000-1:2011 recertification for IT Service Management



BUSINESS UPDATE

- Reaffirming 2017 guidance
- New business and contract update
 - Over \$4 billion in potential new business opportunities identified over the next 12 months
 - Approx. \$1 billion of proposals submitted and pending potential award
 - Subsequent to the second quarter, awarded a task order with U.S. Air Force for operations, maintenance, and repair services in Kuwait
 - Focusing on new contract phase-ins
- Strategy update
 - Deploying Enterprise Vectrus with first rollout on Thule phase-in
 - Anticipate Enterprise Vectrus to be a key component of phase-ins and new contract solutions
 - Sue Deagle joined the Vectrus team as Chief Growth Officer
- K-BOSSS update
 - Current period of performance though March 2018 with additional option periods to potentially extend support through March 2019
 - Re-compete expected under LOGCAP V



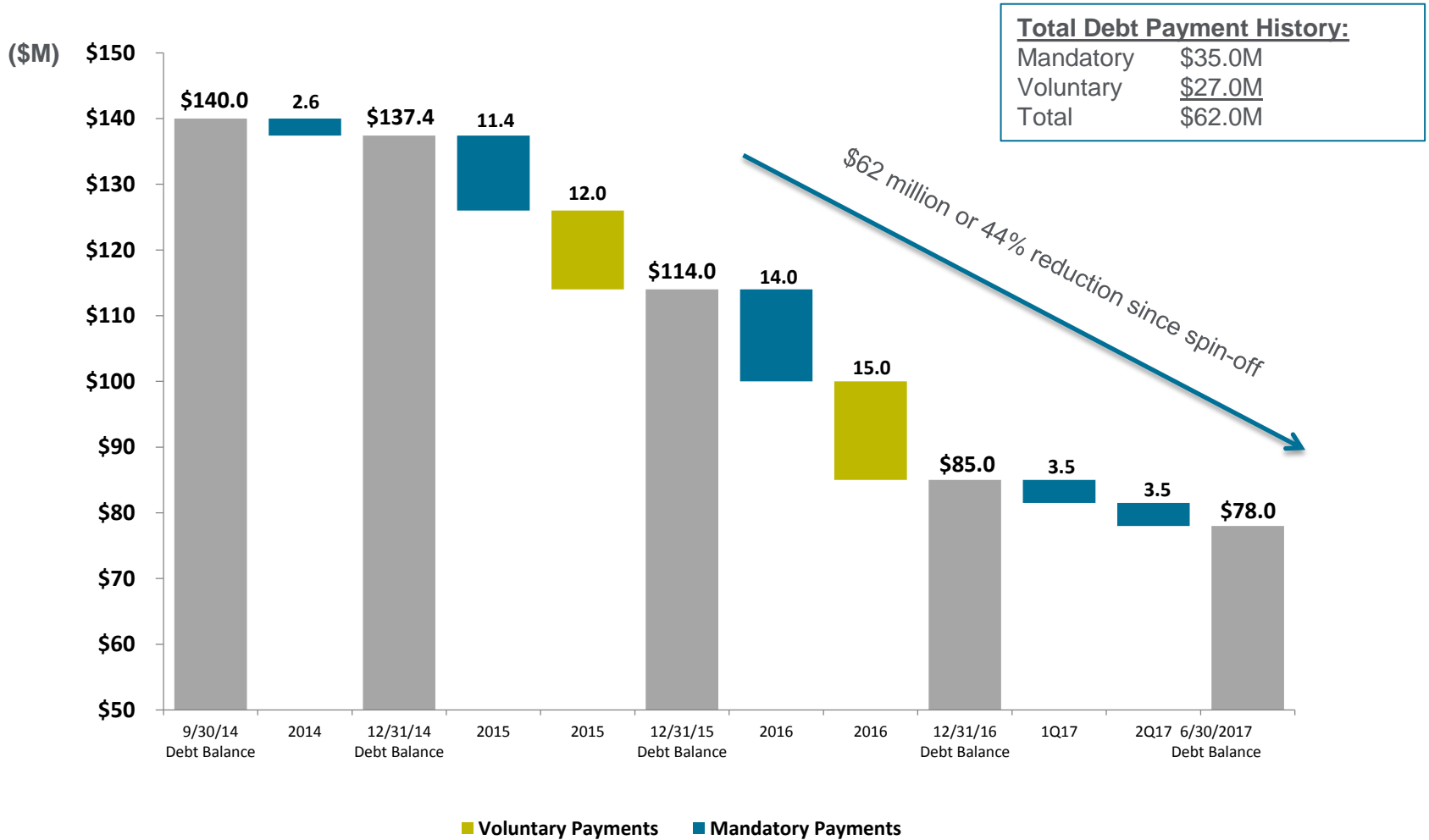
2017 FINANCIAL RESULTS

Second Quarter 2017			
	Q2 2017	Q2 2016	vs. 2016
<i>(In millions, except Operating Margin and Diluted Earnings Per Share)</i>			
Revenue	\$ 259.3	\$ 307.9	\$ (48.6)
Operating Income	\$ 9.2	\$ 11.3	\$ (2.1)
Operating Margin	3.5 %	3.7 %	(0.2)%
Net Income	\$ 5.5	\$ 6.1	\$ (0.6)
Diluted Earnings Per Share	\$ 0.49	\$ 0.55	\$ (0.06)

