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## DELTA REPORT

10-K

VVX - VECTRUS, INC.

10-K - DECEMBER 31, 2022 COMPARED TO 10-K - DECEMBER 31, 2021

The following comparison report has been automatically generated

**TOTAL DELTAS** 4941

█ CHANGES 333

█ DELETIONS 2135

█ ADDITIONS 2473

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2021** **December 31, 2022**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36341

**Vectrus, V2X, Inc.**

(Exact name of registrant as specified in its charter)

Indiana

38-3924636

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**2424 Garden of the Gods Road, Colorado Springs, Colorado 80919** **7901 Jones Branch Drive, Suite 700, McLean, Virginia 22102**

(Address of Principal Executive Offices)

(Zip  
(Zip  
Code)

Registrant's telephone number, including area code:

**(719) (571) 591-3600** **481-2000**

**SECURITIES REGISTERED PURSUANT TO SECTION** **Securities Registered Under Section 12(b) OF THE ACT:** **of the Act:**

<u>Title of Each Class</u>	<u>Trading symbol(s)</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, Par Value \$.01 Per Share	<b>VECVVX</b>	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION** **Securities Registered Pursuant to Section 12(g) OF THE ACT:** **of the Act:** **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the closing price at which the common equity was last sold as of **July 2, 2021** **July 1, 2022**, the last business day of the registrant's most recently completed second quarter, was \$**543,635,649** **289,123,904**.

As of **February 25, 2022** **February 24, 2023**, there were **11,738,546** **30,927,250** shares of common stock (\$0.01 par value per share) outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III will be V2X, Inc.'s Proxy Statement for the 2023 Annual Meeting of Shareholders are incorporated by reference in accordance with Instruction G(3) to into Part III of this Annual Report on Form 10-K no later than 120 days after the end of the registrant's fiscal year. 10-K.

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**VECTRUS, V2X, INC.**

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<b>PART I</b>	
<b>ITEM 1. BUSINESS</b>	
<b>Overview</b>	
With a history of more than 75 years, V2X, Inc. (V2X or the Company), an Indiana Corporation, formerly known as Vectrus, Inc. (Vectrus, the Company, our company, we, us or our) (Vectrus), is a leading provider of global service critical mission solutions including facility and base operations, supply chain and logistics services, information technology mission support, engineering and digital integration services, security services, and maintenance repair and overhaul (MRO) services primarily to the United States (U.S.) government in defense clients 205 in 343 locations and 28 45 countries and territories across five worldwide continents in both stable and unstable political and economic environments. A primary strength of our company is our global footprint and ability to recruit U.S. and international personnel, as well as navigate and deliver full lifecycle converged solutions across the logistical, legal, and other complexities of operating in multiple austere overseas locations. We operate our business based on three core values: Integrity, Respect and Responsibility. We have a proven history of deploying resources rapidly and with precision world enables us to support the success of our customers' missions. Our future strategy is to advance our competitive profile clients' missions rapidly and further differentiate Vectrus as an innovator in the converged infrastructure market.	4
Our primary customer is the U.S. Department with precision. As of Defense (DoD) December 31, 2022, with a large concentration in the U.S. Army. For the years ended December 31, 2021, 2020 and 2019, we had total revenue of \$1.8 billion, \$1.4 billion approximately 15,400 employees and \$1.4 billion, respectively, substantially all of which was derived from U.S. government customers.	1615
We employ approximately 8,100 people and engage approximately 6,100 additional subcontract personnel. V2X offers clients around the world. The executive management team has an average world a broad suite of 36 technology and services capabilities to support readiness and modernization initiatives. years The Company delivers a comprehensive set of experience in integrated solutions and critical service offerings across the military, the operations and logistics, aerospace, training and technology markets to national security, defense, industry, civilian and a wide range of other U.S. government agencies. Our management team has experience winning contracts, driving premier operating efficiencies, and managing all aspects of the demanding compliance culture required of a U.S. government contractor in a global environment. We are also a	2932

leading employer of veterans with more than 39% of our employees with a military background, and we have been recognized numerous times in recent years by veteran-focused organizations as a military-friendly employer. international clients.

Vectrus was incorporated as in the State of Indiana in February 2014. On September 27, 2014, Exelis Inc, an Indiana corporation, in February 2014 as part of a spin-off (Spin-Off) from Exelis, Inc. in September 2014, resulting in spun-off (the Spin-off) Vectrus becoming and Vectrus became an independent, publicly traded company. References in this Annual Report on Form 10-K herein to Exelis "Exelis" or "Former Parent" refer to Exelis Inc. and its consolidated subsidiaries (other than Vectrus). Subsequent to the Spin-Off, Exelis was acquired by a predecessor entity of L3Harris Technologies, Inc. in May 2015.

On July 5, 2022 (the Closing Date), Vectrus completed its merger (Merger) with Vertex Aerospace Services Holding Corp, a Delaware corporation (Vertex), thereby forming V2X. The fair value of the consideration transferred with respect to the Merger totaled \$634.0 million as of the Closing Date. For a description of the Merger, see Note 3, *Merger and Acquisitions*. The Merger created a larger and more diversified company with the ability to compete for more integrated business opportunities and generate revenue across geographies, clients, and contract-types. We continue to operate under one reportable business segment post-Merger.

Unless the context otherwise requires or unless stated otherwise, references to "V2X", "we," "us," "our," "combined company", "the Company" and "our Company" refer to V2X and all of its consolidated subsidiaries (including, subsequent to the Merger, Vertex and its consolidated subsidiaries), taken together as a whole.

## Significant Acquisitions

On December 31, 2020, Vectrus we acquired Zenetex, LLC (Zenetex) and Higgins, Hermansen, Banikas, LLC (HHB). Zenetex is a leading provider of technical and strategic solutions focused on enabling mission readiness, performance, and enhanced protection for defense and national security clients globally and HHB delivers intelligence community solutions. These solutions are primarily were integrated into our existing Vectrus business as additional services. The purchase prices for the Zenetex and HHB acquisitions of \$117.6 million and \$15.5 million, respectively, were funded with cash on hand and borrowings under our revolving credit facility.

**In July 2019, Vectrus acquired Advantor Systems Corporation and Advantor Systems, LLC (collectively, Advantor) from Infrasafe Holding, Inc. and Infrasafe, LLC (collectively, Infrasafe). Advantor is a leading provider of integrated electronic security systems to the U.S. government and is the only vertically integrated and accredited Command, Control & Communications (C3) networked security technology platform in the industry. The purchase price of \$45.1 million was funded with cash on hand and borrowings under our revolving credit facility Our Business Strategies**

### Our Business Strategy

Our strategy is designed to deliver growth by providing converged solutions that fuse the digital and physical aspects of our clients' missions. This strategy also supports our goal to be an innovator and a leader in the convergence operational segment of our clients' physical the broader Federal services market. Our mission focus, innovation, and digital infrastructure technology insertion into converged environments allow us to differentiate, drive value and supply chain needs, expand client satisfaction across all geographies and client sets.

We seek to drive growth and deliver value through our strategic framework, which consists of the following three strategies: Enhance the Foundation, Expand the Portfolio, Base, Capture New Markets, Deliver with Excellence, and Add More Value. Enhance Culture. Key components of these strategies, and our progress in executing these strategies, include:

- **Enhance Expand the Foundation, Base.** We strive to enhance our business by strengthening our methods and approaches to deliver higher value, high-impact services to our clients, while growing in and around, our strong foundation in our four core capabilities: facility and base operations; supply chain and logistics services; information technology capabilities across the mission support; and engineering and digital integration services, lifecycle. The development and expansion of scope on existing business, execution of growth campaigns to increase our organic revenue generation with both existing solution sell-through model, and new customers is a client engagement initiatives are key component to components of this strategy.
- **Expand the Portfolio, Capture New Markets.** We are focused on creating a higher-value, technology-enabled and differentiated platform by strengthening our Information Technology (IT) technology competencies and fusing the physical and digital aspects of our clients' facility missions. This strategy focuses on capturing new markets, organically and logistics missions. We package our organically, introducing new clients, new capabilities, by leveraging and new products / solutions, as well as international client expansion and targeted growth campaigns that leverage our strong foundation in facility aerospace solutions, advanced technology, and base operations; supply chain global mission training and logistics services; information technology mission support; sustainment. Additionally, we plan to build off of V2X's enhanced capability set that includes rapid prototyping, platform modernization, 5G, predictive maintenance, software development, cyber asset hardening, and engineering virtual reality training solutions to access new business opportunities, funding streams, and digital integration services. In addition, we seek markets that are expected to partner with highly innovative third parties. We expect the result will be a more technology-enabled, differentiated, higher value portfolio. drive incremental growth.
- **Add More Value, Deliver with Excellence.** The convergence of our clients' physical and digital infrastructure and supply chains represents an opportunity Our initiatives focused on delivery excellence are designed to improve the outcomes client relationships and improve business performance. As part of our clients' missions while creating a higher value, growth-oriented platform. Our long-term this strategy, seeks to shape our future and purpose by building our capabilities to offer innovative, integrated solutions to customers. This approach includes creating more predictive, agile and responsive infrastructures and supply chains as well as we are standardizing, improving.

and automating our core operational capabilities through enterprise systems excellence, as well as technology insertion and enablement. For example, we are leveraging our enhanced scale and footprint to create further enable global supply chain as a differentiated, growth-oriented core competency. This core competency is expected to drive efficiencies to both external clients and our core internal operations. Additionally, we incorporate continuous improvement and

delivery excellence processes throughout all aspects of our business. Our initiatives, processes, and technology within Delivery Excellence also integrate into our Expand the Base, Capture New Markets, and Enhance Culture strategies, which further drives value creation and differentiation.

- **Enhance Culture.** Our culture is foundational in our ability to connect people, technology, and capabilities globally across the mission lifecycle. Our ethical culture and people serve as the foundation for providing long-term value to our stakeholders. We strive to support our people to ensure they can bring their best selves to work. We will continue to build and leverage an inclusive business environment by developing leadership competency, increasing employee engagement, and building organizational capacity. For details on how we are striving to enhance our culture, see our Human Capital Management disclosure.

## Our Service Offerings

We focus on six offer our customers around the world a broad suite of technology and services capabilities to support national security readiness and modernization initiatives. We deliver a comprehensive set of integrated solutions and critical service offerings across the operations and logistics, aerospace, training and technology markets to national security, defense, civilian and international customers. Effective January 1, 2023, the Company is organized across three core business areas to provide multiple service offerings and solutions solutions.

**Aerospace Solutions:** We provide the engineering, facilities, and skilled employees required to sustain systems and platforms from cradle to grave. We discriminate ourselves through vertically integrated organic engineering, supply chain management, manufacturing, rapid prototyping and dedicated facilities including – 500,000 square feet of hangar space, 4 FAA Part 145 Repair Stations, and over 900,000 square feet of engineering, lab, manufacturing and repair and overhaul space at our Indianapolis facility. Comprehensive in-house testing capabilities including cyber, E3, environmental, AR/VR and development labs reside under one roof at our Indianapolis, Indiana facility. Our teams deliver full spectrum (flight line to depot), safe, high-quality maintenance in support of over 1,200 aircraft deployed around the U.S. government facility world that fly more than 300,000 flight hours annually. More than 400 multi-disciplined engineers provide critical development, integration, production, repair and base operations, supply chain overhaul and logistics services, information technology sustainment expertise to contracts ranging from situational awareness products to production of missile launchers to repair and overhaul of tactical aircraft radar systems and components. Key critical mission support engineering digital programs include aircraft maintenance and mission planning personnel who embark on aircraft carriers in support of naval aviator training and qualification, and operation and sustainment of the Joint Mission Planning System. Our Neutral Buoyancy Lab (NBL) Operations Contract team operates and sustains NASA's NBL that supports human space flight training and operations.

**Advanced Technology:** Our capabilities include sensors and solutions, as well as the operation of complex systems in austere locations. We discriminate ourselves through unmatched expertise to define and integrate the right technologies for unique mission requirements, driving optimal results and maximum mission efficacy. We provide upgrades and obsolescence management to increase service life and enhance performance as well as DevSecOps to extend enterprise software solutions. Our sensor capabilities include design, integration, services, and installation of complex, multi-sensor systems for border security services, and MRO. We offer our services around the globe, including the Asia-Pacific region, Europe, the Middle East, and the U.S.

### Facility and Base Operations

Vectrus delivers total facility and base operations support for the U.S. Army, Air Force, Navy, Marines, and national security agencies critical infrastructure protection in both garrison and during contingency operations. From the U.S. and Europe abroad. Our nationwide deployment of transportation security equipment includes airports for the Transportation Security Administration and commercial customers as well, and we provide program management leveraged in commercial Tolling and Congestion Management markets. Our network and cyber capabilities include IT integration, build, defend, operate and modernize. We operate the largest Outside the Continental United States (OCONUS) cyber center for the Army, in addition to classified communications support and endpoint user training. Our engineering and application work includes spectrum deconfliction, digital integration, Smart X engineering and 5G development, perimeter security, intrusion detection and turnkey product and service support.

**Global Mission Training and Sustainment:** Our capabilities provide government clients with a full life cycle capability across the INDOPACOM region spectrum of innovative training solutions and CENTCOM region, our services are critical support for logistics, infrastructure sustainment and contingency operations, wherever needed. We differentiate ourselves through a holistic approach that packages solutions to meeting global deliver high consequence training, infrastructure sustainment and integrated logistics that ensures readiness while at home station and mission requirements. Our customers count on us preventative, predictive and reliability-centered maintenance to provide integrated solutions that increase reliability, lower cost of ownership, improve quality of life, the greatest readiness at the lowest cost. At the same facilities, we provide cutting edge training to prepare the Warfighter for their mission. Whether it is designing synthetic training environments, providing subject matter experts and most important, ensure operational readiness.

Our facility and base operations capabilities consist of:

- Facilities Operations and Maintenance: Vectrus maintains facilities in some of trainers at the most austere environments National Training Center in the world.
- Base Life Support: These services U.S. or the Joint Multinational Readiness Center in Germany, our team is deployed with our clients and ensures they are associated ready to execute their mission set when called upon. Once deployed, our clients find us in theater to meet them and ensure they are supported logically with the well-being of our military members facilities, training ranges / opportunities, logistical support and their families, including food services; morale, welfare, and recreation services; postal operations; housing and lodging management; and travel office support at military installations around the world.
- Facilities Engineering and Management: materials. We also provide comprehensive solutions for facility management, assisting in the planning, engineering, design, implementation, and management. Specific services include computer-aided facility management, architectural and interior design, computer-aided design, and building operations for client facilities.
- Airfield Management: These services include flight operations and scheduling, runway maintenance and cleaning, aerospace ground equipment operation and maintenance, and navigation aids operation and maintenance.
- Emergency Services: These services include premier firefighting, ambulance, and medical services in multiple locations.
- Civil Engineering: These services include sustainment of installation facilities and infrastructure and designing, executing and supervising construction projects.
- Public Works: These services include utilities, power production and distribution, roads and grounds maintenance, water treatment, potable water production and distribution, solid waste disposal and recycling, facilities operations, maintenance and repair, which consist of plumbing, electrical, carpentry, vector control, and heating, ventilation, air conditioning and refrigeration.

- Security: Vectrus provides protection services by providing static and mobile security, entry and exit control points for installation and remote site security, biometric screening, interviewing, security badges, and personal security detachments.
- Transportation Operations: These services include ground transportation of all types; shuttle bus services; movement of personnel and household goods and supplies; support for military unit movements by air, rail and ship; and motor pool transportation operations; commercial training

- Contingency Operations: Vectrus to both large U.S. companies and to foreign governments that leverage state of the art remote learning platforms. Our team of professionals provides facility and base operations support for multiple task orders in the INDOPACOM and CENTCOM regions for fixed bases and also for contingencies and exercises.

#### **Supply Chain and Logistics Services**

We support the DoD with our supply chain and logistics capabilities around the world. Whether it's establishing and sustaining critical infrastructure, improving warehouse management through innovation, or providing integrated logistics capabilities, our end-to-end solutions improve operational performance, increase mission readiness, enhance supply chain distribution, and reduce costs.

Our supply chain and logistics services consist of:

- Warehouse Management and Distribution: These services include warehouse management and inventory control for various equipment and commodities including but not limited to vehicles, weapons and ground support equipment to repair parts, packaged petroleum products, clothing and equipment, and medical supplies. We also operate various storage distribution activities including but not limited to supply support activities; weapons storage sites; fuel distribution points; and subsistence storage and distribution points.
- Asset Management and Logistics: We support facilities management and property oversight, with logistics support, training, supply chain and inventory monitoring.
- Integrated Logistics: These services bring people, skills, knowledge, equipment, tools, and technical data together to establish, execute, and maintain logistics policies, processes and procedures. These services include security cooperation/assistance and Foreign Military Sales technical and program support; readiness initiatives that accelerate product delivery and optimize the reliability of operational and aviation readiness for foreign partners abroad; and full-service logistics and training worldwide support to the DoD U.S. Intelligence Community; Critical Infrastructure & Logistics in support of Intelligence Operations; Classified IT; Intelligence Services; and foreign nations for the F-18, H-60, C-130, and Harpoon weapons systems. Cyber Security.
- Supply Chain as a Service (SCaaS): These services focus on ways to generate revenue by selling our supply chain capabilities through bundled services and products and providing unique capabilities through innovative solutions. The SCaaS model consists of products or services in commodities, transportation, training, energy, purchasing and private labeling.

#### **Information Technology Mission Support**

Vectrus provides a wide range of IT support, networking, and cybersecurity solutions that help the DoD and other U.S. Government agencies meet worldwide mission requirements in multiple areas of operation that include Europe, the Middle East, Asia, the U.S., and at sea. Our full spectrum of solutions include operation and sustainment of communications systems, network and cybersecurity services, lifecycle management of IT systems, system-of-system engineering, and software development.

To support high standards and performance excellence, our company applies the principles of Information Technology Infrastructure Library (ITIL), is certified to the ISO 9001, ISO 20000 and Capability Maturity Model Integration (CMMI) level III standards, and maintains important information assurance, risk management, network protection, project management and design credentials for providing these services. Customers

Our information technology mission support capabilities consist of:

- Communications: These services include complete 24/7/365 communications systems operations and maintenance, including systems administration, network administration, operations and maintenance of technical control facilities, secure and non-secure telephone switch operations, VoIP, multi-media networks, cabling and distribution infrastructure and video information systems. Our support also includes contingency and backup site operations.
- Management and Service Support: These services include full life cycle management and service delivery support functions, including preventative maintenance scheduling, material supply control functions, help desk support, training, electronic repair, logistics trend analysis, configuration control, project support agreements, technical reports, parts lists, site survey reports, systems as-built documentation and computer-aided design and drafting.
- IT Service Management Design and Implementation (including cloud implementations and application migration): We've collaborated strong relationship with more than 25 government clients to plan, design and integrate IT service management solutions that are both practical and maintainable. Vectrus provides solutions to clients' IT enterprise operations to include data collection and storage, applications virtualization and desktop integration.
- Network and Cybersecurity: These services include network cyber-center operations, information assurance, and data and information management and analysis. Vectrus also provides design, setup, installation, testing, consulting, and monitoring of security operations data centers.
- Systems Installation and Activation: These services include engineering and technical support to identify and define systems requirements, determine capabilities and delineate and define interfaces, protocols, required upgrades, installation/de-installation, testing, integration, modification, documentation, troubleshooting, and training pertaining to information technology and command, control, communications, computer, and intelligence (C4I) systems.
- Mission Support: These services include comprehensive mission support, from intelligence analysis to technical support, for customers across the intelligence and defense communities.

## **Engineering and Digital Integration**

Our engineering and digital integration capabilities deliver technology-enabled services and solutions, including internet of things integration, analytics development, and proprietary hardware, software, and sensor packages that are uniquely designed to complement and integrate with our facility and base operations services. Vectrus' comprehensive engineering services are critical to ensuring that disparate devices and systems work together. Our current services include sensor and systems integration, 5G smart warehouse network deployment, advanced engineering for next-generation aircraft, cybersecurity assessment and remediation planning for operational technology, electromagnetic spectrum engineering, and energy resiliency and management.

Vectrus has more than 30 years of electromagnetic spectrum engineering experience that helps us promote the efficient use of radio frequencies for our government, military, and commercial customers. Our full suite of engineering support includes electromagnetic environmental effects analyses, electromagnetic spectrum operations, spectrum supportability risk assessments, real-time/cognitive spectrum operations, spectrum certifications, and frequency management.

These services seek to quicken the pace of technology insertions into our current program base to improve efficiency and transparency.

Our engineering and digital integration capabilities consist of:

- **System-of-Systems Engineering and Software Development:** These services include engineering and technology solutions focused on high priority mission challenges for defense and national security customers. They increasingly involve internet of things integration of sensors and sensor data, and focus on speed to act and derive value from the resultant data.
- **Advanced Engineering:** These services include aerospace engineering, system engineering technical reviews, weapons system integration, multi-layer classified network engineering, systems engineering, simulation engineering, research and development, test and evaluation, integrated training.
- **Sensor and Visualization Technologies:** Vectrus provides enhanced situational awareness by creating cyber-physical systems and by linking sensors, devices, and disparate data sources with analytic and visualization solutions. Vectrus has additional expertise in combining appropriate layers of sensor activity to achieve a customer's mission outcome, including chemical and biological sensors, radar and others, which improve mission operations.
- **Energy Solutions:** Vectrus develops, integrates, measures and validates energy solutions to improve the resiliency of infrastructure while reducing cost. These include Vectrus-branded thermal coating, Vectrus-branded water purification, solar lighting, light emitting diode lighting, cybersecurity assessment and remediation planning for operational technology, measurement and validation, and mobile power generation.
- **Electromagnetic Interoperability:** Vectrus provides a full suite of electromagnetic maneuver engineering support, including electromagnetic environmental effects analysis, electromagnetic spectrum operations, spectrum supportability risk assessment, real time/cognitive spectrum operations, spectrum certification and frequency management.

## **Security**

Vectrus' security solutions have been on duty 24/7/365 protecting our nation's military bases for three decades, important intelligence community (IC) facilities, borders, and other critical resources. Vectrus provides Air Force Certified base-wide security systems for more than 50 U.S. Air Force locations worldwide and over 80 Air National Guard and Air Force Reserve bases. These systems combine integrated monitoring, intrusion detection, access control, video management, and ID badging forming a common operating picture. Our advanced integrated security solutions are certified to meet strict federal, program, and service regulations, including the IC. The Air Force is just one of our long-term security customer partnerships. We also provide integrated security solutions for the U.S. Army including peninsula wide systems in South Korea and Navy, U.S. Customs and Border Protection, the Department of State and other government agencies, and energy-related laboratories.

From assessment and design to construction, installation, training, and sustainment, Vectrus supplements its turnkey electronic security solutions with full lifecycle support. Our security capabilities consist of:

- **Perimeter Security and Intrusion Detection:** These services include product development, integration, design, support, maintenance, and upgrades for the Advantor suite. This work focuses primarily on the intelligence and defense communities.
- **Integrated Electronic Security Monitoring Systems:** These systems include a vertically integrated and accredited C3 networked security technology platform; threat assessment; mission-specific end-to-end / turn-key security systems, integrated security products (proprietary and commercial off-the-shelf (COTS) components), integrated electronic security system design, install, training and sustainment.
- **Systematic Integrated Security Protection of Physical Assets, IP and Computer Systems:** Using advanced technology and approved processes and procedures, our highly skilled personnel provide systematic protection of physical assets and intellectual property, and against malicious intrusion of computer-stored information.
- **Video Management Systems:** These systems provide instant video assessment of alarm conditions as well as surveillance and situational awareness across the base operation areas and perimeter. Video analytics available in modern digital camera systems at the edge are augmented by the system and support low light imagery.
- **Design and Training:** The threat assessment combined with the security protection regulations inform the detail design of the systems utilizing both Vectrus intellectual property systems and advanced sensors. Certification training for our customers ensure the systems continue to perform and deliver the protection required. This training Defense (DoD) is delivered both at the customer location and in classroom/lab settings in Orlando, Florida.

## **Maintenance, Repair, and Overhaul (MRO)**

Vectrus' MRO services maximize operational readiness, minimize hangar time, and lowers costs. We offer a full spectrum of MRO services for legacy and next-generation aircraft, including fixed-wing, rotary-wing, and unmanned vehicles, as well as back shop operations, lab systems, and weapon subsystems. We also offer a full spectrum of MRO services for a wide range of heavy and light military vehicles, including wheeled and tracked vehicles, as well as military equipment and commercial power generation equipment.

Our MRO capabilities consist of:

- **Equipment Maintenance, Repair and Services:** These services include all aspects of maintenance and repair of all equipment from military and commercial wheeled and tracked vehicles to weapons.
- **Full Spectrum Aviation Maintenance, Repair and Overhaul (MRO):** MRO services cover complete aviation platforms (fixed-wing, rotary-wing, unmanned aircraft vehicles), "backshop" operations, lab systems, and weapon subsystems. Vectrus provides critical depot level maintenance support to ensure flight worthiness and aircraft readiness to various Naval Air Stations.

## Customers

We attribute the strength of our relationship with the DoD attributable to our dedication to program performance, global responsiveness and operational excellence, as well as to the execution of our core values of Integrity, Respect, integrity, respect, responsibility and Responsibility, professionalism. We treat sales to our U.S. government customers as sales within the U.S. regardless of where the services are performed.

Revenue, by primarily from U.S. government customer customers, for the periods presented below was as follows:

		Year Ended December 31,			Year Ended December 31,			
(In thousands)	(In thousands)	2021	2020	2019	(In thousands)	2022	2021	2020
Army	Army	\$ 1,134,849	\$ 965,558	\$ 958,582	Army	\$ 1,342,406	\$ 1,134,849	\$ 965,558
Navy					Navy	713,732	224,407	68,748
Air Force	Air Force	266,291	299,272	306,767	Air Force	459,849	266,291	299,272
Navy		224,407	68,748	56,236				
Other	Other	158,118	61,951	60,940	Other	374,873	158,118	61,951
Total revenue	Total revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Total revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529

Key customer services contracts include the following:

- **Kuwait Base Operations** The Logistics Civil Augmentation Program V (LOGCAP V) indefinite delivery and Security Support Services in Kuwait (K-BOSS). Our largest base operations support services indefinite quantity (IDIQ) contract supports geographically dispersed primary operating locations within the State of Kuwait, including several camps and a range training complex. K-BOSS provides critical for base operations support and security sustainment services to the Army. LOGCAP V provides each Army Service Component Commander a dedicated regional sustainment capability with a 72-hour response time, and scalability and flexibility that aligns with the military operational tempo. LOGCAP V augments theater sustainment, engineering, and base operations support services, forces with a capability that can rapidly respond to multiple global contingency and non-contingency missions across the entire continuum of military operations. V2X is one of four award recipients of the basic IDIQ contract and supports two geographic combatant commands, CENTCOM and INDOPACOM. All Army contingency tasks associated with both CENTCOM and INDOPACOM will be performed by V2X for the first five years of LOGCAP V.

The Company's major task orders under the LOGCAP V program are:

- Kuwait Task Order – V2X supports all base operations on multiple bases in Kuwait in support of power projections and reception operations.
- Iraq Task Order – V2X supports all base operations on multiple bases in Iraq in support of counter-ISIS operations.
- INDOPACOM Task Order – V2X supports base operations and contingency sustainment in multiple countries throughout the INDOPACOM region.
- **Cobra Dane Radar Maintenance Operation (COBRA DANE).** We operate, maintain and upgrade the AN/FPS-108 radar and associated systems in support of the Strategic Warning and Surveillance Systems Division COBRA DANE Program Office located in Shemya, Alaska.
- Operations, Maintenance and Defense of Army Communications in Southwest Asia and Central Asia (OMDAC-SWACA). We provide the operations, maintenance and defense of the Army's communications network across multiple locations in the Middle East and Central Asia.
- **Maxwell Air Force Base Operations Support** T-45 Contractor Logistics Support. We provide Organizational, Intermediate and Depot level maintenance for the Navy's fleet of 193 T-45 that are used to train jet, strike pilot and naval flight officers.
- **Naval Test Wing Atlantic (NTWL).** The NTLW contractor logistics support contract provides maintenance in Montgomery, Alabama (MAXWELL) support of the Navy's test and evaluation aircraft primarily located at NAS Patuxent River, Maryland.
- **Fleet Systems Engineering Team (FSET II).** We operate provide on-site technical and maintain end-to-end systems engineering support for C4I systems for the key facilities at U.S. Navy. FSET II assures effective operations for all afloat and ashore C4I systems throughout the Air University, which deployment cycle and provides systems engineering and technical support for rapid introduction of new capabilities into the full spectrum fleet.
- **Advanced Helicopter Training System.** We provide all levels of Air Force education, from pre-commissioning maintenance, to include organizational flight line maintenance and depot level maintenance, for the Navy's fleet of TH-57 and TH-73 training helicopters.

- **Fort Bragg Logistics Support Services.** The Fort Bragg Logistics Readiness Center serves as the primary logistics provider for maintenance, supply and services, and transportation support to the highest levels of professional military education such as the Air War College, installation.
- Thule Air Force Base Operations Support in Greenland (THULE). We provide base operations and maintenance services under extreme weather conditions to the Thule Air Base (AB) in Greenland. The THULE AB is home to the 821st Air Base Group and host to both the Early Warning Radar (EWR) 12th Space Warning Squadron and the Air Force Satellite Control Network Detachment 1 Polar Orbiting Geophysical Observatory (DET1/POGO) 23rd Space Operations Squadron. EWR is one of

many worldwide sensors reporting missile warning and space surveillance information to the North American Aerospace Defense command center in Cheyenne Mountain Air Station. DET 1/POGO is one

- U.S. Marine Corps Secondary Repairables (SECREPS). We provide the remanufacture, overhaul or repair and/or tear down and evaluation of Marine Corps Ground Equipment SECREP items turned in at designated Government locations worldwide.
- Transportation Security Administration Checked Baggage - Screening Equipment Deployment Services (CB-SEDS). We provide installation, on-site coordination and oversight support to CB-SEDS at federalized airports nationwide.
- Maxwell Air Force Base Operations Support in Montgomery, Alabama. We operate and maintain the 50th Space Wing's remote satellite stations, key facilities at the Air University, which provides the full spectrum of Air Force education, from pre-commissioning to the highest levels of professional military education such as the Air War College.
- Operations, Maintenance, and Supply - Europe (OPMAS-E), Europe. We provide IT support and services for the 2nd Signal Brigade G-6 mission within the U.S. Army Europe, U.S. European Command and U.S. Africa Command areas of operation.
- Fleet Systems Engineering Team (FSET II) Air Force Global Strike Command (AFGSC). We provide on-site technical and end-to-end systems engineering support for C4I systems. This contract provides maintenance for the U.S. Navy. FSET II assures effective operations for all afloat and ashore C4I systems throughout the deployment cycle and provides systems engineering and technical support for rapid introduction USAF's fleet of new capabilities into the fleet.
- Fort Bragg Logistics Support Services under the Enhanced Army Global Logistics Enterprise (EAGLE). The Fort Bragg Logistics Readiness Center (LRC) serves as the primary logistics provider for maintenance, supply and services, and transportation support to the installation.
- The Logistics Civil Augmentation Program V (LOGCAP V) indefinite delivery and indefinite quantity (IDIQ), is an Army strategic sourcing preferred source for base operations helicopters that provide support and sustainment services in garrison security for AFGSC's missions and during contingency operations. LOGCAP V provides each Army Service Component Command Commander a dedicated regional sustainment capability with a 72-hour response time, weapons including intercontinental ballistic missiles and scalability and flexibility that aligns with the military operational tempo. LOGCAP V augments theater sustainment, engineering, and base operations support forces with a capability that can rapidly respond to multiple global contingency and non-contingency missions across the entire continuum of military operations. Vectrus is one of four award recipients of the basic IDIQ contract and will support two geographic combatant commands (GCCs), CENTCOM and INDOPACOM. All Army contingency tasks associated with both CENTCOM and INDOPACOM will be performed by Vectrus for the first five years of LOGCAP V.

The Company's major task orders under the LOGCAP V program are:

- Kuwait Task Order – Vectrus supports all base operations on multiple bases in Kuwait in support of power projections and reception operations.
- Iraq Task Order – Vectrus supports all base operations on multiple bases in Iraq in support of counter-ISIS operations.
- INDOPACOM Task Order – Vectrus supports base operations and contingency sustainment in multiple countries throughout the INDOPACOM region, bomber aircraft.

## Competition

Our competition varies depending on our service offerings. In Facility and Base Operations, our primary competitors are AMENTUM, PAE Facilities Management (PAE), KBR Inc., IAP Worldwide Services, and Fluor Corporation (Government group). Our principal competitors in Information Aerospace Solutions include Amentum, IAP Worldwide Services, AAR, M-1 Support Services, Jacobs Technology, Mission Support, Marvin Engineering, divisions of Leidos Holdings, divisions of Northrop Grumman Services, and Akima Logistics Services, among others. Our principal competitors in Advanced Technology include divisions of Leidos Holdings, Inc., Science Applications International Corporation (SAIC), Peraton, and General Dynamics (GD) Technologies Segment. In Engineering Within our Global Mission Training and Digital Integration, there are fewer direct Sustainment service offering, we see many of the same competitors given the current lifecycle stage of this market, such as Amentum, Leidos, SAIC, GD in addition to KBR, Valiant Integrated Services, PULAU Corporation and Lockheed Martin, Rotary and Missions Systems Segment. There are typically fewer competitors in the overseas market for each of our services capabilities and they vary from region to region.

The U.S. government has implemented policies designed to protect small businesses and under-represented minority contractors. From time to time, certain U.S. government work in the U.S. has been restricted to small businesses, including

Alaska Alaskan native companies. We participate with these small businesses as a subcontractor for select opportunities. In addition, we rely on our teaming relationships with other prime contractors and subcontractors for large procurements or other opportunities where we believe the combination of services will help us win and perform the contract. Our competitors may consolidate or establish teaming or other relationships among themselves or with third parties to increase their ability to address customers' needs.

Competitive bids for the work that Vectrus V2X pursues are based on technical qualifications and corporate experience in performing contracts of similar size and scope and can be highly price sensitive. While not every contract is procured via selection of the lowest priced bidder, customers are sensitive to cost based on their budget allocations. Acquisition cycles are long (generally 12 to 24 months), and contracts are typically multi-year contracts that include an initial period of one-year or less with annual one-year (or less) option periods for the remaining contract period.

Some U.S. government customers have shown a strong preference for multiple award IDIQ contracts. These contracts offer awards to a pool of contractors, followed by competition within the pool for individual programs via task orders under each IDIQ over the period of performance. The period of performance under IDIQ contracts follows a traditional three-to-ten-year performance cycle. The governing IDIQ contracts often have multi-billion-dollar ceiling values.

Our company We closely monitors monitor costs to foster highly competitive pricing and uses use an in-house business development model both to manage the cost of revenue and capture opportunities for future bids.

## Seasonality

We do not consider any material portion of our business to be seasonal. However, various factors can affect the distribution of our revenue between accounting periods, including the timing of awards, product deliveries, customer acceptance of products and services, contract phase-in durations, contract completions, world events and the availability of customer funding. Weather and natural phenomena can also temporarily affect the performance of our services.

The U.S. government's fiscal year ends on September 30 of each year. U.S. government agencies may award extra tasks or complete other contract actions in the time frame leading up to the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds, which may favorably impact our third fiscal quarter.

## Regulatory Environment

The U.S. government markets in which we serve are highly regulated. When working with U.S. agencies and entities, we are subject to laws and regulations relating to the creation, administration and performance of contracts. Among other things, these laws and regulations:

- Require compliance with government standards for contract administration, accounting and management internal control systems;
- Define allowable and unallowable costs and otherwise govern our right to reimbursement under various flexibly priced U.S. government contracts;
- Require certification and disclosure of all cost and pricing data in connection with certain contract negotiations;
- Require us not to compete for, or to divest ourselves of, work if an organizational conflict of interest exists related to such work that cannot be appropriately mitigated; and
- Restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

U.S. government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government, agency-specific regulations that implement or supplement FAR, such as the DoD's Defense Federal Acquisition Regulation Supplement (DFARS), and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various rules regarding procurement, import and export, security, contract pricing and cost, allowable costs, contract performance, contract termination and adjustment, audits, and IT system security and privacy controls. In addition, as government contractors, we are subject to routine audits and investigations by U.S. government agencies, such as the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA). These agencies review our performance, cost structure, incurred costs, forward pricing rates and compliance with applicable laws, regulations and standards under our contracts. The DCAA also reviews the adequacy of and our compliance with our internal control systems and policies, including our accounting, purchasing, government, estimating, and related government business systems.

The U.S. government may revise its procurement practices or adopt new or revised contract rules and regulations at any time. To help ensure compliance with these complex laws and regulations, all of our employees are required to complete ethics and other compliance training relevant to their respective positions.

We are subject to other U.S. government laws, regulations and policies, including the International Traffic in Arms Regulations, the Export Administration Regulations, the Foreign Corrupt Practices Act and the False Claims Act. When working overseas, we must comply not only with applicable U.S. laws and regulations, but also with foreign government laws, regulations and procurement policies and practices, which may differ from U.S. laws, including regulations relating to import-export control, foreign tax considerations, data privacy, foreign labor and environmental law, and anti-corruption.

## Contracts

U.S. government programs generally are implemented by the award of individual contracts to a prime contractor, which may utilize one or more subcontractors. Our company is a prime contractor on long-term contracts that are of a finite duration of generally between three and ten years. We were the prime contractor on contracts representing 93%, 95% and 95% of our revenue for the three years ended December 31, 2021 December 31, 2022, 2020, 2021, and 2019, 2020, respectively. In other contracts, we team with the prime contractor as a subcontractor. The U.S. Congress usually appropriates funds on a fiscal year basis even though a program may extend across several fiscal years. Consequently, programs are often only partially funded initially, and additional funds are committed only as the U.S. Congress approves further appropriations. Prior to the expiration of a contract, if the customer requires further services of the type provided by the contract, it typically begins a competitive rebidding or recompete process. The contracts and subcontracts under a program generally are subject to termination for convenience or adjustment if appropriations for such programs are not available or if they change. The U.S. government is required to equitably adjust a contract for additions to or reductions in scope or other changes, including price, which it directs.

Generally, the sales price elements for our contracts are cost-plus, cost-reimbursable, time-and-materials or firm-fixed-price. We commonly have elements of cost-plus, cost-reimbursable and firm-fixed-price contracts on a single contract.

On a cost-plus type contract, we are paid our allowable incurred costs plus a profit, which can be fixed or variable depending on the contract's fee arrangement, up to funding levels predetermined by our customers. On cost-plus type contracts, we do not bear the risks of unexpected cost overruns, provided that we do not incur costs that exceed the predetermined funded amounts. Most of our cost-plus contracts also contain a firm-fixed-price element. Cost-plus type contracts with award and incentive fee provisions are our primary variable contract fee arrangement. Award fees provide for a fee based on actual performance relative to contractually specified performance criteria. Incentive fees provide for a fee based on the relationship between total allowable and target cost.

On most of our contracts, a cost-reimbursable element captures consumable materials required for the program. Typically, these costs do not bear fees.

On a time-and-materials type contract, we are reimbursed for labor at fixed hourly rates and generally reimbursed separately for allowable materials, costs and expenses at cost. For this contract type, we bear the risk that our labor costs and allocable indirect expenses are greater than the fixed hourly rate defined within the contract.

A firm-fixed-price type contract typically offers higher profit margin potential and due to a greater level of risk than a cost plus type cost-plus contract. On a firm-fixed-price type contract, we agree to perform the contractual statement of work for a predetermined contract price. Although a firm-fixed-price type contract generally permits us to retain profits if the total actual contract costs are less than the estimated contract costs, we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain

losses on the contract. Although the overall scope of work required under the contract may not change, profit may be adjusted as experience is gained and as efficiencies are realized or costs are incurred.

The percentage of our total revenue generated from each contract type for the periods presented was as follows:

Contract type	Contract type	Year Ended December 31,			Contract type	Year Ended December 31,		
		2021	2020	2019		2022	2021	2020
Cost-plus and cost-reimbursable	Cost-plus and cost-reimbursable	71 %	68 %	73 %	Cost-plus and cost-reimbursable	56 %	71 %	68 %
Firm-fixed-price	Firm-fixed-price	25 %	29 %	24 %	Firm-fixed-price	40 %	25 %	29 %
Time and materials		4 %	3 %	3 %	Time-and-materials	4 %	4 %	3 %
Total revenue	Total revenue	100 %	100 %	100 %	Total revenue	100 %	100 %	100 %

#### Backlog

For a discussion of our backlog, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Backlog" in Item 7 of Part II of this Annual Report on Form 10-K.