Year-to-date			
	Q2 2017	Q2 2016	vs. 2016
<i>(In millions, except Operating Margin and Diluted Earnings Per Share)</i>			
Revenue	\$ 549.4	\$ 618.6	\$ (69.2)
Operating Income	\$ 20.9	\$ 23.1	\$ (2.2)
Operating Margin	3.8 %	3.7 %	0.1 %
Net Income	\$ 12.1	\$ 12.6	\$ (0.5)
Diluted Earnings Per Share	\$ 1.09	\$ 1.16	\$ (0.07)
Net Cash Provided by Operating Activities	\$ 5.7	\$ 19.3	\$ (13.6)

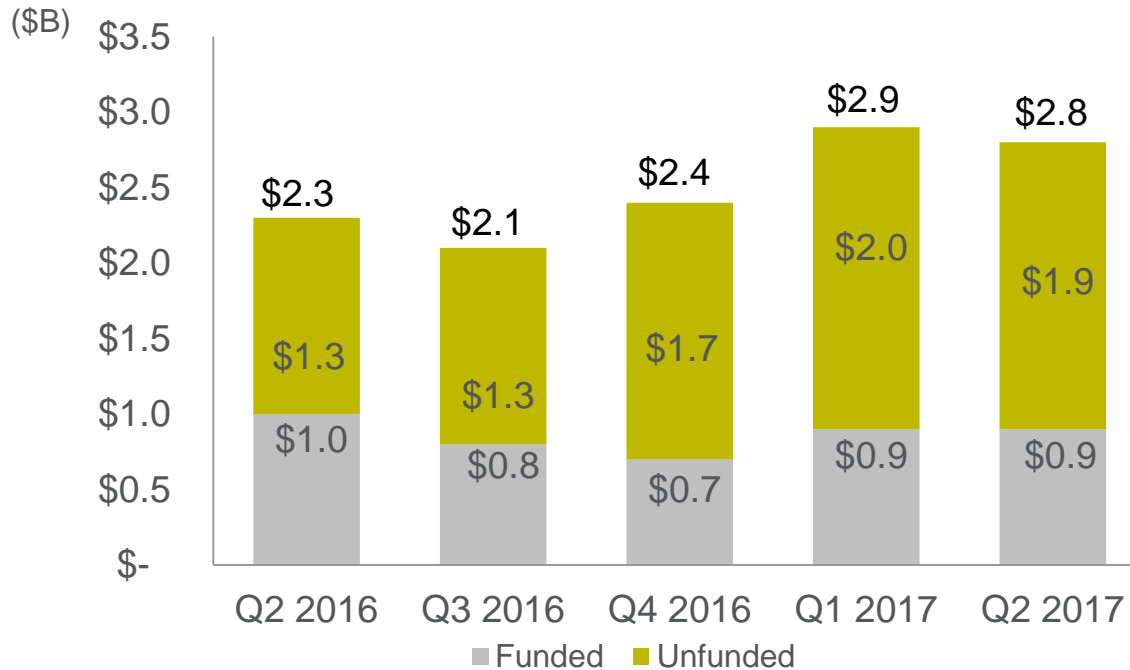


DEBT PROFILE





BACKLOG⁽¹⁾



- Total backlog \$2,794 million as of June 30, 2017
 - Funded backlog \$889 million
 - Unfunded backlog \$1,905 million

(1) Total backlog represents firm orders and potential options on multi-year contracts, excluding potential orders under IDIQ contracts. Backlog also excludes contracts awarded to Vectrus but currently in protest with the GAO or the Federal Court of Claims.



2017 GUIDANCE SUMMARY

Reaffirming 2017 guidance:

<i>\$ millions, except for operating margin and per share amounts</i>	2017 Guidance	2017 Mid	2016	Var to Mid	%Var
Revenue	\$ 990 to \$1,090	\$ 1,040	\$1,191	\$ (151)	(12.7)%
Operating Margin	3.40 % to 3.60 %	3.50 %	3.60 %	-10 bps	
Net Income	\$ 18.7 to \$ 22.3	\$ 20.5	\$ 23.7	\$ (3.2)	(13.5)%
Diluted EPS	\$ 1.68 to \$ 2.00	\$ 1.84	\$ 2.16	\$ (0.32)	(14.8)%
Net Cash Provided by Operating Activities	\$ 22.0 to \$ 28.0	\$ 25.0	\$ 36.6	\$ (11.6)	(31.7)%

2017 guidance assumptions:

- Capital expenditures approximately \$1.0 million
- Depreciation and amortization approximately \$2.3 million
- 2017 mandatory debt payments \$15.8 million
- Interest expense approximately \$4.2 million
- Estimated tax rate of 36%
- Diluted EPS assumes 11.2 million weighted average diluted shares outstanding at December 31, 2017

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