#### Environmental, Health and Safety

We are subject to federal, state, local, and foreign environmental protection laws and regulations, including those governing the management and disposal of hazardous substances, the cleanup of contaminated sites, and the maintenance of a safe and healthy workplace for our employees, contractors, and visitors. Environmental, health and safety laws and regulations are subject to change, the nature of which is inherently unpredictable, and the timing of potential changes is uncertain. Environmental, health and safety requirements are significant factors affecting all of our operations, and we have established a comprehensive program that is aligned with recognized standards for environmental and safety management, to address compliance with applicable environmental, health and safety requirements, laws and regulations, and the expectations of our customers.

#### Human Capital Management

At December 31, 2021 We believe our employees are among our most important resources and are critical to our continued success. On December 31, 2022, we employed approximately 8,100 15,400 full-time employees, a 1,100 employee decrease an increase of 7,300 employees from December 31, 2020 December 31, 2021 primarily due primarily to the completion of one of our contracts. Merger. We also employed utilized approximately 6,100 6,500 subcontract workers, which remained substantially unchanged from 2020 year-end. At December 31, 2021 on the prior year. As of December 31, 2022, approximately 15% approximately 35% of our employees were represented under 21 by 54 collective bargaining agreements with labor unions. In the ordinary course of business, a number of collective bargaining agreements will be subject to renegotiation in a given year. We do not expect that any of the contracts subject to renegotiation in 2021 2023 (individually or as a whole) present a significant risk to our business. We believe that relations with our employees and union representatives are positive.

We believe our employees are among our most important resources and are critical to our continued success. We focus continue making significant attention on investments in attracting and retaining talented and experienced individuals to manage and support our operations, and our management team routinely reviews employee turnover rates at various levels of the organization. Management also reviews organization to help understand and resolve barriers to retention.

V2X routinely conducts annual employee engagement surveys. The results of those surveys are anonymized and satisfaction shared with V2X employees and with management. Additionally, the results of the surveys are scored to monitor form a benchmark against which the results of future surveys will be evaluated. In 2022, V2X engaged our larger, and recently merged, global workforce through structured surveys using a third-party platform to better understand concerns and expectations regarding Ethics, and Diversity, Equity & Inclusion (DE&I). Responses to the 2022 employee morale engagement surveys indicated that V2X employees generally find the company culture to be inclusive, a great place to work, and receive feedback on a variety that managers' behaviors were consistent with the V2X Code of issues. Conduct.

#### Employment Benefits

We pay our employees competitively and offer a broad range of company-paid benefits, which we believe are competitive with others in our industry. Our employment benefits program includes a comprehensive benefits package, such as:

- flexible work options;
- education benefits, including tuition reimbursement program to select employees;
- wellness program;
- paid parental leave program;
- employee assistance program; and
- retirement savings plan.

#### Diversity, Equity, and Inclusion

V2X's DE&I philosophy calls for the intentional recruitment, retention, and growth of a diverse workforce, which includes employees, contractors, and Other Country National (OCN) staffing. In 2022, V2X renewed its certification to the International Stability Operations Association's Women, Peace and Security Program for fiscal years 2023 through 2024. The DE&I Executive Council hosted over 150 V2X women leaders in the Middle East and Europe for a one-day professional and personal development networking event. The event highlights also included stories of women leaders who contribute every day to the success of V2X.

Our vision DE&I Executive Council, composed of the Company's Chief Executive Officer and other senior leaders that sponsor our Employee Resource Groups (ERGs), oversee our DE&I strategy and philosophy against our business practices. Our five ERGs are: Allies of Pride, Diverse Abilities, People of Color, Women at V2X and V2X Veterans.

In 2022, our five ERGs developed goals in three focus areas to innovate foster awareness, respect, and lead core capabilities unites inclusion:

- Business development and outreach;
- Employee engagement and retention and professional development; and
- Recruitment.

Annually, ERGs evaluate their performance against these goals and report them to the development DE&I Executive Council, which in turn reports at least annually to our Board of internal strategies to equip leaders to manage diversity by promoting accountability, measuring results, refining approaches, and institutionalizing a culture of equity and inclusion. Directors.

We are a leading employer of veterans and veteran spouses with more than 39% 42% of our U.S employees voluntarily reporting a military background, and we have been recognized numerous times in recent years by veteran-focused organizations as a military-friendly employer.

Our including recently by the National Organization on Disability as a Leading Disability Employer, by the Military Friendly Company as a Top 10 Diversity Equity, Supplier and Inclusion (D, E & I) Executive Council initiatives align closely with Vectrus' strategic priorities. The Executive Council is led as a Top 10 Military Spouse Employer, and by our Executive Director of Diversity, Equity, and Inclusion and is co-chaired by two Senior Vice Presidents who report to our Chief Executive Officer. Given the national discussion on race and equity, the Executive Council encourages open dialogue, fosters inclusion, and supports employee engagement through Global Townhalls and D, E & I webinars in 2021. Military Times as a Best for Vets Employer.

In setting 2022, the stage Company published its inaugural DE&I Annual Report. The report shares the Company's diversity strategies, practices, policies and programs from across the business and includes our U.S. employee demographics for 2022, our five Employee Resource Groups (ERGs) developed goals in three focus areas to foster awareness, respect, and inclusion:

- Business development and outreach
- Employee engagement and retention and professional development
- Recruitment

Annually, in the first month of the last quarter, ERGs evaluate their performance to goals in each focus area and report these results to the D, E & I Executive Council. The D, E & I Executive Council reports annually to our Board of Directors regarding overall diversity distribution for employees and suppliers, 2021.

#### Learning and Development

We continue provide learning and development opportunities to emphasize employee development and training and provide a range of development programs and opportunities, skills, and resources needed our employees to have support a successful career with Vectrus. at V2X. Our on-line VectrusV2X University gives employees access to more than 1,600 2,000 virtual courses that address such topics as leadership/management and information technology skills, along with the standard required compliance courses of required for a defense contractor, contractor company. We are committed to identifying and developing the talents of our next generation of leaders by providing knowledge to help early-in-career employees develop the skills needed to move up advance within the organization, providing a organization. We also provide training program programs to keep our supervisors current on best practices and ensure they focus on the success of their people and encouraging nominations into our programs that consist of people. Also, we offer additional development opportunities to select employees to attend training and mentoring opportunities. sessions.

We have Developing talent and ensuring a pipeline to leadership is a priority for the Company. To that end, the Company has a robust talent and succession planning process and have has established a specialized program to support the development of our talent pipeline for critical roles. On a quarterly basis, we We conduct a review periodic reviews of succession plans and the individual development plans of our emerging talent. These sessions focus on high potential talent, diverse talent, and the succession for our most critical roles,

and are led by our Vice President and Chief Executive Growth & Client Service Officer, Chief Human Resource Officer, and Senior Vice Presidents.

Employee We periodically hold senior leadership development events to continually develop leadership and management skills. In November 2022, we held our Leading into 2023 conference to bring together our leaders from both legacy companies to collaborate on the future of V2X.

#### Health and Safety

During 2021, Our health and safety management system aligns with the ISO 45001 standard and includes the following elements:

- Setting annual program-level goals and objectives;
- Monitoring relevant legal and customer-specific requirements;
- Providing training to employees and contractors on health and safety provisions;
- Assessing environmental, health, and safety risks company-wide;
- Engaging with the workforce to identify health and safety risks and opportunities; and
- Conducting internal audits to evaluate compliance with the employee health and safety (EHS) Plan, legal and other requirements, and best practices.

We track workforce safety metrics including Total Recordable Incident Rate, Days Away Restricted or Transferred Rate as well as Near Miss Frequency Rate. We initiated annual reporting of these metrics in 2021. Our robust EHS program promotes a safe and healthy workplace for all employees and subcontractors.

In response to the COVID-19 pandemic, we continued implemented public health and safety protocols including updated infectious disease procedures to protect our employees, our subcontractors, and our customers. These protocols include complying in compliance with social distancing and other health and safety standards as required by federal, state, and local government agencies, taking into consideration guidelines of our clients, the Centers for Disease Control and Prevention, the

World Health Organization, and other public health authorities in the countries where we operate, and customer requirements. We continue to hold quarterly calls to educate and keep the workforce informed on how to deploy the infectious disease response plan at the local level. We continued to provide continual efforts to share an environment. In the third quarter of best practices 2022, we conducted a review of our pandemic response actions, and lessons learned including modified work presence. We modified during the way we conduct many aspects of our business to reduce the number of in-person interactions. For example, we significantly expanded the use of virtual interactions in all aspects of our business, including customer facing activities. Many of our administrative and operational functions during this time have required modification as well, including most of our workforce working remotely.

As a service provider, we continued to have a large employee population that was required to be on site daily. To maintain a healthy workforce, our focus included protect the employee, continue service delivery, and keep the business running. This was done by successfully deploying a Pandemic Plan early in the effort and keeping it current with continual updates and guidance. We continue to monitor the safety of our employees and keep universal precautions in the forefront.

For a detailed discussion of the impact first two years of the COVID-19 pandemic on and changes in workplace standards and regulations and are working toward updating our human capital, see "Risk Factors" in Item 1A in this Annual Report on Form 10-K. Infectious Disease Preparedness and Response Action processes.

#### **Ethics and Compliance**

All employees must adhere to the Vectrus V2X Code of Conduct (COC) that sets standards for appropriate behavior and includes required annual training on preventing, identifying, reporting and stopping any type of unlawful discrimination, unethical behaviors, and unacceptable conduct. With The V2X Code of Conduct, and the standards of business conduct and ethics incorporated in the Code, apply to all employees, living officers, and working on five continents and in 205 locations, Vectrus directors of V2X. V2X requires each employee to complete the Vectrus Code of Conduct training annually. Our COC was updated in 2022 for the combined entity post-Merger. We also sponsored our first Annual Corporate Compliance Ethics Week Program in 2022, which was open to all V2X employees, and was designed to shine a spotlight on Corporate Ethics by highlighting our Core Values, educating employees on our "Speak Up" culture and providing best practices resources for leaders in addressing employees' concerns.

#### **Combating Trafficking in Persons (CTIP) and Other Country National (OCN) OCN Compliance**

Vectrus employs processes V2X recognizes the risks of child labor, human trafficking and procedures that focus on modern slavery associated with its global contracting activities and is committed to complying with internationally recognized human rights provisions and prohibitions against human trafficking and modern slavery established under the FAR CTIP compliance and the overall candidate experience for both subcontract laws and direct hire OCN staffing. Key audit areas are staffing office safety, recruiting process compliance, CTIP awareness notifications regulations of the countries in which it conducts business. This commitment is codified in our COC and training, candidate document collection procedures and candidate interviews, our Supplier Code of Conduct.

Vectrus conducts an extensive and robust vetting of potential V2X monitors its subcontractors to identify those who have proven CTIP-compliance and recruiting processes in place. We seek only those companies verify that will fully protect human rights.

Vectrus personnel conduct inspections and audits of the subcontractors regional recruiting centers following award of a contract. During these inspections, we confirm their employees have been trained in CTIP compliance and that their recruiting processes comply with all local and US government CTIP policies and regulations, as well as personnel countries of original and host nation labor laws. Vectrus personnel interview potential candidates about their recruiting experience with our subcontractors and review employment documents for compliance, if available.

Over the life of our contracts, Vectrus Contracts/Subcontracting personnel, with assistance from Task Order Managers, Site Managers, and CTIP Teams (location-specific), monitor our contracted subcontractors to validate they are maintaining compliance with CTIP and all other provisions in their contracts with us.

Once employees have been hired, Vectrus provides program-specific, CTIP, quality, safety, and task-specific training. This training reinforces our commitment to providing safe and anonymous options for reporting suspected CTIP violations.

Vectrus contracts. Additionally, V2X maintains an active CTIP Awareness campaign at each program location, to reinforce our protection of human rights. This helps rights and to empower all employees to confidently report suspected violations without fear of retaliation. Vectrus V2X quickly investigates reported or suspected CTIP violation complaints that, violations, which if validated, verified, are reported immediately to our Senior Vice President, General Counsel, and Chief Legal Officer and Secretary and the appropriate USG United States Government (USG) and program authorities.

We have zero tolerance for CTIP violations. Vectrus rapidly requests V2X requires that corrective actions (CA) be put in place by subcontractors or employees for validated confirmed CTIP violations. If CTIP violations warrant, a subcontractors subcontractor or employee unable to promptly execute or comply with approved CAs will be removed swiftly from the contract and prevented from conducting future business with Vectrus.

Over the life of the contract, Vectrus contract. V2X conducts regularly scheduled audits and inspections of employee housing and transportation, interviews employees hired through our subcontractors, and reviews employment contracts and related documentation to further validate our subcontractor's subcontractors' compliance with FAR 52.222-50 and both country of origin and host nation labor laws.

#### **Information about our Executive Officers**

The following table sets forth certain information as of January 31, 2022 January 31, 2023 regarding our executive officers, including a five-year employment history and any directorships held in public companies.

Name	Age	Current Title(s)	Business Experience
Charles L. Prow	62 <sup>63</sup>	President and Chief Executive Officer (CEO), Director	Mr. Prow has served as President, CEO and director of the Company since December 2016. Mr. Prow has over thirty years of information technology and federal services experience, including leadership positions at IBM Corporation, PricewaterhouseCoopers, and Coopers & Lybrand. During his career, he has run large global government services organizations, delivering solutions to a wide array of DoD and other government customers. From August 2015 through August 2016, he served as President, CPS Professional Services, a service-disabled veteran-owned small business, where he provided management consulting services to U.S. government clients. Previously, Mr. Prow served in multiple Prow roles with at IBM Corporation including: include: (i) from 2014 to 2015 as General Manager, Global Government Industry in connection with IBM's technology and services competencies, where he had responsibility for global revenues exceeding \$9 billion, (ii) from 2012 to 2013 as General Manager, Global Business Services, with strategic, profit and loss and operational responsibility for IBM's over more than \$4 billion North America consulting services unit, and (iii) from 2007 to 2012 as General Manager, Global Business Services, with strategic, profit and loss and operational responsibility for IBM's over more than \$2.4 billion U.S. Public Sector business unit. He currently serves on the board of directors for the Professional Services Council, Christian Brothers High School - St. Louis Missouri, and International Research and Exchange Board (IREX) Board.
Susan D. Lynch	60 <sup>61</sup>	Senior Vice President and Chief Financial Officer (CFO)	Ms. Lynch joined Vectrus has served as Senior Vice President and Chief Financial Officer in since August 2019. Prior to joining Vectrus, since From April 2016 until August 2019, Ms. Lynch served as Chief Financial Officer and Executive Vice President of Sungard Availability Services Capital Inc, a \$1.1 billion private equity backed, global enterprise providing cloud, disaster recovery, managed private and shared hosting and colocation IT services. While at Sungard, Ms. Lynch was responsible for all aspects of financial management for the global business, including tax, treasury, investor relations, controllership, financial planning and analysis, internal audit and controls, procurement and financial shared services. From 2007 to 2015, Ms. Lynch served as Executive Vice President and Chief Financial Officer of Hitachi Vantara (formerly known as Hitachi Data Systems), a more than \$4 billion division of Hitachi, Ltd. and provider of global data storage infrastructure solutions, software, and professional services. While at Hitachi, she led and managed the internal audit and control, financial reporting and analysis, controllership, procurement and facilities, financial shared services, tax and treasury functions. From 2005 to 2007, Ms. Lynch was VP & CFO for Raytheon Technical Services Company, a \$2 billion segment of Raytheon Company. From 1984 to 2005, Ms. Lynch held various financial leadership positions in 6 locations and two continents of increasing responsibility for with Honeywell International, Inc. Her last position with Honeywell was Assistant Corporate Controller, Global Business Services. Controller. Ms. Lynch left Honeywell International temporarily and was CFO of Geonex Corporation from 1993 to 1994. Susan is a Certified Public Accountant. In November 2021, Ms. Lynch was nominated elected to the Board of Directors of Allegro Microsystems (NASDAQ: ALGM) and currently serves on the Audit committee.
William W. Beard	63	Senior Vice President, Aerospace Solutions	Mr. Beard has served as Senior Vice President, Aerospace Solutions since January 2023. From 2020 to January 2023, Mr. Beard served as the operations and strategy executive responsible for growth, strategy and operational efficiency at Vertex. Previously, he served as the lead consultant and proprietor from 2016 to 2019 for Allegiant Professional Services, providing operations, strategy, and new business development services to aerospace and defense clients. From 2013 to 2016, he served as Vice President and General Manager of GKN Aerospace, where he oversaw factories manufacturing flight critical components and assemblies for The Boeing Company, Honda Aircraft Company, and Honeywell Aerospace. Prior to joining GKN Aerospace, he led operations for DRS Technologies C3 and Aviation Group for four years. Before that, Mr. Beard served as Vice President of Operations at L-3 Vertex Aerospace. Before joining L-3 Vertex Aerospace, he held multiple positions at L-3 Communications Integrated Systems, including Senior Director for Federal Programs. Mr. Beard's early career includes 20 years in active duty with the United States Navy, holding roles in a variety of intelligence, surveillance, and reconnaissance and special mission aircraft organizations. Mr. Beard earned Air Medals for missions flown during Operation Desert Storm in Kuwait, and in Bosnia during the Balkans conflict. Mr. Beard received a bachelor's degree from New Hampshire College and an MBA from Baylor University. He is also a graduate of an Executive Leadership Program taught at the Imperial College of London Center for Creative Leadership.

Kevin T. Boyle	52 53	Senior Vice President, Chief Legal Officer, and General Counsel and Corporate Secretary	Mr. Boyle joined Vectrus has served as Senior Vice President, Chief Legal Officer, and General Counsel in and Corporate Secretary since October 2018. Prior to joining Vectrus, he served as senior vice president, general counsel and secretary of Vencore Holding Corp, a provider of information solutions, cyber security, engineering and analytics for the U.S. government and intelligence community, from March 2017 until June 2018. He led Vencore through a strategic transaction process, resulting in the merger of Vencore with two other companies to create Perspecta, Inc. Mr. Boyle was senior vice president, general counsel and secretary from January 2014 until January 2016 with Alion Science and Technology Corporation, a global engineering and technology solutions company providing services to federal and international customers. Mr. Boyle also served as senior vice president, general counsel and secretary of MCR LLC, a privately held professional services firm specializing in integrated program management solutions for the Department of Defense, from February 2012 until January 2014. Prior to MCR, he served as senior vice president, general counsel and secretary of Vangent, Inc., a global provider of professional services across the federal government and international markets. Earlier in his career, he held senior executive positions with public and private technology services and product companies, including MCR, LLC, Vangent, Inc., General Dynamics Information Technology, Anteon International Corporation and InterWorld Corporation. Mr. Boyle currently serves on the Board of the Wolftrap Foundation.
Susan L. Deagle	53 54	Senior Vice President and Chief Growth & Client Service Officer	Ms. Deagle has served as Senior Vice President and Chief Growth & Client Service Officer of the Company since January 2023. From May 2017, 2017 to January 2023, Ms. Deagle served as Senior Vice President and Chief Growth Officer. She is responsible for the Company's revenue growth, partnerships, strategy, marketing top and business development, bottom line organic and inorganic growth. From 2015 to 2017, Ms. Deagle served as Vice President and Integration Executive for an acquisition aligned with the inception of IBM Corporation's Watson Health business unit. From 2013 to 2015, Ms. Deagle served as Vice President for sales and distribution strategy for IBM's U.S. Federal and Government Industries, where she drove cross-brand and cross-sell opportunities to increase market penetration, expanding IBM's base business. From 2011 to 2012, Ms. Deagle served as Director of Sales and Distribution Strategy and Planning for IBM's global public sector. While at IBM, she also created and ran the federal government wide Acquisition Contract Center.
Corinne L. Minton-Package	49 50	Senior Vice President, Operational Advance Technology and Enterprise Vectrus	Ms. Minton-Package has served as Senior Vice President, Advanced Technology since January 2023. From January 2021 through January 2023, Ms. Minton-Package was the Senior Vice President of Systems and Technology. From October 2020 to January 2021, Ms. Minton-Package was Senior Vice President, Operational Technology and Enterprise at Vectrus since October 2020. Enterprise. She is responsible for leading management initiatives that support efficiency the technology business unit at V2X, growing around applications, network and scale cyber for Vectrus' enterprise across supply chain, technology and quality, in addition to leading the operational technology service line. Ms. Minton-Package military customers. This portfolio is also is responsible for Vectrus' information technology organization, building repeatable sensor driven solutions, including tolling, screening, identity management and security. From 2018 to 2020, Ms. Minton-Package was Vice President of Operational Technology, at Vectrus, and was responsible for program execution and growth of the portfolio of engineering, perimeter security and intrusion detection, and the internet of things sensor capabilities as in addition to solution and alliances. From 2017 to 2018, she held the role of Vice President of Solutions and Alliances, at Vectrus, and was responsible for creating partnership that would support our strategy for converged infrastructure. Prior to joining Vectrus, V2X, for more than 20 years Ms. Minton-Package held various positions at IBM Global Business Services, and most recently, from 2014 to 2017, as a partner in the commercial healthcare practice.

Ken Kenneth W. Shreves	5960	Senior Vice President, Business Organic Growth and Operational Enablement Global Mission Training & Sustainment	Mr. Shreves has served as Senior Vice President, Global Mission Training & Sustainment since July 2022. In this role, Mr. Shreves is responsible for base operations, logistics, high consequence training and the national security program businesses. From November 2021 to July 2022, he was Senior Vice President, Organic Growth, and Operational Enablement since November 2021, and Supply Chain. Prior to this role, Mr. Shreves was Vice President of Business Development/Capture, at Vectrus, where he worked to build and execute Vectrus' the Company's organic growth strategy. He joined V2X in October 2017 from SOSI, where he was Vice President of Business Development. Prior to SOSI, he was at DynCorp International where he held multiple leadership positions in the fields of national security and business development. Prior to his commercial career, Ken served in the United States Army as a Logistics Officer, retiring after twenty-eight years, having commanded at every level through Brigade Command and culminating as the Army Chair at the National War College in Washington DC. Mr. Shreves earned a B.S. in Business Administration - Finance from the University of Florida, an M.S. in Administration from Central Michigan University and an M.S. in National Security Studies from the National War College, Fort McNair, Washington DC.
Michael J. Smith	42	Vice President of Treasury, Corporate Development, and Investor Relations	Mr. Smith has served as the Company's Vice President of Treasury, Corporate Development, and Investor Relations since 2014. Prior to joining Vectrus, V2X in 2014, he was co-founder and managing director of The Silverline Group, a strategic consulting and advisory services firm that focuses on the aerospace and defense, intelligence, government services, homeland security, and federal civilian markets from March 2012 to 2014. While at Silverline, Mr. Smith was responsible for providing advice and counsel on mergers and acquisitions and for generating market studies, assessments, company positioning, valuation studies, and competitive intelligence for clients. Additionally, he helped clients formulate and execute investment decisions, including stock purchases, acquisitions, and divestitures. Prior to co-founding The Silverline Group, Mr. Smith was a senior equity research associate at Lazard Capital Markets, covering the aerospace and defense, federal government information technology services, and defense technology sectors. He also spent five years with BB&T Capital Markets covering defense and government services and seven years with Raymond James & Associates in various capacities, including senior equity research liaison. Mr. Smith is a CFA® charterholder and earned a bachelor's degree with a major in finance and a minor in economics from the University of South Florida.
Richard Mendoza	58	Senior Vice President and Chief People Officer	Mr. Mendoza has served as Senior Vice President and Chief People Officer since July 2022. From 2016 to July 2022, Mr. Mendoza served in multiple roles at Vertex, including as the Senior People Leader since 2017, responsible for the tactical execution and strategic direction of all aspects of Human Resources, Security, Communications, Payroll, Labor Relations, and Learning & Development. From 2016 to October 2017, Mr. Shreves Mendoza was the Director of Human Resources at Vertex, where he oversaw "People Operations," comprised of the HR Business Partner, Employee Relations, Talent Management, and Compliance functions. Prior to joining Vertex in 2016, Mr. Mendoza held multiple positions at L3 Technologies Platform Integration, a division of 1,700 employees with expertise in aircraft design, system integration, flight sciences engineering, and major structural modification. He joined L3 Technologies Platform Integration in 2004 as the Talent Acquisition Lead and HR Business Partner and later became the Senior Manager of Human Resources. Before that, he served as Vice President for Business Development at SOSI in the United States Air Force from 1982 to 2003, including in leadership roles in Forward Air Control radar operations and held the positions of Vice President for Business Development and Vice President for National Security Solutions for Air Force Recruiting Service. He holds a Senior Professional Human Resources (SPHR) certification from the operational business line at DynCorp from 2015 to March 2017. Human Resources Certification Institute.

## Available Information

Our principal executive offices are located at 2424 Garden of the Gods Road, Colorado Springs, CO, 80919. 7901 Jones Branch Drive, McLean, Virginia, 22102. Our telephone number is (719) 591-3600 is (571) 481-2000 and our website address address is [www.vectrus.com](http://www.vectrus.com). [www.goV2X.com](http://www.goV2X.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available on our website as soon as reasonably practicable after electronically filed with the Securities and Exchange Commission (SEC). Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the U.S. Securities and Exchange Commission (SEC). The SEC allows us to disclose important information by referring to it in this manner. SEC, The information provided on our website is not part of this report, and is therefore not incorporated by reference, unless such information is otherwise specifically referenced elsewhere in this report. Our reports filed with the SEC also may be found on the SEC's website at [www.sec.gov](http://www.sec.gov).

## ITEM 1A. RISK FACTORS

YouIn evaluating our Company and business, you should carefully consider each of the following risks which we believe are the principal risks that we face and of which we are currently aware, and all of the other uncertainties described below, together with information disclosed elsewhere in this report. Annual Report on Form 10-K, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report, and other documents we file with the SEC. The risks described below relate to our business, governmental regulations, indebtedness, financial conditions condition and markets, the Spin-off, and our securities.

Should any of the following Also, the risks and uncertainties develop into actual events, described below are those that we have identified as material but are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially harm our business, financial condition or operating results and result in a decline in our stock price.

## Summary of Risk Factors

### Risks Related to Our Business

- Our profitability or performance could suffer if we are unable to recruit and retain qualified personnel or if we are unable to maintain adequate staffing levels for our contracts.
- A significant portion of our workforce is represented by labor unions, and our business could be harmed in the event of a prolonged work stoppage.
- Competition within our markets may reduce our revenue and market share.
- We may not be successful in winning new contracts or recompeting our existing contracts, which could have an adverse impact on our business and prospects.
- Our earnings and margins may vary based on the mix of our contracts, our performance, and our ability to control costs.
- While firm-fixed-price contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns.
- A significant portion of our revenue is derived from a few large contracts, and the loss or material reduction of any of these contracts could have a material adverse effect on our results of operations and cash flows.
- Termination, expiration or non-renewal of our existing U.S. government contracts may adversely affect our business.
- Uncertainties in the U.S. government defense budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenue and limit our growth prospects.
- Business disruptions caused by natural disasters, pandemics, global hostilities and other crises could adversely affect our profitability and our overall financial position.
- Our contract sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment or effectively respond to the impacts of COVID-19 to our workplaces could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or customers and possible exposure to litigation.
- We work in international locations where there are high security risks, which could result in harm to our employees and contractors and the incurrence of substantial costs.
- We are subject to legal and regulatory compliance risks associated with operating internationally.
- We conduct a portion of our operations through joint ventures, exposing us to certain risks and uncertainties, many of which are outside of our control.
- Our business could be materially adversely affected by bid protests.

- We are dependent on the U.S. government and, if our reputation or relationship with the U.S. government was harmed, our revenue and growth prospects could be adversely affected.
- Misconduct of our employees, subcontractors, agents, prime contractors or business partners could cause us to lose customers and could have a material adverse impact on our business and reputation, adversely affecting our ability to obtain new contracts.
- Our earnings and margins depend, in part, on subcontractor performance.
- We rely on internal and external information technology systems to conduct our business, and disruption or failure of these systems could adversely affect our business and results of operations.
- We rely on our information and communications systems in our operations. Security breaches and other disruptions could adversely affect our business and results of operations.
- We are subject to certain data privacy regulations, which expose us to certain risks if we do not comply with these requirements.
- We may not realize the anticipated benefits and cost savings of the Merger and integrating the two companies may be more difficult, costly or time-consuming than expected.
- We may pursue acquisitions and other investments that involve numerous risks and uncertainties.
- We use estimates in accounting for many of our programs, and changes in our estimates could adversely affect our future financial results.
- We may be required to contribute additional funds to meet any present or future underfunded benefit obligations associated with multiemployer pension plans in which we participate.
- Our insurance may be insufficient to protect us from claims or losses.
- There is a rapidly evolving awareness and focus from stakeholders with respect to environmental, social and governance practices, which could affect our business.

### Risks Related to Governmental Regulations and Laws

- Environmental, health and safety issues could have a material adverse effect on our business, financial position or results of operations.
- As a U.S. government contractor, we are subject to a number of procurement laws and regulations and could be adversely affected by changes in regulations or our failure to comply with these regulations.
- Our business is subject to audits, reviews, cost adjustments, and investigations by the U.S. government, which, if resolved unfavorably to us, could adversely affect our profitability, cash position or growth prospects.

- The DoD continues to modify its business practices, which could have a material effect on its overall procurement processes and adversely affected, impact our current programs and potential new awards.
- Our business depends upon obtaining and maintaining required facility security clearance and individual security clearances.
- Our business may be negatively impacted if we are unable to adequately protect our intellectual property rights.

#### **Risks Related to Our Indebtedness, Financial Condition and Markets**

- In connection with the trading price Merger, we assumed significantly more indebtedness than V2X's prior indebtedness. Our level of indebtedness and our ability to make payments on or service our indebtedness could adversely affect our business, financial condition, results of operations, cash flow and liquidity.
- Our variable rate indebtedness may expose us to interest rate risks, which could cause our debt costs to increase significantly.
- Our debt agreements contain covenants with which we must comply or risk default, or that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.
- The effects of changes in worldwide economic and capital markets conditions may significantly affect our ability to maintain liquidity or procure capital.
- We may not realize as revenue the full amounts reflected in our backlog, which could adversely affect our future revenue and growth.
- Goodwill represents a significant portion of our assets and any impairment of these assets could negatively impact our results of operations.

#### **Risks Related to Our Securities**

- We meet the requirements to be a "controlled company" within the meaning of the rules of the New York Stock Exchange (NYSE) and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance standards, which limit the presence of independent directors on its Board of Directors or Board committees.
- If our significant shareholders who received shares of our common stock in the Merger sell their shares of our common stock after such shares are no longer subject to resale restrictions, our common stock price could decline, be materially affected.
- Anti-takeover provisions in our organizational documents and you Indiana law could lose all delay or part of your investment, prevent a change in control.

#### **RISKS RELATED TO OUR BUSINESS**

##### ***Our profitability or performance could suffer if we are unable to recruit and retain qualified personnel or if we are unable to maintain adequate staffing levels for our contracts.***

Due to the specialized nature of our business, our future performance and rate of growth is highly dependent upon the continued services of our personnel and executive officers, the development of additional management personnel and the hiring of new qualified technical, marketing, sales, and management personnel for our operations. Recruitment of qualified personnel is highly competitive, and we may not be successful in attracting or retaining qualified personnel. In recent years, the industry-wide market for qualified employees became even more competitive than in previous years. We also must manage leadership development and succession planning throughout our business. The loss of key employees, coupled with an inability to attract new, qualified employees or adequately train employees, or the delay in hiring key personnel could significantly impact our ability to perform under our contracts and could have an adverse effect on our business, results of operations and financial condition.

In addition, our profitability is affected by how efficiently we utilize our workforce, including our ability to transition employees from completed contracts to new assignments; to hire and assimilate new employees; to hire personnel in or timely deploy expatriates to foreign countries; to manage attrition and a subcontractor workforce; and to devote time and resources to training, business development, professional development and other non-chargeable activities. Further, continued visa and other travel restrictions related to the ongoing COVID-19 pandemic may also impact our ability to properly perform on our contracts. See the risk factor below, "We face various risks related to health epidemics, pandemics and similar outbreaks, particularly COVID-19, which may have material adverse effects on our business, financial position, results of operations and/or cash flows."

##### ***A significant portion of our revenue workforce is derived from represented by labor unions, and our business could be harmed in the event of a few large contracts, and prolonged work stoppage.***

On December 31, 2022, approximately 5,400 of our employees, or approximately 35% of our employee base were unionized. We have 54 collective bargaining agreements with labor unions. We cannot predict how stable our union relationships will be or whether we will be able to successfully negotiate successor agreements without impacting our financial condition. In addition, the loss presence of unions may limit our flexibility in managing our workforce. Work stoppages by our union employees or material reduction implementation of any of these contracts a work stoppage contingency plan could have negatively impact our ability to provide services to our customers on a material adverse effect on timely basis, which could in turn negatively impact our results of operations and cash flows, financial condition.

##### ***Aggregate revenue from Competition within our four largest contracts amounted to approximately \$0.8 billion, or 47.2% of markets may reduce our revenue for the year ended December 31, 2021. As of December 31, 2021, and market share.***

Our business is highly competitive, and we compete with larger companies that have greater name recognition, greater financial resources, and larger technical staff, as well as companies with a competitive advantage due to a small business designation. Within our four largest contracts were the K-BOSS industry, companies have engaged in mergers and acquisitions to increase their competitive position. Our competitors may provide our customers with different or greater capabilities or better contract the Kuwait and Iraq Task Orders under the Logistics Civil Augmentation Program Five (LOGCAP V) terms than we can provide, including past contract vehicle, experience, geographic presence, price, and the Operations, Maintenance, and Defense availability of Army Communications in Southwest Asia and Central Asia (OMDAC-SWACA) contract. The Kuwait Task Order was previously part of the U.S. Army's K-BOSS qualified professional personnel. In addition, our competitors may consolidate or establish teaming or other relationships among themselves or with third parties to increase their ability to address customers' needs.

Even if we are qualified to work on a government contract, which is exercised through August 28, 2022, and is being transitioned under LOGCAP V and retained by us. Performance on the Kuwait Task Order began in July 2021, and performance on the Iraq Task Order began in June 2021. The awards are approximately \$766.3 million and \$820.9 million, respectively with estimated period of performance completion in December 2026. The OMDAC-SWACA contract was re-awarded on December 29, 2020, and performance

on we may not be awarded the contract began on July 16, 2021. The because of existing government policies designed to assist small businesses and other designated classifications of business, such as under-represented minority contractors. Accordingly, larger or new award is an approximately \$859.7 million cost-plus-fixed-fee contract with an estimated period of performance completion competitors, alliances among competitors, or competitors designated as small business contractors may emerge that may adversely affect our ability to compete. If we are unable to compete successfully against our current or future competitors, we may experience declines in April 2026.

The Kuwait revenue and Iraq Task orders under LOGCAP V each accounted for more than 10% of market share, which could negatively impact our revenue for the year ended December 31, 2021 and these contracts will continue to have a significant contribution to our revenue. Our revenue, financial position, results of operations, and or cash flows are highly dependent on these existing contracts. The loss or material reduction of any of these contracts could have a material adverse effect on our revenue, results of operations and cash flows. See "Significant Contracts" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Annual Report on Form 10-K.

#### ***We may not be successful in winning new contracts or recompeting our existing contracts, which could have an adverse impact on our business and prospects.***

We derive a substantial majority of our revenue from our contracts with the federal government, which are typically awarded through a rigorous competitive bidding process. This competitive bidding process presents a number of risks, including the following:

- We may bid on programs for which the work activities, deliverables, and timelines are vague or for which the solicitation incompletely describes the actual work, which may result in inaccurate pricing assumptions;
- We may incur substantial costs and spend a significant amount of managerial time and effort preparing bids and proposals; and
- We may realize the lost opportunity cost of not bidding on and winning other contracts that we may have pursued otherwise.

If we are unable to win a particular new contract, we may be prevented from providing the customer the services that are purchased under that contract for a number of years.

In addition, we face rigorous competition and pricing pressures for any additional contract awards from the U.S. government. Some of our existing contracts must be recompeted when their original period of performance ends. Recompetes represent opportunities for competitors to take market share away from us. Recompetes also represent opportunities for our customers to obtain more favorable terms and discounts from us. We may be required to qualify or continue to qualify under the various multiple award task order contract criteria. Therefore, orders, and it may be more difficult for us to win future task orders. If we are unable to consistently win new contract awards, or successfully recompete our existing contracts, our business and prospects will be adversely affected, and our actual results may differ materially and adversely from those anticipated.

#### ***Competition within our markets may reduce our revenue and market share.***

Our business is highly competitive, and we compete with larger companies that have greater name recognition, greater financial resources, and larger technical staffs, as well as companies with a competitive advantage due to a small business designation. Within our industry, companies have engaged in merger and acquisition activity, with a goal to increase their competitive position. Our competitors may provide our customers with different or greater capabilities or better contract terms than we can provide, including past contract experience, geographic presence, price, and the availability of qualified professional personnel. In addition, our competitors may consolidate or establish teaming or other relationships among themselves or with third parties to increase their ability to address customers' needs.

Even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to assist small businesses and other designated classifications of business, such as under-represented minority contractors. Accordingly, larger or new competitors, alliances among competitors, or competitors designated as small business contractors may emerge that may adversely affect our ability to compete. If we are unable to compete successfully against our current or future competitors, we may experience declines in revenue and market share, which could negatively impact our financial position, results of operations, or cash flows.

#### ***Our earnings and margins may vary based on the mix of our contracts, our performance, and our ability to control costs.***

We generate revenue under various types of contracts, which include cost-plus, cost-reimbursable (including non-fee-bearing costs) and firm-fixed-price. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenue derived from each type of contract, the nature of services provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined. Cost-reimbursable contracts generally have lower profitability than firm-fixed-price contracts. Our profitability is adversely affected when we incur contract costs that we cannot bill to our customers. Profitability also may be adversely affected during the start of a new contract due to initial spending necessary to successfully complete phase-in requirements. For example, as we continue the phase-in process for LOGCAP V, we are required to outlay certain amounts of capital to be able to perform under the contract, which amounts we may or may not recoup from the U.S. government. To varying degrees, each of our contract types involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. While firm-fixed-price contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenue derived from firm-fixed-price contracts represented approximately 25% of our total revenue for the year ended December 31, 2021. When making proposals on firm-fixed-price contracts, we rely heavily on our estimates of costs and timing for completing the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources needed to perform our contracts or to effectively manage and control our costs during the performance of our work could result in reduced profits or in losses. If we incur costs in excess of initial estimates or funding on a contract, we generally seek reimbursement for those costs through requests for equitable adjustments (REAs) or claims to the Armed Services Board of Contracting Appeals (ASBCA), and we have made assumptions on what we expect to recover in our financial statements, but we may not be able to negotiate full recovery for these costs. In addition, pursuit of these REAs and claims can require significant time and incur additional costs, including legal fees and expenses, and there is no guarantee that such actions would ultimately be successful.

More generally, any increased or unexpected costs or unanticipated delays in connection with the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable. The U.S. and other countries also may experience increases in inflation and have seen such increases in inflation in 2021. A significant increase in inflation rates could adversely impact the profitability of these contracts.

In addition, our failure to perform to satisfy customer expectations or contract requirements may result in reduced fees or claims made against us by our customers and may affect our financial performance in that period. Under each type of contract, if we are unable to control costs, our operating results could be adversely affected, particularly if we are unable to justify an increase in contract value to our customers. Cost overruns or the failure to perform on existing programs also may adversely affect our ability to retain existing programs and win future contract awards.

Our profitability or performance could suffer if we are unable **While firm-fixed-price contracts allow us to recruit and retain qualified personnel or if we are unable to maintain adequate staffing levels for benefit from cost savings, these contracts also increase our contracts.**

Due exposure to the specialized nature risk of cost overruns.

Because many fixed-price contracts are long-term and may also involve new technologies, unforeseen events, such as technological difficulties, cost fluctuations, significant inflation, problems with suppliers, and cost overruns can result in the contractual price becoming less favorable or even unprofitable to us. Revenue derived from firm-fixed-price contracts represented approximately 40% of our business, total revenue for the year ended December 31, 2022. When making proposals on firm-fixed-price contracts, we rely heavily on our future performance estimates of costs and rate timing for completing the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources needed to perform our contracts or to effectively manage and control our costs could result in reduced profits or losses. If we incur costs in excess of growth is highly dependent upon initial estimates or funding on a contract, we generally seek reimbursement for those costs through requests for equitable adjustments (REAs) or claims to the continued services Contracting Officer, the denial of which may be appealed to the Armed Services Board of Contracting Appeals, and make assumptions on what we expect to recover in our personnel and executive officers, the development of additional management personnel and the hiring of new qualified technical, marketing, sales, and management personnel for our operations. Recruitment of qualified

personnel is highly competitive, and financial statements, but we may not be successful able to negotiate full recovery for these costs. In addition, pursuit of these REAs and claims can require significant time and additional costs, including legal fees and expenses, and there is no guarantee that such actions would ultimately be successful.

Given the current pace of inflation and other geopolitical factors, we are monitoring the impact of rising costs on our active and future government contracts. To date, we have not experienced broad-based increases due to inflation in attracting the costs of our fixed-price contracts that are material to the business as a whole; however, if we begin to experience greater than expected inflation in our supply chain and labor costs, our profit margins, and in particular, our profit margin from fixed-price contracts, which represent a substantial portion of our contracts, could be adversely affected.

**A significant portion of our revenue is derived from a few large contracts, and the loss or retaining qualified personnel. In 2021, the industry-wide market for qualified employees became even more competitive than in previous years. The loss material reduction of key employees, our inability to attract new, qualified employees or adequately train employees, or the delay in hiring key personnel any of these contracts could have an material adverse effect on our business, results of operations and financial condition. cash flows.**

In addition, Aggregate revenue from our profitability four largest contracts amounted to approximately \$0.9 billion, or 31.0% of our revenue for the year ended December 31, 2022. As of December 31, 2022, our four largest contracts were the Kuwait and Iraq Task Orders under the LOGCAP V contract vehicle, the Kuwait Base Operations and Security Support Services in Kuwait (K-BOSS) contract, and the OMDAC-SWACA contract. The Kuwait Task Order was previously part of the U.S. Army's K-BOSS contract, which was exercised through August 28, 2023, and is affected being transitioned under LOGCAP V and retained by how efficiently us. Performance on the Kuwait Task Order began in July 2021, and performance on the Iraq Task Order began in June 2021. The awards are approximately \$1,078.6 million and \$992.8 million, respectively, with estimated period of performance completion in December 2026. The OMDAC-SWACA contract was re-awarded on December 29, 2020, and performance on the contract began on July 16, 2021. The new award is an approximately \$673.1 million cost-plus-fixed-fee contract with an estimated period of performance completion in April 2026.

The Kuwait and Iraq Task orders under LOGCAP V each accounted for more than 10% of our revenue for the year ended December 31, 2022, and we utilize expect these contracts will continue to have a significant contribution to our workforce, including our ability to transition employees from completed revenue. The loss or material reduction of any of these contracts to new assignments, to hire and assimilate new employees; to hire personnel in or timely deploy expatriates to foreign countries; to manage attrition and could have a subcontractor workforce; and to devote time and resources to training, business development, professional development and other non-chargeable activities. Further, continued visa and other travel restrictions related to the ongoing COVID-19 pandemic may also impact our ability to properly perform material adverse effect on our contracts. revenue, results of operations and cash flows. See the risk factor related to COVID-19 below. "Significant Contracts" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Annual Report on Form 10-K.

**U.S. government contracts are only partially funded, and the termination, Termination, expiration or non-renewal of our existing U.S. government contracts may adversely affect our business.**

The U.S. government services marketplace is characterized by contracts of shorter duration as compared to large production and systems integration programs. U.S. government services contracts generally are of a finite duration of five years and usually range between three and ten years. The U.S. Congress usually appropriates funds on a fiscal year basis even though a program may extend across several fiscal years. Consequently, programs are often only partially funded initially, and additional funds are committed only as the U.S. Congress approves further appropriations. The termination, expiration or reduction non-renewal of funding for a our existing U.S. government program would contracts could result in a loss of anticipated future revenue attributable to that program, which could have an adverse impact on our operations. In addition, the termination of a program or the failure to commit additional funds to a program that already has been started could result in lost revenue and increase our overall costs of doing business.

The U.S. government may terminate any of our government contracts, in whole or in part, at any time at its convenience with little or no notice. The U.S. government may also terminate our contracts for default if we fail to meet our obligations under a contract. If any of our contracts were terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of our government contracts were terminated for default, generally the customer would pay us only for the work that has been accepted; moreover, accepted. Moreover, the customer can require us to pay the difference between the original contract price and the cost to re-procure the contract deliverables, net of the work accepted from the original contract. In addition, the U.S. government can also hold us liable for damages resulting from the default.

The expiration, non-renewal or termination of any of our government contracts, whether for convenience or default, would adversely affect our current programs and reduce our revenue, earnings and cash flows. A termination for default may also negatively affect our reputation, performance ratings and our ability to win new government contracts, particularly for contracts covering the same or similar types of services.

**Uncertainties in the U.S. government defense budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenue and limit our growth prospects.**

Our contracts and revenue primarily depend upon the U.S. DoD budget, which is subject to the congressional budget authorization and appropriations process and is difficult to predict. The U.S. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract periods of performance may extend over many years. Consequently, at the beginning of a major program, the contract is usually partially funded, and additional monies are committed to the contract by the procuring agency only as appropriations are made by Congress in future fiscal years. DoD budgets are a function of a number of factors beyond our control, including, but not limited to, changes in U.S. procurement policies, budget considerations, the federal debt ceiling, current and future economic conditions, presidential administration and congressional priorities, government shutdowns, continuing resolutions, changing national security and defense requirements, geopolitical developments and actual fiscal year congressional appropriations for defense budgets. Any of these factors could result in a significant redirection of current and future DoD budgets and impact our future operations and cash flows. Such factors may have direct bearing on our new business opportunities as well as on whether the U.S. government will exercise its options for services under existing contracts, thus affecting the timing and volume of our business.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoD budgetary priorities, reduce DoD spending or delay contract or task order awards for defense related programs. A reduction in

U.S. government defense spending, changing defense spending priorities or delays in contract or task order awards could potentially reduce our future revenue, earnings and cash flow and have a material impact on our business.

***Business disruptions caused by natural disasters, pandemics, global hostilities and other crises could adversely affect our profitability and our overall financial position.***

We have operations located in regions of the U.S. and internationally that may be exposed to natural disasters, such as hurricanes, tornadoes, blizzards, flooding, wildfires or earthquakes. Our business could also be disrupted by pandemics, including as a result of COVID-19, and other national or international crises, such as the war in Ukraine. Although preventative measures may help mitigate the damage from such occurrences, impacts on our supply chain and the damage and disruption to our business resulting from any of these events may be significant. If our insurance and other risk mitigation mechanisms are not sufficient to recover all costs, including loss of revenue from sales to customers, we could experience a material adverse effect on our financial position and results of operations.

There is also an increasing concern over the risks of climate change and related environmental sustainability matters. In addition to physical risks, climate change risk includes longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our customers or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility.

***We face various risks related to health epidemics, pandemics and similar outbreaks, particularly COVID-19, which may have material adverse effects on our business, financial position, results of operations and/or cash flows.***

The global outbreak of COVID-19 was declared a pandemic by or other pandemics have in the World Health Organization past and a national emergency by may in the U.S. government in March 2020. COVID-19 has future negatively affected, and continues to impact, affect the U.S. and global economy, disrupted disrupt global supply chains, resulted result in significant travel and transport restrictions, including mandated closures and orders to "shelter-in-place," and created create significant disruption in the global financial markets. The outbreak To date, COVID-19 has not had a substantial material adverse impact on our operating results and our business for the fiscal year ended 2021, business. However, the extent of the continued impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our programs in the expected time-frame, timeframe, will depend on future developments, including any potential subsequent waves or variants of COVID-19. The ultimate impact on financial markets and the duration global economy, new government regulations for defense contractors and spread of the pandemic and other related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread and the development and wide-spread distribution of a vaccine and subsequent booster vaccines, all of which remain uncertain and cannot be predicted. Further, if significant portions of our workforce are unable to work effectively because of illness, quarantine, government actions, facility closures, travel restrictions, disruptions related to increased teleworking policies, social distancing or other restrictions related to COVID-19, our operations, efficiency and effectiveness may be impacted in the future.

It is also possible that the continued spread of COVID-19 could continue to delay or limit the ability of the U.S. government and other customers to perform on its contractual obligations, including making timely payments to us. Essentially all of our revenue is derived from services ultimately sold to the U.S. government, and we cannot predict the effect COVID-19 or other pandemics may have on our customers' spending and mission priorities. The COVID-19 pandemic or other pandemics could delay the announcement of new contract awards and/or the timing of start-up or transition of our major contracts, including, but not limited to, LOGCAP V, contracts. Any prolonged interruptions in payment or transition activities on our large contracts may disrupt our cash flows, and these uncertainties could adversely affect both our operations and financial position.

In March 2020, in response to the COVID-19 pandemic, we instituted a maximum telework policy wherever possible and eliminated all non-essential travel to protect the health and safety of our employees. In 2021, we began to transition to a hybrid in-office and telework policy for certain employees and began to reintroduce certain approved travel across our enterprise. We will continue to evaluate and extend these policies as necessary to continue to protect our employees. The effects on our long-term operations as a result of a significant portion of our workforce continuing to work remotely for a prolonged period are unknown. Further, prolonged telework by a large portion of our workforce presents potential cybersecurity and data security risks. In addition, as certain restrictions begin to lift worldwide, employees at many of our project sites and headquarters have begun to return to work in certain circumstances under new social distancing guidelines. We continue to monitor the World Health Organization and Center for Disease Control guidelines, as well as country, state and local guidance, and we have made significant efforts to mitigate the risks associated with returning to work. We also continue to exercise preventative measures to reduce the spread of the virus, but we cannot provide any assurances as to whether such measures will be effective or sufficient. Further, the impact of COVID-19 could worsen depending on the duration and spread of the COVID-19 outbreak, resurgences of COVID-19 infection or the introduction of new variant or vaccine-resistant strains of COVID-19 in affected regions where we operate after they have begun to experience improvement. Any exposures to COVID-19 by our employees could affect our ability to operate effectively.

The spread of COVID-19 has caused us to significantly modify our business practices (including limiting employee and contractor presence at our work locations), and we may take further actions as may be required by government authorities or our customers or that we determine are in the best interests of our employees, contractors, customers, suppliers, and communities. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform critical functions could be adversely impacted.

As Further, the impact of COVID-19 in affected regions where we operate could affect our ability to operate effectively. Additionally, the effects on our long-term operations as a result of COVID-19 are difficult to predict, we continue a significant portion of our workforce continuing to work with in a hybrid or remote capacity for a prolonged

period are unknown. Further, prolonged telework by a large portion of our stakeholders to address this global pandemic. We continuously assess any possible implications workforce presents potential cybersecurity and data security risks, which in the event of a cybersecurity incident, could have a material adverse impact on our business, results of operations and customers to mitigate adverse consequences, financial condition.

Due to the many uncertainties and the rapidly changing business environment, the impacts from the COVID-19 pandemic may have a material adverse effect on our business, financial position, results of operations and/or cash flows in the future. The ongoing pandemic may also have the effect of heightening many of the other risks identified in this Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022.

**New regulations including Executive Order 14042 concerning mandatory Our contract sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment or effectively respond to the impacts of COVID-19 vaccination to our workplaces could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or customers and possible exposure to litigation.**

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, and highly regulated materials. Additionally, the COVID-19 pandemic has introduced additional risks to our worksites, which require additional policies and procedures. Although we have safety procedures in place, if we fail to implement them, or if the procedures we implement are ineffective or insufficient, we may suffer the loss of government contractors and subcontractors, or injury to our employees, as well as recent OSHA guidance, expose ourselves to possible litigation. As a result, our failure to maintain adequate safety standards and equipment, as well as the nature of the environment in which we conduct business, could result in environmental disasters, employee deaths or injuries, reduced profitability, or the loss of projects or customers, any of which could have a material adverse impact on our business, and results of operations.

On September 9, 2021, President Biden announced proposed new rules, including Executive Order 14042, requiring COVID-19 vaccinations for all US-based federal government contractor and subcontractor employees (subject to medical and religious exemptions), regardless of company size. On September 24, 2021, the SAFER Federal Workforce Task Force issued guidance, protocols, and frequently asked questions governing implementation of the Executive Order. As a result, on October 14, 2021 we announced that we will implement the COVID-19 vaccination requirement to comply with Executive Order 14042 and the SAFER Federal Workforce Task Force, and require all U.S.-based Company employees, suppliers, and contractors to be fully vaccinated (subject to medical and religious exemptions), if and when, the requirement is applied to our individual contracts through contractual modification. Further, for our global employees based outside of the U.S., we will comply with both contractual and/or host nation requirements as it relates to the vaccine. However, we continue to monitor our policy as guidance from the Biden Administration and the U.S. Court system continues to involve.

It is currently not possible to predict with certainty the exact impact the new regulations will have on us. As a government contractor, any requirement to mandate COVID-19 vaccination of our workforce or require our unvaccinated employees to be tested weekly (if there are enough testing kits available) could be difficult. Compliance with these new regulations could result in increased costs, employee attrition and difficulty securing future labor needs, which may have a material adverse effect on our business, revenues and results of operation. In addition, any requirement to impose mandatory vaccination obligations on our suppliers and subcontractors could impact the price and continuity of supply of materials or labor and our financial condition, results of operations and financial condition could be further adversely affected. Finally, the characterization of COVID-19 impacts as "workplace injuries" creates additional potential liabilities for our business. We continue to actively monitor the evolving situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees and our customers. In addition, OSHA recently issued guidance concerning COVID-19 impacts in the workplace, including the characterization of any adverse impacts on employees as "workplace injuries." reputation.

**We work in international locations where there are high security risks, which could result in harm to our employees and contractors and the incurrence of substantial costs.**

Some of our services, including those using subcontractors, are performed in high-risk locations, including but not limited to, Iraq, certain parts of Africa, and the Middle East, where the country, region or surrounding area areas may have unstable governments, or in areas of military conflict, or hostile and unstable environments, including war zones, or at military installations. These operations increase the risk of an incident resulting in damage or destruction to our work or living sites or resulting in injury or loss of life to our employees, subcontractors or other third parties. We maintain insurance to mitigate risk and potential liabilities related to our international operations, but our Our insurance coverage may not be adequate to cover these claims and liabilities and we may be forced to bear substantial costs arising from those claims. The impact of these factors is difficult to predict, but any one or more of them could adversely affect our financial position, results of operations or cash flows.

**We are dependent on the U.S. government and, if our reputation or relationship with the U.S. government was harmed, our revenue and growth prospects could be adversely affected.**

Essentially all of our 2021, 2020, and 2019 revenue was derived from services ultimately sold to the U.S. government, primarily the DoD, either as a prime contractor or as a subcontractor to other contractors engaged in work for the U.S. government. For the year ended December 31, 2021, we generated approximately 64% of our total revenue from the U.S. Army. We expect to continue to derive all or most of our revenue from work performed under U.S. government contracts. Our reputation and relationship with the U.S. government, and in particular with the branches and agencies of the DoD, are key factors in maintaining and growing this revenue. Negative press reports or publicity, which could pertain to employee or subcontractor misconduct, conflicts of interest, termination of a contract or task order, poor contract performance, deficiencies in services, reports or other deliverables, information security breaches, business system disapprovals, or other aspects of our business, regardless of accuracy, could harm our reputation, particularly with these branches and agencies. If our reputation is negatively affected, we lose our ability to conduct business in a foreign country (e.g., loss of business license), we lose a required security clearance, or we are suspended or debarred from contracting with government agencies or any branch of the DoD for any reason, the amount of our business with the U.S. government and other customers could decrease and our future revenue and growth prospects could be adversely affected.

**We are subject to legal and regulatory compliance risks associated with operating internationally.**

Our U.S. government contracts operating internationally represented approximately 67% 48% of total revenue for the year ended December 31, 2021 December 31, 2022. We are subject to a variety of U.S. and foreign laws and regulations, including, without limitation, business compliance, tax and anti-corruption laws, including the U.S. Foreign Corrupt Practices Act. We also employ international personnel and engage with foreign subcontractors and labor brokers, which requires compliance with numerous foreign laws and regulations related to labor, benefits, taxes, insurance and reporting requirements, among others, such as the European Union (EU) General Data Protection Regulation (GDPR). Failure by us or our subcontractors or vendors to comply with these laws and regulations could result in administrative, civil, or criminal liabilities, suspension or debarment from government contracts, any of which could have a material adverse effect on us.

Our business operations are also subject to additional risks associated with conducting business internationally, including, without limitation:

- Political instability in foreign countries;
- Terrorist activity by various groups in the areas in which we operate;
- Imposition of inconsistent foreign laws, regulations or policies or changes in or interpretations of such laws, regulations or policies;
- Currency exchange controls, fluctuations of currency and foreign exchange rates, and currency revaluations;

- Conducting business in places where laws, business practices and customs are unfamiliar or unknown; and
- Imposition of limitations on or increases in withholding and other taxes on payments by foreign operations.

Our failure to adapt to or mitigate these risks could affect our ability to conduct our business internationally and adversely affect our financial position, results of operations or cash flows.

#### ***Our business could be adversely affected by bid protests.***

We may experience additional costs and delays if our competitors protest or challenge awards of contracts to us in competitive bidding. Any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract. It can take a significant amount of time to resolve contract protests and, in the interim, the contracting U.S. federal agency may suspend our performance under the contract pending the outcome of the protest. We cannot predict the timing or outcome of protests.

In addition, we may protest the contract awards of our competitors when we believe it is prudent to do so to protect our rights and interest in the competition. This process requires the time, effort and attention of our management and employees and incurs additional costs.

#### ***Misconduct of our employees, subcontractors, agents, prime contractors or business partners could cause us to lose customers and could have a significant adverse impact on our business and reputation, adversely affecting our ability to obtain new contracts.***

Misconduct, fraud or other improper activities by our employees, subcontractors, agents, prime contractors or business partners could have a material adverse impact on our business and reputation. Such misconduct could include the failure to comply with federal, state, local or foreign government procurement regulations, regulations regarding the protection of classified or personal information, legislation regarding the pricing of labor and other costs in government contracts, laws and regulations relating to environmental matters, bribery of foreign government officials, lobbying or similar activities, boycotts, antitrust and any other applicable laws or regulations. Misconduct involving data security lapses resulting in the compromise of personal information or the improper use of our customer's sensitive or classified information could result in remediation costs, regulatory sanctions against us and serious harm to our reputation. Although we have implemented policies, procedures and controls and training that are designed to prevent and detect these activities, these precautions may not prevent all misconduct and as a result, we could face unknown risks or losses. Misconduct by any of our employees, subcontractors, agents, prime contractors or business partners or our failure to comply with applicable laws or regulations could subject us to fines and penalties, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business, our reputation and our future financial results.

#### ***Uncertainties in the U.S. government defense budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenue and limit our growth prospects.***

Our contracts and revenue primarily depend upon the U.S. DoD budget, which is subject to the congressional budget authorization and appropriations process and is difficult to predict. The U.S. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract periods of performance may extend over many years. Consequently, at the beginning of a major program, the contract is usually partially funded, and additional monies are committed to the contract by the procuring agency only as appropriations are made by Congress in future fiscal years. DoD budgets are a function of a number of factors beyond our control, including, but not limited to, changes in U.S. procurement policies, budget considerations, current and future economic conditions, presidential administration and congressional priorities, government shutdowns, changing national security and defense requirements, geopolitical developments and actual fiscal year congressional appropriations for defense budgets. Any of these factors could result in a significant redirection of current and future DoD budgets and impact our future operations and cash flows. Such factors may have direct bearing on our new business opportunities as well as on whether the U.S. government will exercise its options for services under existing contracts, thus affecting the timing and volume of our business. Although the Bipartisan Budget Act reduces budget uncertainty and the risk of sequestration, there remain risks associated with fiscal year (FY) 2021 and 2022 and future appropriations. If annual appropriations bills are not enacted, the U.S. government may operate under a continuing resolution (CR), restricting new contract or program starts and additional government shutdowns, which might involve all government agencies, including the DoD, could arise. Future CR's and government shutdowns may lead to delays in procurement of services due to lack of funding, and those delays may adversely affect our revenue, results of operations and cash flow.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoD budgetary priorities, reduce DoD spending or delay contract or task order awards for defense related programs. A reduction in U.S. government defense spending, changing defense spending priorities or delays in contract or task order awards could potentially reduce our future revenue, earnings and cash flow and have a material impact on our business.

#### ***Some of our workforce is represented by labor unions, and our business could be harmed in the event of a prolonged work stoppage.***

Approximately 1,200 of our employees, or approximately 15% of our employee base at December 31, 2021, are unionized. We have 21 collective bargaining agreements with labor unions. We cannot predict how stable our union relationships will be or whether we will be able to successfully negotiate successor agreements without impacting our financial condition. In addition, the presence of unions may limit our flexibility in dealing with our workforce. Work stoppages by our union employees could negatively impact our ability to provide services to our customers on a timely basis, which could negatively impact our results of operations and financial condition.

#### ***Our earnings and margins depend, in part, on subcontractor performance.***

We rely on third-party subcontractors to perform some of the services that we provide to our customers. Disruptions or performance problems caused by our subcontractors could have an adverse effect on our ability as a prime contractor or higher tier subcontractor to meet our commitments to customers.

We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, proper invoicing, cost reasonableness, allocability, allowability, the hiring of each other's personnel, adjustments to the scope of the subcontractor's work, or the subcontractor's failure to comply with applicable law or regulations. Uncertain economic conditions heighten the risk of financial stress of our subcontractors, which could adversely impact their ability to meet their contractual requirements to us. If any of our subcontractors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations may be jeopardized. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default.

#### ***Our business depends upon obtaining and maintaining required facility security clearance and individual security clearances.***

Many of our federal government contracts require our employees to maintain various levels of security clearances complying with U.S. government requirements. Obtaining and maintaining security clearances for employees involves a lengthy process and it can be difficult to identify, recruit and retain employees who already hold security

clearances. If our employees are unable to obtain or retain security clearances or if our employees who hold security clearances terminate employment with us, our ability to perform the work under the contract may be negatively affected, and the customer whose work requires cleared employees could terminate the contract or decide not to renew it upon its expiration. In addition, many of the contracts on which we bid require us to maintain a facility security clearance. To the extent we are not able to maintain a facility security clearance, we may not be able to bid on or win new contracts, or effectively re-bid on expiring contracts.

***We rely on our information and communications systems in our operations. Security breaches and other disruptions could adversely affect our business and results of operations.***

As a U.S. defense contractor, various privacy and security laws require us to protect sensitive and confidential information from disclosure both for us and others. However, we may face certain security threats, including cybersecurity threats to our information technology infrastructure, attempts to gain access to proprietary or classified information, and threats to physical security. In connection with the information technology and network communications services that we provide to our customers, we also may encounter cybersecurity threats at customer sites that we operate. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Cybersecurity threats are significant and evolving and include, among others, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. In addition to security threats, we are also subject to other systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, natural disasters, power shortages, terrorist attacks or other events.

Our systems are decentralized, which presents various risks, including the risk that we may be slower or less able to identify or react to problems affecting a business function than we would be in a more centralized environment. In addition, "company-wide" business initiatives, such as the integration of information technology systems or the formation of a technology system impacting different parts of our business, are often more challenging and costly to implement, and carry a higher risk of failure, than they would be in a more centralized environment. Depending on the nature of the initiative in question, such failure could materially adversely affect our business, financial condition or results of operations. Although preventative measures may help mitigate the damage from such occurrences, the damage and disruption to our business resulting from any of these events may be significant. If our insurance and other risk mitigation mechanisms are not sufficient to recover the costs, we could experience an adverse effect on our financial position and results of operations.

We have recently updated or replaced, and continue to update and replace, many of our systems and network infrastructure to protect our computing environment, to stay current on vendor supported products, to improve the effectiveness of our systems, strengthen cybersecurity requirements and improve the efficiency of our systems. The implementation of new systems and information technology could adversely impact our operations by imposing substantial capital expenditures, demands on management time and risks of delays or difficulties in transitioning to new systems. In addition, our systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other information technology disruption, if not anticipated and appropriately mitigated, could have a material adverse effect on our business.

Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. While we have programs designed to comply with relevant privacy and security laws and restrictions, if a system or network that we develop, install or maintain were to fail or experience a security breach or service interruption, whether caused by us, third-party service providers, cybersecurity threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could prevent us from having access to or being eligible for further work on such systems and networks and cause serious harm to our reputation. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur and, as a result, our future results could be adversely affected.

***We are subject to certain data privacy regulations, which expose us to certain risks if we do not comply with these requirements.***

As a U.S. entity operating in multiple European countries, we are also subject to regulatory compliance requirements under the EU GDPR that require our business to comply with security and privacy controls to protect personal data and privacy of EU citizens for transactions that occur within EU member states. A failure to comply with these requirements could negatively impact our business and financial condition. In addition, similar regulations regarding data protection and privacy rights are emerging in the U.S. and have the potential to negatively impact our business and financial condition.

As a U.S. government contractor, we are also subject to regulatory compliance requirements under the DFARS and other federal regulations that require our IT systems to comply with the security and privacy controls in National Institute of Standards and Technology Special Publication 800-171 (NIST 800-171). DCAA requires a contractor to have an approved business system (e.g. Accounting System) and maintenance of that system, prior to the processing and payment of any bills from such contractor. We may also be responsible if our subcontractors do not comply with these requirements. A failure to comply with these requirements could negatively impact our business and financial condition.

***We conduct a portion of our operations through joint ventures, exposing us to certain risks and uncertainties, many of which are outside of our control.***

We conduct a portion of our operations through joint ventures where control may be shared with unaffiliated third parties. In addition, as with any joint venture arrangement, differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. We also cannot control the actions of our joint venture partners, including any failure to comply with applicable laws or regulations, nonperformance, default or bankruptcy of our joint venture partners. If our partners do not meet their contractual obligations, the joint venture may be unable to adequately perform and deliver its contracted services, requiring us to make additional investments or perform additional services to ensure the adequate performance and delivery of services to the customer. We could be liable for both our obligations and those of our partners, which may result in reduced profits or, in some cases, significant losses on the project. Additionally, these factors could have a material adverse effect on the business operations of the joint venture and, in turn, our business operations and reputation.

Further, operating through joint ventures in which we have a minority interest could result in us having limited control over many decisions made with respect to projects and internal controls relating to projects. These joint ventures may not be subject to the same requirements regarding internal controls as we are. As a result, internal control issues may arise, which could have a material adverse effect on our financial condition and results of operations.

***Our business could be adversely affected by bid protests.***

We may experience additional costs and delays if our competitors protest or challenge awards of contracts to us in competitive bidding. Any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract. It can take a significant amount of time to resolve contract protests and, in the interim, the contracting U.S. federal agency may suspend our performance under the contract pending the outcome of the protest. We cannot predict the timing or outcome of protests.

In addition, we may protest the contract awards of our competitors when we believe it is prudent to do so to protect our rights and interest in the competition. This process requires the time, effort and attention of our management and employees and incurs additional costs.

***We are dependent on the U.S. government and, if our reputation or relationship with the U.S. government was harmed, our revenue and growth prospects could be adversely affected.***

We derive all or most of our revenue from work performed under U.S. government contracts, primarily the DoD, either as a prime contractor or as a subcontractor to other contractors engaged in work for the U.S. government. For the year ended December 31, 2022, we generated approximately 46% of our total revenue from the U.S. Army. Our reputation and relationship with the U.S. government, and in particular with the branches and agencies of the DoD, are key factors in maintaining and growing this revenue. Negative press reports or publicity, which could pertain to employee or subcontractor misconduct, alleged violations of labor trafficking laws, conflicts of interest, termination of a contract or task order, poor contract performance, deficiencies in services, reports or other deliverables, information security breaches, business system disapprovals, or other aspects of our business, regardless of accuracy, could harm our reputation. If our reputation is negatively affected, we may lose our ability to conduct business in a foreign country (e.g., loss of business license), lose a required security clearance, or are suspended or debarred from contracting with government agencies or any branch of the DoD, our revenue and growth prospects could be adversely impacted.

***Misconduct of our employees, subcontractors, agents, prime contractors or business partners could cause us to lose customers and could have a material adverse impact on our business and reputation, adversely affecting our ability to obtain new contracts.***

Misconduct, fraud or other improper activities by our employees, subcontractors, agents, prime contractors or business partners could have a material adverse impact on our business and reputation. Such misconduct could include the failure to comply with federal, state, local or foreign government procurement regulations, regulations regarding the protection of classified or personal information, legislation regarding the pricing of labor and other costs in government contracts, laws and regulations relating to environmental matters, bribery of foreign government officials, lobbying or similar activities, boycotts, antitrust and any other applicable laws or regulations. Misconduct involving data security lapses or inadequate cybersecurity protections resulting in the compromise of personal information or the improper use of our customer's sensitive or classified information could result in remediation costs, regulatory sanctions against us and serious harm to our reputation. Although we have implemented policies, procedures and controls and training that are designed to prevent and detect these activities, these precautions may not prevent all misconduct and as a result, we could face unknown risks or losses. Misconduct by any of our employees, subcontractors, agents, prime contractors or business partners or our failure to comply with applicable laws or regulations could subject us to fines and penalties, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business, our reputation and our future financial results.

***Our earnings and margins depend, in part, on subcontractor performance.***

We rely on third-party subcontractors to perform some of the services that we provide to our customers. Disruptions or performance problems caused by our subcontractors could have an adverse effect on our ability as a prime contractor or higher tier subcontractor to meet our commitments to customers.

We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, proper invoicing, cost reasonableness, allocability, allowability, adjustments to the scope of the subcontractor's work, or the subcontractor's failure to comply with applicable law or regulations. Uncertain economic conditions heighten the risk of financial stress of our subcontractors, which could adversely impact their ability to meet their contractual requirements to us. If any of our subcontractors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations may be jeopardized. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default.

***We rely on internal and external information technology systems to conduct our business, and disruption or failure of these systems could adversely affect our business and results of operations.***

We utilize, develop, install and maintain a number of information technology systems both for us and for our customers. Additionally, we utilize and rely on external systems maintained by our service providers. These activities may involve substantial risks to our ongoing business processes including, but not limited to, accurate and timely customer invoicing, employee payroll processing, supplier and vendor payment processing, supply chain management and financial reporting. If these implementation activities are not executed successfully or if we encounter significant delays in our implementation efforts, we could experience interruptions to our business processes. Under certain contracts with the U.S.

government, the adequacy of our business processes and related systems could be called into question. The occurrence of such events could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***We rely on our information and communications systems in our operations. Security breaches and other disruptions could adversely affect our business and results of operations.***

As a U.S. defense contractor, various privacy and security laws require us to protect sensitive and confidential information from disclosure both for us and others. However, we have faced and may continue to face certain security threats, including cybersecurity threats to our information technology infrastructure, attempts to gain access to proprietary or classified information, and threats to physical security. As a government contractor, we and our suppliers face a heightened risk of a security breach or disruption resulting from an attack by computer hackers, foreign governments, and cyber terrorists. In connection with the information technology and network communications services that we provide to our customers, we also may encounter cybersecurity threats at customer sites that we operate. We face an added risk of a security breach or other significant disruption of our information technology systems and related systems that we develop, install, operate and maintain for certain of our customers, which may involve managing and protecting information relating to national security and other sensitive government functions or personally identifiable or protected health information. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Cybersecurity threats are significant and evolving and include, among others, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. In addition to security threats, we are also subject to other systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, natural disasters, power shortages, terrorist attacks or other events.

Our systems are decentralized, which presents various risks, including the risk that we may be slower or less able to identify or react to problems affecting a business function than we would be in a more centralized environment. In addition, "company-wide" business initiatives, such as the integration of information technology systems, carry a

higher risk of failure. Depending on the nature of the initiative, such failure could result in loss of revenues, product development delays, compromise, corruption or loss of confidential, proprietary or sensitive information (including personal information or technical business information), remediation costs, indemnity obligations and other potential liabilities, regulatory or government action, breach of contract claims, contract termination, class action or individual lawsuits from affected parties, negative media attention, reputational damage, and loss of confidence from our government clients. Any of the foregoing could materially adversely affect our business, financial condition or results of operations, and our insurance and other risk mitigation mechanisms may not be sufficient to recover the costs.

We continue to update and replace many of our systems and network infrastructure to protect our computing environment, to stay current on vendor supported products, to improve the effectiveness of our systems, strengthen cybersecurity requirements and improve the efficiency of our systems. The implementation of new systems and information technology could adversely impact our operations by imposing substantial capital expenditures or difficulties in transitioning to new systems. In addition, our systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other information technology disruption could have a material adverse effect on our business.

Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. If a system or network that we develop, install or maintain were to fail or experience a security breach or service interruption, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could prevent us from having access to or being eligible for further work on such systems and networks and cause serious harm to our business and reputation. Our liability insurance may be inadequate to compensate us for all of the damages that we may incur and, as a result, our future results could be adversely affected.

***We are subject to certain data privacy regulations, which expose us to certain risks if we do not comply with these requirements.***

As a U.S. entity operating in multiple European countries, we are also subject to regulatory compliance requirements under the EU GDPR that require our business to comply with security and privacy controls to protect personal data and privacy of EU citizens for transactions that occur within EU member states. A failure to comply with these requirements could negatively impact our business and financial condition. In addition, similar regulations regarding data protection and privacy rights are emerging in the U.S. and have the potential to negatively impact our business and financial condition.

As a U.S. government contractor, we are also subject to regulatory compliance requirements under the DFARS and other federal regulations that require our IT systems to comply with the security and privacy controls in National Institute of Standards and Technology Special Publication 800-171 (NIST 800-171). We may also be responsible if our subcontractors do not comply with these requirements. A failure to comply with these requirements could negatively impact our business and financial condition.

***We may not realize the anticipated benefits and cost savings of the Merger and integrating the two companies may be more difficult, costly or time-consuming than expected.***

The success of the Merger, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with Vertex's. We may not realize the benefits of the Merger, including, among other things: (i) the expectation that combining Vectrus and Vertex would create a larger, stronger company with (a) an enhanced ability to compete for more integrated business opportunities, (b) a more diversified revenue base across geographies, clients and contract types in supporting missions for the DoD and other government agencies, and (c) a combined contract portfolio that will be more balanced across the government agencies served or (ii) the expectation that Vectrus will be able to use free cash flow to reduce its indebtedness.

The Merger involves the integration of Vertex's business with our legacy business, which is a complex, costly and time-consuming process. Furthermore, Vertex's current process of integrating its Defense Training and Mission Critical Services business, which still relies on certain operating and support services from Raytheon Company, could further increase the complexity and costs of integrating Vertex's businesses following the Merger. It is possible that the integration process could result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management's attention to the Merger;
- managing a larger combined company;
- the creation of a new executive management team;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and inconsistencies in standards, controls, procedures and policies;
- integrating the companies' financial reporting and internal control systems, including the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC;
- coordinating geographically separate organizations;
- maintaining and protecting the competitive advantages of each of Vectrus and Vertex, including the trade secrets, know-how and intellectual property related to its processes;
- unanticipated issues in integrating information technology, communications and other systems; and
- unforeseen expenses or delays associated with the Merger.

Many of these factors will be outside of the Company's control, and any one of them could result in delays, increased costs, decreases in revenues and diversion of management's time and energy, which could materially affect the Company's financial position, results of operations and cash flows.

If we experience difficulties with the integration process, the anticipated benefits of the Merger may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on us for an undetermined period after completion of the Merger. In addition, the actual cost savings of the Merger could be less than anticipated.

Our future results may be adversely impacted if the Company does not effectively manage its expanded operations.

Following the completion of the Merger, the size of the Company's business is significantly larger than the previous size of either Vectrus' or Vertex's respective businesses. Our ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two discrete companies, but also the increased scale and scope of the combined business with its associated costs and complexity. There can be no assurances that we will be successful or that we will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Merger.

**We may pursue acquisitions and other investments that involve numerous risks and uncertainties.**

We have and may in the future selectively pursue strategic acquisitions and other investments. These transactions require significant investment of time and resources and may disrupt our business and distract our management from other responsibilities. Even if successful, these transactions could affect our operating results for a number of reasons, including the amortization of intangible assets, impairment charges, acquired operations that are not yet profitable or the payment of additional consideration under earn-out arrangements if an acquisition performs better than expected. If we engage in such transactions, we may incur significant transaction and integration costs and have difficulty integrating personnel, operations, products or technologies or otherwise realizing synergies or other benefits from the transactions. The integration process could result in the loss of key employees, loss of key customers, loss of key vendors, decreases in revenue and increases in operating costs. In addition, we may assume material liabilities in an acquisition, including liabilities that are unknown as of the time of the acquisition. Such transactions may dilute our earnings per share, disrupt our ongoing business, distract our management and employees, increase our expenses, perform poorly, subject us to liabilities, and increase our risk of litigation, all of which could harm our business.

**Business disruptions caused by natural disasters We use estimates in accounting for many of our programs, and other crises changes in our estimates could adversely affect our profitability future financial results.**

Revenue from our contracts is recognized primarily using the input method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress towards completion. This methodology requires estimates of total contract revenue, total costs at completion, and our overall financial position.

We have operations located in regions fees earned on the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability; the complexity of the U.S. work to be performed; the cost and internationally availability of materials; and the performance of subcontractors. This estimation process, particularly due to the nature of the services being performed, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is recognized as additional information becomes known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may be exposed to natural disasters, such as hurricanes, tornadoes, blizzards, flooding, wildfires or earthquakes. Our business could also be disrupted by pandemics and other national or international crises (including, for example, COVID-19). Although preventative measures may help mitigate the damage from such occurrences, the damage and disruption to adversely affect our business resulting from any of these events may be significant. If our insurance and other risk mitigation mechanisms are not sufficient to recover all costs, including loss of revenue from sales to customers, we could experience a material adverse effect on our future financial position and results of operations.

**We depend on our teaming arrangements and relationships with other contractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenue, profitability and growth prospects could be adversely affected.**

We rely on our teaming relationships and other arrangements with other prime contractors or subcontractors in order to submit bids for large procurements or other opportunities where we believe the combination of services provided by us and the other companies will help us to win and perform the contract. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us, or if the U.S. government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract.

**We may be required to contribute additional funds to meet any present or future underfunded benefit obligations associated with multiemployer pension plans in which we participate.**

A multiemployer pension plan is typically established under a collective bargaining agreement with a union to represent workers of various unrelated companies. Certain collective bargaining agreements require us to contribute to their various multiemployer pension plans. For the year ended December 31, 2021 December 31, 2022, we contributed \$6.3 million \$1.1 million to multiemployer pension plans. Under the Employee Retirement Income Security Act (ERISA), an employer who contributes to a multiemployer pension plan, absent an applicable exemption or other mitigating circumstance, may also be liable, upon termination or withdrawal from the plan, for its proportionate share of the multiemployer pension plan's unfunded vested benefit. If we terminate or withdraw from a multiemployer plan, absent an applicable exemption or other mitigating circumstance, we could be required to contribute a significant amount of cash to fund the multiemployer plan's unfunded vested benefit, which could materially and adversely affect our financial results.

**Legal disputes could require us to pay potentially large damage awards and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.**

We are subject to a number of lawsuits and claims as described under Part I, Item 3, "Legal Proceedings," in this report Annual Report on Form 10-K. We are also subject to, and may become a party to, a variety of other litigation or claims and suits that arise from time to time in the ordinary course of our business. Adverse judgments or settlements in some or all of these legal disputes may result in significant monetary damages or injunctive relief against us. Any claims or litigation could be costly to defend, and even if we are successful or fully indemnified or insured, such claims or litigation could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. In addition, any securities litigation that we could encounter as a publicly traded company could cost substantial amounts and be costly, divert management's attention and resources from our business and could require us to make substantial payments to settle those proceedings or satisfy any judgments that may be reached against us. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future.

**Our insurance may be insufficient to protect us from claims or losses.**

We maintain insurance coverage with third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. However, not every risk or liability is or can be protected by insurance, and, for those risks we insure, the limits of coverage we purchase or that are reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. If any of our third-party insurers fail, cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. Our insurance may be insufficient to protect us from significant warranty and other liability claims or losses. Moreover, there is a risk that commercially available liability insurance will not continue to be available to us at a reasonable cost, if at all. If liability claims or losses exceed our current or available insurance coverage, our business and prospects may be harmed. We are also subject to the requirements of the Defense Base Act (DBA), which generally requires insurance coverage to be provided to persons employed at U.S. military bases outside of the U.S. Failure to obtain DBA insurance may result in fines or other sanctions, including the loss of a particular contract.

**There is a rapidly evolving awareness and focus from stakeholders with respect to environmental, social and governance practices, which could affect our business.**

Stakeholder expectations with respect to environmental, social and governance matters have been rapidly evolving and increasing. We risk damage to our reputation if we do not act responsibly in key areas including diversity and inclusion, environmental stewardship, support for local communities and corporate governance. A failure to maintain appropriate environmental, social, governance practices may result in loss of business, and an inability to attract and retain customers and talented personnel, and which could have a negative impact on our business, results of operations and financial condition, and potentially on the price of our common stock and cost of capital.

#### RISKS RELATED TO GOVERNMENTAL REGULATIONS AND LAWS

##### ***Environmental, health and safety issues could have a material adverse effect on our business, financial position or results of operations.***

We are subject to federal, state, local, and foreign environmental, health and safety laws and regulations, including those governing: air emissions; discharges to water; the management, storage, transportation and disposal of hazardous wastes, petroleum, and other regulated substances; the investigation and cleanup of contaminated property; and the maintenance of a safe and healthy workplace for our employees, contractors, and visitors. These laws and their implementing regulations can impose certain operational controls for minimization of pollution, permitting, training, recordkeeping, monitoring and reporting requirements or other operational or siting constraints on our business, result in costs to remediate releases of regulated substances into the environment, result in facility shutdowns to address violations, or require costs to remediate sites to which we sent regulated substances for disposal. Violations of these laws and regulations can cause significant delays and add additional costs to a project. We have incurred and will continue to incur operating, maintenance and other expenditures as a result of environmental, health and safety laws and regulations.

Any new developments such as the adoption of new environmental, health and safety laws and regulations could result in material costs and liabilities that we currently do not anticipate and could increase our expenditures and also materially adversely affect our business, financial position or results of operations.

***As a U.S. government contractor, we are subject to a number of procurement laws and regulations and could be adversely affected by changes in regulations or our failure to comply with these regulations.***

We operate in a highly regulated environment and must comply with many significant procurement regulations and other requirements. These regulations and requirements, although customary in government contracts, increase our performance and compliance costs. If any such regulations or procurement requirements change, our costs of complying with them could increase and therefore reduce our margins. Some significant statutes and regulations that affect us include:

- The FAR and department or agency-specific regulations that implement or supplement the FAR, such as the DoD's DFARS, which regulate the formation, administration and performance of U.S. government contracts;
- The Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations;
- The Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information, and our ability to provide compensation to certain former government officials;
- The Civil False Claims Act, which provides for substantial civil penalties, including claims for treble damages, for violations, including for submission of a false or fraudulent claim to the U.S. government for payment or approval;
- The Combating Trafficking in Persons (CTIP) Act, which ensures that government contractors and others are fully trained to combat human trafficking in persons pursuant to the National Security Presidential Directive (NSPD) 22; and
- The U.S. Government Cost Accounting Standards (CAS), which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts.

If we are found to have violated any of these or other laws or regulations, or are found not to have acted responsibly as defined by them, we may be subject to reductions of the value of contracts; contract modifications or terminations; the assessment of penalties and fines, compensatory damages or treble damages; or suspension or debarment from government contracting or subcontracting, any of which could have a material adverse effect on our financial position, results of operations, or cash flows.

***Our business is subject to audits, reviews, cost adjustments, and investigations by the U.S. government, which, if resolved unfavorably to us, could adversely affect our profitability, cash position or growth prospects.***

U.S. government agencies, including the DCAA, the DCMA and others, routinely audit and review our performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws,

regulations and standards. They also review the adequacy of our compliance with government standards for our business systems, including our accounting, purchasing, government property, estimating, and related business systems.

Recently, these audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted and applied, increasing the likelihood of an audit or review resulting in an adverse outcome. Although customary in government contracts, these audits and reviews increase our performance and compliance costs.

Government audits or other reviews could result in adjustments to contract costs, the disallowance of or adjustment to costs allocated to certain contracts, mandatory customer refunds, or decreased billings to our U.S. government customers until the deficiencies identified in the audits or reviews are corrected and our corrections are accepted by DCMA. Such adjustments could be applied retroactively, which could result in significant customer refunds. A determination of non-compliance with applicable contracting and procurement laws, regulations and standards could result in the U.S. government imposing penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny that could delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts. Non-compliance by us could result in our being placed on the "Excluded Parties List" maintained by the General Services Administration, and we could become ineligible to receive certain contracts, subcontracts and other benefits from the U.S. government or to perform work under a government contract or subcontract until the basis for the listing has been appropriately addressed, which would materially adversely affect our ability to do business.

In addition, if a review or investigation identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with governmental agencies. Civil penalties and sanctions are not uncommon in our industry. If we incur a material penalty or administrative sanction, our reputation, business, results of operations, and future business could be adversely affected.

***Our contract sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment or effectively respond to the impacts of COVID-19 to our workplaces could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or customers and possible exposure to litigation.***

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, and highly regulated materials. Additionally, the COVID-19 pandemic has introduced additional risks to our worksites, which require additional policies and procedures. Although we have safety procedures in place, if we fail to implement them, or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation. As a result, our failure to maintain adequate safety standards and equipment, as well as the nature of the environment in which we conduct business, could result in the loss of projects or customers, and could have a material adverse impact on our business, financial condition, and results of operations.

***Environmental, health and safety issues could have a material adverse effect on our business, financial position or results of operations.***

We are subject to federal, state, local, and foreign environmental, health and safety laws and regulations, including those governing: air emissions; discharges to water; the management, storage, transportation and disposal of hazardous wastes, petroleum, and other regulated substances; the investigation and cleanup of contaminated property; and the maintenance of a safe and healthy workplace for our employees, contractors, and visitors. These laws and their implementing regulations can impose certain operational controls for minimization of pollution, permitting, training, recordkeeping, monitoring and reporting requirements or other operational or siting constraints on our business, result in costs to remediate releases of regulated substances into the environment, result in facility shutdowns to address violations, or require costs to remediate sites to which we sent regulated substances for disposal. Violations of these laws and regulations can cause significant delays and add additional costs to a project. We have incurred and will continue to incur operating, maintenance and other expenditures as a result of environmental, health and safety laws and regulations. Any new developments such as the adoption of new environmental, health and safety laws and regulations could result in material costs and liabilities that we currently do not anticipate and could increase our expenditures and also materially adversely affect our business, financial position or results of operations.

***The DoD continues to modify its business practices, which could have a material effect on its overall procurement processes and adversely impact our current programs and potential new awards.***

The DoD continues to pursue various initiatives designed to gain efficiencies and to focus and enhance business practices. These initiatives and resulting changes, such as increased usage of firm-fixed-price contracts, where we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain losses, multiple award IDIQ contracts and small and disadvantaged business set-aside contracts, are having an impact on the contracting environment in which we do business. Any of these changes could impact our ability to obtain new contracts or renew our existing contracts when those contracts are recompeted. These initiatives, such as IDIQ contracts, continue to evolve, and the full impact to our business remains uncertain and subject to the way the DoD implements them. As a result of these initiatives, our profit margins on future contracts may be reduced and may require us to make sustained efforts to reduce costs in order to realize revenue and profits under our contracts. If we are not successful in reducing the amount of costs we incur, our profitability on our contracts will be negatively impacted. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our future revenue, profitability and prospects.

***Our business depends upon obtaining and maintaining required facility security clearance and individual security clearances.***

Many of our federal government contracts require our employees to maintain various levels of security clearances complying with U.S. government requirements. Obtaining and maintaining security clearances for employees involves a lengthy process and it can be difficult to identify, recruit and retain employees who already hold security clearances. If our employees are unable to obtain or retain security clearances or if our employees who hold security clearances terminate employment with us, our ability to perform the work under the contract may be negatively affected, and the customer whose work requires cleared employees could terminate the contract or decide not to renew it upon its expiration. In addition, many of the contracts on which we bid require us to maintain a facility security clearance. To the extent we are not able to maintain a facility security clearance, we may not be able to bid on or win new contracts, or effectively re-bid on expiring contracts.

***Our business may be negatively impacted if we are unable to adequately protect our intellectual property rights.***

Our success is dependent, in part, on our ability to utilize technology to differentiate our services from our competitors. We rely on a combination of patents, confidentiality agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws, to protect our intellectual property rights and interests. However, these methods only provide a limited amount of protection and may not adequately protect our intellectual property rights and interests. Our employees, contractors and joint venture partners are subject to confidentiality obligations, but this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or infringement of our intellectual property rights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain or enforce our intellectual property rights may adversely limit our competitive position.

We cannot provide assurances that others will not independently develop technology substantially similar to our protected technology or that we can successfully preserve our intellectual property rights in the future. Our intellectual property rights could be invalidated, circumvented, challenged, misappropriated or infringed upon. Any infringement, misappropriation or related claims, whether meritorious or not, are time consuming, divert technical and management personnel, are expensive to resolve, and the outcome is unpredictable. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing certain products or services or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. If we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and operating results may be adversely affected.

In addition, our clients or other third parties may also provide us with their technology and intellectual property. There is a risk that we may not sufficiently protect our or their information from improper use or dissemination and, as a result, could be subject to claims and litigation and resulting liabilities, loss of contracts or other consequences that could have an adverse impact on our business, financial condition and results of operation.

We also hold licenses from third parties which may be utilized in our business operations. If we are no longer able to license such technology on commercially reasonable terms or otherwise, our business and financial performance could be adversely affected.

***Government withholding regulations could adversely affect our operating performance.***

A DFARS rule allows withholding of a percentage of payments when a contractor's business system has one or more significant deficiencies. The DFARS rule applies to CAS-covered contracts that have the DFARS clause in the contract terms and conditions. Contracting officers may withhold 5% of contract payments for one or more significant deficiencies in any single contractor business system or up to 10% of contract payments for significant deficiencies in multiple contractor business systems. A significant deficiency

as defined by the DoD is a "shortcoming in the system that materially affects the ability of officials of the DoD to rely upon information produced by the system that is needed for management purposes." If we have significant deficiencies and contract payments are withheld, our revenue and financial position may be adversely affected.

#### RISKS RELATED TO GOVERNMENTAL OUR INDEBTEDNESS, FINANCIAL CONDITION AND MARKETS

##### **We use estimates in accounting for many of our programs, and changes in our estimates could adversely affect our future financial results.**

Revenue from our contracts is recognized primarily using the input method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress towards completion. This methodology requires estimates of total contract revenue, total costs at completion, and fees earned on the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; and the performance of subcontractors. This estimation process, particularly due to the nature of the services being performed, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is recognized as additional information becomes known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect our future financial results.

**Merger, we assumed significantly more indebtedness than V2X's prior indebtedness. Our level of indebtedness and our ability to make payments on or service our indebtedness may have a material adverse effect on could adversely affect our business, financial condition, or results of operations, operations, cash flow and liquidity.**

As of December 31, 2021 December 31, 2022, we had approximately \$105.4 million \$1,336.8 million of aggregate debt outstanding, which consists of a term loan the First Lien Term Facility, the Second Lien Term Facility and a revolving credit facility the ABL Facility (See Note 10, "Debt," Debt, in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K). We also have In connection with the ability Merger, we incurred significant additional indebtedness, including under the First Lien Term Facility and the Second Lien Term Facility and the ABL Facility (each as defined in Note 10, Debt, in the Notes to incur up to \$217.3 million of additional debt under Consolidated Financial Statements included in this Annual Report on Form 10-K), which could adversely affect our revolving credit facility, business operations, cash flows and liquidity, including by decreasing our business flexibility and increasing our interest expense.

The amount of cash required to pay interest on our increased indebtedness levels following completion of the Merger, and thus the demands on our cash resources, is expected to be greater than the amount of cash flows required to service our indebtedness prior to the Merger. The increased levels of indebtedness following completion of the Merger could also reduce funds available under for working capital, capital expenditures, acquisitions, the revolving credit facility is reduced by any outstanding letters repayment or refinancing of credit. There were two letters of credit totaling \$2.7 million at December 31, 2021. Our ability to make payments on and to refinance our indebtedness as well as any future it becomes due and other general corporate purposes and may create competitive disadvantages for us relative to other companies with lower debt levels. If we may incur, will depend on do not achieve the expected benefits and cost savings from the Merger, or if our financial performance does not meet current expectations, then our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to service our performance and to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. indebtedness may be adversely impacted.

If we are not able to repay or refinance our debt as it becomes due, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt or equity on terms that may be onerous or highly dilutive, if we can obtain it at all. If we raise equity through the issuance of preferred stock, the terms of the preferred stock may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We may not be able to engage obtain additional financing or refinancing on terms acceptable to us or at all.

The secured credit facilities include fallback language providing for a mechanism to convert to a new reference when the London Interbank Offered Rate (LIBOR) ceases to exist. In certain circumstances, such transition may also occur at the election of Vertex and the administrative agent under the respective credit facility. This could materially and adversely affect our results of operations, cash flows and liquidity. The methodology for calculating these reference rates differs in any a number of respects from the methodology for calculating LIBOR, and they are not expected to be the economic equivalent of LIBOR. As a result of such differences in methodology, among other factors, it is possible that these activities or engage rates will perform differently from LIBOR in these activities future periods and may be more volatile. Additionally, there can be no assurance that the new reference rates will attain market acceptance as replacements of LIBOR. These interest rates will fluctuate with changing market conditions and, if they increase, our interest expense will also increase. The market transition away from LIBOR to alternative reference rates is complex and could have a range of material adverse effects on desirable terms, our business, financial condition and results of operations.

##### **Our variable rate indebtedness may expose us to interest rate risks, which could result in a default cause our debt costs to increase significantly.**

Borrowing under the secured credit facilities are at variable rates of interest and will expose us to interest rate risk. As of December 31, 2022, we had approximately \$1,336.8 million of aggregate debt outstanding under our secured credit facility. Given the current rising interest rate environment, if interest rates continue to increase, our debt service obligations on our debt obligations, variable rate indebtedness would increase even though the amount borrowed would remain the same, and our ability to generate cash from operations and other cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

We may in the future enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce future interest rate volatility of our variable rate indebtedness. However, due to risks for hedging gains and losses and cash settlement costs, we may not elect to maintain such interest rate swaps, and any swaps may not fully mitigate our interest rate risk.

##### **Our credit agreement contains debt agreements contain covenants with which we must comply or risk default, or that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.**

Our credit agreement contains a number of significant The agreements that govern the indebtedness incurred in connection with the Merger contain various affirmative and negative covenants that among other things, may, subject to certain significant exceptions, restrict our and certain of our subsidiaries' ability to create liens incur debt and encumbrances; incur additional indebtedness; our and certain of our subsidiaries' ability to merge, dissolve, liquidate or consolidate; make acquisitions, investments, advances or loans; dispose of or transfer assets; pay dividends or make other payments in respect of our capital stock; redeem or repurchase capital stock or prepay, dividends; redeem or repurchase certain debt; engage in certain transactions with affiliates; enter into speculative hedging arrangements; and enter into certain restrictive agreements.

These restrictions could impair Our and our ability to finance our future operations or capital needs or engage in other business activities that may be in our interests. In addition, the credit agreement also requires us to maintain compliance with certain financial ratios, including those relating to earnings before interest, taxes, depreciation and amortization and consolidated indebtedness. Our subsidiaries' ability to comply with these ratios and covenants provisions may be affected by events beyond our control. A breach of the credit agreement or our inability Failure to comply with these covenants could result in an event of default, which, if not cured or renegotiate the required financial ratios or covenants included therein waived, could accelerate our repayment obligations and could result in a default and acceleration under the credit agreement and cause acceleration of the outstanding debt.

**Our variable rate indebtedness may expose us to other agreements containing cross-default provisions. Under these circumstances, we might not have sufficient funds or other resources to interest rate risk, which could cause our debt costs to increase significantly.**

Our term loan and any revolving facility borrowings we may incur have variable rates of interest, which expose us to interest rate risks and to the risk of rising interest rates. As of December 31, 2021, we had approximately \$55.4 million outstanding under our floating-rate term loan, \$50.0 million outstanding under our floating-rate revolving facility, and the ability to incur up to \$217.3 million of additional floating-rate debt under our revolving facility. Although we have hedged a portion of our exposure to interest rate risk under the term loan through an interest rate swap with a notional amount of \$41.8 million at December 31, 2021, if interest rates increase in the future, then the interest expense on the variable rate debt could increase materially.

**Unanticipated changes in our tax provisions or exposure to additional U.S. and foreign tax liabilities could affect our profitability.**

We are subject to various taxes, including but not limited to income, gross receipts and payroll withholding taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision or benefit for taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Furthermore, changes in domestic or foreign tax laws and regulations, or their interpretation and enforcement, could result in higher or lower taxes assessed or changes in the taxability of certain revenue or the deductibility of certain expenses, thereby affecting our tax expense and profitability. See Note 13, "Income Taxes" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information. In addition, we regularly are under audit by tax authorities. The final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals. Additionally, changes in the geographic mix of our revenue, including certain additional foreign taxes resulting from the Merger, could also impact our tax liabilities and affect our overall tax expense and profitability.

**The effects of changes in worldwide economic and capital markets conditions may significantly affect our ability to maintain liquidity or procure capital.**

Our business may be adversely affected by factors in the U.S. and other countries that are beyond our control, such as disruptions in financial markets or downturns in economic activity in specific countries or regions, or in the various industries in which our company operates; social, political or labor conditions in specific countries or regions; geopolitical conflict or hostilities; or adverse changes in the availability and cost of capital, inflation, interest rates, foreign currency exchange rates, tax rates, or regulations in the jurisdictions in which our company operates. If we lose access to our revolving credit facility, or if we are required to raise additional capital, we may be unable to do so in the current credit and stock market environment, or we may be able to do so only on unfavorable terms.

Adverse changes to financial conditions also could jeopardize certain counterparty obligations, including those of our insurers and financial institutions and other third parties.

**We may not realize as revenue the full amounts reflected in our backlog, which could adversely affect our future revenue and growth.**

As of December 31, 2021 December 31, 2022, our total backlog was \$5.0 billion \$12.3 billion, which included \$1.0 billion \$2.6 billion in funded backlog. We may not realize the full amount of our backlog as revenue, particularly unfunded backlog and future services where the customer has an option to decline our continued services under a contract. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. Our receipt of revenue, and the timing and amount of revenue under contracts included in our backlog are subject to various contingencies, many of which are beyond our control, including congressional appropriations. In particular, delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions could adversely affect our ability to recognize revenue timely under the contracts included in our backlog. Furthermore, the actual receipt of revenue from contracts included in our backlog may never occur or may be delayed because:

- a program schedule could change, or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed, or terminated early, including as a result of a lack of appropriated funds or as a result of cost cutting initiatives and other efforts to reduce U.S. government spending or the automatic federal defense spending cuts required by sequestration;
- in the case of funded backlog, the period of performance for the contract has expired; or
- in the case of unfunded backlog, funding may not be available; or, in the case of priced options, our clients may not exercise their options.

**Goodwill represents a significant portion of our assets and any impairment of these assets could negatively impact our results of operations.**

At December 31, 2021 December 31, 2022, our goodwill was approximately \$321.7 million \$1.7 billion, which represented approximately 36% 51.2% of our total assets. We test goodwill for impairment on an annual basis, or whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. (For additional information on our goodwill impairment testing, see Note 1, "Description of Business and Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K). Because of the significance of our goodwill, any future impairment of this asset could have a material adverse effect on our results of operations.

**Our insurance may be insufficient to protect us from claims or losses.**

We maintain insurance coverage with third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. However, not every risk or liability is or can be protected by insurance, and, for those risks we insure, the limits of coverage we purchase or that are reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. If any of our third-party insurers fail, cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. Our insurance may be insufficient to protect us from significant warranty and other liability claims or losses. Moreover, there is a risk that commercially available liability insurance will not continue to be available to us at a reasonable cost, if at all. If liability claims or losses exceed our current or available insurance coverage, our business and prospects may be harmed. We are also subject to the requirements of the Defense Base Act (DBA), which generally requires insurance coverage to be provided to persons employed at U.S. military bases outside of the U.S. Failure to obtain DBA insurance may result in fines or other sanctions, including the loss of a particular contract.

**The effects of changes in worldwide economic and capital markets conditions may significantly affect our ability to maintain liquidity or procure capital.**

Our business may be adversely affected by factors in the U.S. and other countries that are beyond our control, such as disruptions in financial markets or downturns in economic activity in specific countries or regions, or in the various industries in which our company operates; social, political or labor conditions in specific countries or regions; or adverse changes in the availability and cost of capital, interest rates, foreign currency exchange rates, tax rates, or regulations in the jurisdictions in which our company operates. If we lose access to our revolving credit facility, or if we are required to raise additional capital, we may be unable to do so in the current credit and stock market environment, or we may be able to do so only on unfavorable terms.

Adverse changes to financial conditions also could jeopardize certain counterparty obligations, including those of our insurers and financial institutions and other third parties.

**RISKS RELATED TO OUR SECURITIES**

**We meet the requirements to be a "controlled company" within the meaning of the rules of the NYSE and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance standards, which limit the presence of independent directors on its Board of Directors or Board committees.**

Following the Merger, approximately 62.25% of the outstanding shares of the common stock of the Company is held by holders of the equity interests of Vertex, on a fully diluted basis, and approximately 37.75% is held by the holders of the common stock of Vectrus, on a fully diluted basis. Vertex Aerospace Holdco LLC, a Delaware limited liability company (Vertex Holdco), an affiliate of American Industrial Partners Capital Fund VI, L.P., a Delaware limited partnership and private equity fund affiliated with American Industrial Partners, owns approximately 62.25% of the fully diluted shares of the common stock of the Company.

As a result, we are a "controlled company" for purposes of Section 303A of the NYSE Listed Company Manual and are exempt from certain governance requirements otherwise required by the NYSE. Under Section 303A, a company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" and is exempt from certain corporate governance requirements, including requirements that (1) a majority of the board of directors consist of independent directors, (2) compensation of officers be determined or recommended to the board of directors by a majority of its independent directors or by a compensation committee that is composed entirely of independent directors and (3) director nominees be selected or recommended for selection by a majority of the independent directors or by a nominating/corporate governance committee composed solely of independent directors. Following the consummation of the Merger, we continue to have an audit committee that is composed entirely of independent directors.

In addition, the procedures for approving significant corporate decisions could be determined by directors who have a direct or indirect interest in such decisions, and our shareholders will not have the same protections afforded to shareholders of other companies that are required to comply with the independence rules of the NYSE.

**Our stock price may be volatile.**

The market price of our common stock has been, and is likely to continue to be, highly volatile due to a number of factors, including the volatility of the stock market in general and uncertainty related to major contract awards, such as our LOGCAP V Award. The trading price of our stock varied from a low of \$41.24 \$29.81 to a high of \$59.87 \$48.04 in 2021, 2022. Because of this volatility, investors in our stock may experience a decline in the value of their investment or may not be able to sell their common stock at or above the price paid for the shares.

**Any future offerings of securities, including debt or preferred stock, which would be senior to our common stock, upon liquidation, or other equity securities may materially and adversely affect us or our shareholders, including the per share trading price of our common stock.**

Vectrus has a shelf registration statement with the SEC that became effective in January 2020 under which we We may issue, from time to time, up to \$250 million of additional securities, including common stock, preferred stock, depository shares, warrants, rights and debt securities, securities, whether through an effective registration statement or otherwise. In addition to issuing more shares of our common stock, in the future, we may attempt to increase our capital resources by making additional offerings of debt, including senior debt securities or subordinated debt securities, or preferred equity stock, or securities that are exchangeable or exercisable or for or convertible into any of the foregoing. Holders of debt and such offerings holders of preferred stock may be convertible entitled to receive payments of interest, dividends or exchangeable for otherwise prior to holders of shares of our common stock receiving dividends or any other securities payments and, additional classes or series of preferred stock. Upon in addition, upon liquidation, holders of debt securities or and holders of shares of preferred stock and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common stock. Our preferred stock, if issued, has rights, preferences and privileges, including a preference on liquidating distributions and/or a preference on dividend payments, which could limit our ability to pay dividends to holders of our common stock. Additionally, any convertible, exercisable or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments, if issued, that could limit our ability to pay dividends to holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of future offerings. As a result, our shareholders bear the risk that our future offerings could adversely affect their rights as holders of common stock, reduce the per share trading price of our common stock and dilute their interest in us.

**If our significant shareholders who received shares of our common stock in the Merger sell their shares, the price of our common stock could be materially affected.**

If our significant shareholders who received shares of our common stock in connection with the Merger choose to sell a significant number of our shares, such sales could have a material impact on the market price for our common stock.

The restrictions on sales contained in the Shareholders Agreement, dated as of July 5, 2022, among the Company and certain of its shareholders (the Shareholders Agreement) have expired, and all of the shares of our common stock issued in connection with the completion of the Merger are available for resale in the public market, including pursuant to an effective registration statement that the Company filed for these shareholders. As of the date of this Form 10-K, approximately 60.1% of the outstanding shares of our common stock are held by the shareholders party to the Shareholders Agreement.

Such shareholders may decide not to hold the shares of our common stock they received upon completion of the Merger. In addition, certain of such shareholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of our common stock that they received upon completion of the Merger.

The impact on our stock price of sales of shares by such shareholders could be positive or negative, whether in the immediate term or in the future, and could be material. The effect and magnitude would depend on various factors, including market conditions, public float, trading volume and liquidity, shareholder composition and ownership,

market perception, the number of shares sold and analyst coverage. In addition, future events and conditions could further increase the dilution from sales of these shares, including adverse changes in market conditions, additional transaction and integration related costs and other factors such as the failure to realize some or all of the benefits anticipated in the Merger. Any dilution of, or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate. These sales may also make it more difficult for us to sell equity or equity-linked securities in the future at a time and at a price that we deem appropriate to raise funds through future offerings.

**We do not currently plan to pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock in the future.**

We do not currently plan to pay dividends on our common stock. The declaration of any future cash dividends and, if declared, the amount of any such dividends, will be subject to our financial condition, earnings, capital requirements, financial covenants and other contractual restrictions and to the discretion of our Board of Directors. Our Board of Directors may consider such matters as general business conditions, industry practice, our financial condition and performance, our future prospects, our cash needs and capital investment plans, income tax consequences, applicable law and such other factors as our Board of Directors may deem relevant. Further, pursuant to the Shareholders Agreement, for so long as the Former Vertex Stockholders (as defined in the Shareholders Agreement) collectively beneficially own 34% or more of the outstanding shares of the Company's common stock, the Company will not, without the requisite consent of the Former Vertex Stockholders declare or pay any dividend or distribution (a) on a non-pro-rata basis or (b) in excess of \$25.0 million in the aggregate during any fiscal year.

Additionally, our indebtedness could have important consequences for holders of our common stock. If we cannot generate sufficient cash flow from operations to meet our debt payment obligations, then our ability to pay dividends, if so determined by the Board of Directors, will be impaired. In addition, the terms of the agreements governing our current debt limit the payment of dividends and debt that we may incur in the future may also limit the payment of dividends.

**Anti-takeover provisions in our organizational documents and Indiana law could delay or prevent a change in control.**

Certain provisions of our amended and restated articles of incorporation and our second amended and restated by-laws may delay or prevent a merger or acquisition that a shareholder may consider favorable. For example, the amended and restated articles of incorporation and the second amended and restated by-laws, among other things, provide for a classified board, and do not permit shareholders to convene special meetings or to remove our directors other than for cause, cause, limit our shareholders' ability to fill vacancies on our Board of Directors and impose advance notice requirements for shareholder proposals and nominations of Directors to be considered at meetings of shareholders. In addition, the amended and restated articles of incorporation authorize our Board of Directors to issue one or more series of preferred stock, stock without further action by our shareholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price. Indiana law also imposes some restrictions on mergers and other business combinations between any beneficial holder of 10% or more of our outstanding common stock and us as well as certain restrictions on the voting rights of "control shares" of an "issuing public corporation." us.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We have 205 343 locations in 28 45 countries and territories on five six continents. Our contract performance typically occurs on the government customer's facility. Our material locations are the corporate headquarters office located at 7901 Jones Branch Drive, McLean, Virginia, an operations office located at 2424 Garden of the Gods Road, Colorado Springs, Colorado, and an operations office located at 7901 Jones Branch 555 Industrial Drive, McLean, Virginia, Madison, Mississippi. These properties are used by our sole operating segment. Our McLean, Colorado Springs and McLean Madison offices are leased and have approximately 24,400, 65,000 and 24,400 164,000 square feet, respectively. The leases for our McLean, Colorado Springs and McLean Madison offices expire in 2032, 2028 and 2032, 2030, respectively. We consider the properties that we lease to be in good condition and generally suitable for the purposes for which they are used.

**ITEM 3. LEGAL PROCEEDINGS**

From time to time, we are involved in party to various investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings that including government investigations and claims, which are incidental to the operation of our business. Some of these proceedings seek remedies relating to employment matters, matters in connection with our contracts and matters arising under laws relating to the protection of the environment.

As a result of final indirect rate negotiations between the government contractor, we are also subject to U.S. government audits and our Former Parent, we may be subject to adjustments to costs previously allocated by our Former Parent investigations relating to our business, which was formerly Exelixis' Mission Systems Business, from 2007 through 2014. We are in discussions with our Former Parent operations, including claims for fines, penalties, and the U.S. government regarding these cost adjustments from 2007 through 2014 and believe that our potential cumulative liability for these years is insignificant. Between June 2019 and March 2021, the U.S. government provided us with three Contracting Officers Final Decisions (COFD) for the years from 2007 through 2014 related to Former Parent costs. We filed appeals of the COFDs with the ASBCA, which have been consolidated. The ASBCA has granted Vectrus' and the U.S. government's joint requests to stay proceedings in the appeal, most recently through March 21, 2022, to enable ongoing discussions regarding the matter between the parties. The U.S. government subsequently offered a settlement to reduce the costs to an insignificant amount to address errors and costs related to contracts novated to our Former Parent, which we are currently reviewing, repayments, compensatory or treble damages. We believe we are fully indemnified under the outcome of such ongoing government audits and investigations will not have a material impact on our Distribution Agreement with our Former Parent and have notified our Former Parent results of our appeal of the U.S. government's decision in this matter.

operations, financial condition or cash flows. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our cash flow, results of operations, financial condition or financial condition, cash flows.

See Note 15, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further information.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### COMMON STOCK - MARKET INFORMATION, HOLDERS AND DIVIDENDS

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol "VEC" "VX". Our common stock started trading on the NYSE in September 2014. As of February 25, 2022 February 28, 2023, there were approximately 3,899 4,158 stockholders of record and 11.7 million 30.9 million outstanding shares of common stock.

To date, we have not declared or paid any dividends on our common stock. The declaration and payment of dividends by us are subject to the discretion of our Board of Directors and depend on many factors including our financial condition, earnings, capital requirements, covenants associated with our debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by the Board of Directors. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. In deciding whether to pay future dividends on our common stock, our Board of Directors may take into account such matters as general business conditions, industry practice, our financial condition and performance, our future prospects, our cash needs and capital investment plans, debt levels and requirements, income tax consequences, applicable law and such other factors as our Board of Directors may deem relevant. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Annual Report on Form 10-K. For a discussion of restrictions on the payment of dividends under our credit agreement, see Note 10, "Debt" in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

#### EQUITY COMPENSATION PLAN INFORMATION

For a discussion of the securities authorized under our equity compensation plans, see Item 12 of this Annual Report on Form 10-K, which incorporates by reference the information to be disclosed in our definitive proxy statement for our 2022 2023 Annual Meeting of Shareholders.

#### RECENT SALES OF UNREGISTERED SECURITIES

None

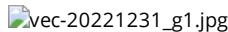
#### ISSUER PURCHASES OF EQUITY SECURITIES

We did not repurchase any of our equity securities for the year ended December 31, 2021 December 31, 2022.

#### STOCK PERFORMANCE GRAPH

The following graph provides a comparison of the cumulative total shareholder return of our common stock to the returns of the Russell 2000 Index and the S&P Aerospace & Defense Select Industry Index from December 31, 2014 through December 31, 2021 December 31, 2022 with data points as of December 31 for the years shown. The graph is not, and is not intended to be, indicative of future performance of our common stock. This graph is not deemed to be "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act) and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 as amended (Securities Act), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The graph assumes that \$100 had been invested in VectrusV2X common stock, the Russell 2000 Index and the S&P Aerospace & Defense Select Industry Index on December 31, 2014 December 31, 2017 and that all dividends were reinvested.



#### ITEM 6. SELECTED FINANCIAL DATA

Reserved

Reserved

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the audited Consolidated Financial Statements and notes thereto in this Annual Report on Form 10-K as well as the discussion in Item 1 of this Annual Report on Form 10-K entitled "Business." This Annual Report provides additional information regarding the Company, our services, industry outlook and forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements. See "Forward-Looking Statement Information" for further information regarding forward-looking statements. Amounts presented in and throughout this Item 7 are rounded and, as such, rounding differences could occur in period over period changes and percentages reported.

##### Forward-Looking Statement Information

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the meaning of Section 21E of the Exchange Act, and Section 27A of the Securities Act, and the Private Securities Litigation Reform Act of 1995 and, as such, may involve risks and uncertainties. All statements included or incorporated by reference in this report, other than statements that are purely historical, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect,"

"expect," "intend," "estimate," "anticipate," "believe," "could," "potential," "continue" or similar terminology. 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.

The forward-looking statements included or incorporated by reference in this report are subject to additional risks and uncertainties further discussed under Item 1A, "Risk Factors" and are based on information available to us on the filing date of this report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us.

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. 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. These risks and uncertainties include, but are not limited to: the continued impact of COVID-19 and any variant strains thereof on the global economy; our ability to submit proposals for and/or win all potential opportunities in our pipeline; our ability to retain and renew our existing contracts; our ability to compete with other companies in our market; security breaches and other disruptions to our information technology and operation; our mix of cost-plus, cost-reimbursable, cost-reimbursable, and firm-fixed-price contracts; maintaining our reputation and relationship with the U.S. government; protests of new awards; our recent acquisitions of HHB and Zenetex and their integration into our business; economic, political and social conditions in the countries in which we conduct our businesses; changes in U.S. or international government defense budgets; government regulations and compliance therewith, including changes to the DoD 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; delays in completion of the U.S. government's budget; our success in extending, deepening, and enhancing our technical capabilities; our success in expanding our geographic footprint or broadening our customer base; our ability to realize the full amounts reflected in our backlog; impairment of goodwill; misconduct of our employees, subcontractors, agents, prime contractors and business partners; our ability to control costs; our level of indebtedness and indebtedness; terms of our credit agreement; inflation and interest rate risk; subcontractor performance; economic and capital markets conditions; our ability to maintain safe work sites and equipment; our ability to retain and recruit qualified personnel and personnel; our ability to maintain good relationships with our workforce; our teaming relationships with other contractors; changes in our accounting estimates; the adequacy of our insurance coverage; volatility in our stock price; changes in our tax provisions or exposure to additional income tax liabilities; risks and uncertainties relating to the Merger; risks and uncertainties relating to the Spin-off; changes in U.S. generally accepted accounting principles (GAAP); and other factors described in Item 1A, "Risk Factors," and elsewhere in this report and described from time to time in our future reports filed with the SEC.

## Overview

V2X, formerly known as Vectrus, is a leading provider of global service critical mission solutions primarily to the U.S. government worldwide. We operate defense clients globally. The Company operates as one segment and offers facility and base delivery of a comprehensive suite of integrated solutions across the operations supply chain and logistics, services, information aerospace, training and technology mission support, markets to national security, defense, civilian and engineering and digital integration services, international clients.

Our primary customer is the U.S. Department of Defense, with a high concentration in the U.S. Army, Defense. For the years ended December 31, 2021 December 31, 2022, 2020 2021 and 2019 2020, we had total revenue of \$1.8 billion \$2.9 billion, \$1.4 billion \$1.8 billion and \$1.4 billion, respectively, substantially all of which was derived from U.S. government customers. For the years ended December 31, 2021 December 31, 2022, 2020 2021 and 2019 2020, we generated approximately 64% 46%, 69% 64% and 69%, respectively, of our total revenue from the U.S. Army.

## Executive Summary

Our revenue increased by \$388.1 million \$1,107.2 million, or 27.8% 62.1%, for the year ended December 31, 2021 December 31, 2022 compared to the year ended December 31, 2020 December 31, 2021. The revenue increased \$908.4 million due to the Merger and the remaining increase in revenue was attributable mainly to increases from organic growth for legacy programs. Revenue from our U.S. programs of \$250.0 million (which includes \$254.4 million from our 2020 acquisitions of Zenetex U.S., Asia, Europe and HHB), our Middle East programs of \$98.7 million increased by \$916.0 million, \$105.7 million, \$61.7 million, and our Asia programs of \$52.0 million \$23.8 million, partially offset by a \$12.6 million decrease in our Middle East programs, respectively.

Operating income for the year ended December 31, 2021 December 31, 2022 was \$62.0 million \$55.8 million, an increase a decrease of \$18.5 million \$6.2 million or 42.7% 10.1%, compared to the year ended December 31, 2020 December 31, 2021. This increase decrease was primarily due to increases amortization of \$7.5 million from our Asia programs, \$5.2 million from our Europe programs, \$5.0 million from our U.S. programs, intangible assets, and \$0.8 million from our Middle East programs, acquisition-related costs associated with the Merger.

During the performance of our long-term contracts, we periodically review estimated final contract prices and costs and make revisions as required, which are recorded as changes in revenue and cost of revenue in the periods in which they are determined. Additionally, the fees under certain contracts may be increased or decreased in accordance with cost or performance incentive provisions which measure actual performance against established targets or other criteria. Such incentive fee awards or penalties are included in revenue when there is sufficient information to reasonably assess anticipated contract performance. Amounts representing contract change orders or limitations in funding on contracts are recorded only if it is probable the claim will result in additional contract revenue and the amounts can be reliably estimated. Changes in estimated revenue, cost of revenue and the related effect to operating income are recognized using cumulative adjustments, which recognize in the current period the cumulative effect of the changes on current and prior periods based on a contract's percentage of completion. Cumulative adjustments are driven by changes in contract terms, program performance, customer scope changes and changes to estimates in the reported period. These changes can increase or decrease operating income depending on the dynamics of each contract.

We recorded an income tax expense of \$8.3 million \$8.2 million and \$1.7 million \$8.3 million for the years ended December 31, 2021 December 31, 2022 and 2020 2021, respectively, which represent effective income tax rates of 15.4% (134.6)% and 4.5% 15.4%, respectively. See Note 13, "Income Income Taxes", in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further information.

Further details related to our financial performance for the year ended December 31, 2021 December 31, 2022, compared to the year ended December 31, 2020 December 31, 2021, are contained in the Discussion of Financial Results section. Details related to our financial performance for the year ended December 31, 2020 December 31, 2021, compared to the year ended December 31, 2019 may be found December 31, 2020 are included in the Discussion of Financial Results section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 December 31, 2021, electronically filed with the SEC on EDGAR on March 2, 2021 March 7, 2022.

## Merger with Vertex

For a discussion of our Merger and related debt and stock-based compensation obligations, see Note 3, *Merger and Acquisitions*, Note 10, *Debt* and Note 16, *Stock Based Compensation*, in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

## COVID-19 Impact

The global outbreak of COVID-19 was declared a pandemic by On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. COVID-19 has negatively impacted public health and a national emergency by the U.S. government in March 2020. The COVID-19 pandemic continues to present significant business challenges in 2021. During 2021, we continued to experience impacts related to COVID-19, including continued increased coronavirus-related costs, global economy, disrupted global supply chain disruptions, local immigration regulations limiting chains, and created volatility in financial markets. Furthermore, in September 2021, the Biden Administration issued an executive order mandating a COVID-19 vaccination requirement for federal contractors, except in certain limited circumstances. Since then, multiple courts have enjoined the executive order's implementation, although the court decisions are not uniform in their application or the states to deploy personnel, delays in supplier deliveries, impacts of travel restrictions, site access and quarantine restrictions, and which the impacts of remote work and adjusted work schedules. In addition, President Biden announced new vaccine mandates on September 9, 2021 injunction applies. The federal government has indicated that it will not, for government contractors and subcontractors. The extent of the regulatory impact from time being, enforce the new vaccine mandates is unclear and could have a material adverse impact on the Company's operations. As new variants of the virus emerge, we remain cautious as many factors remain unpredictable. We continue to take measures to protect the health and safety of our employees, including measures to facilitate the provision of vaccines to our employees in line with state and local guidelines, to work with our customers to minimize ultimate potential disruptions, and to support our community in addressing the challenges posed by this global pandemic, vaccination mandate.

The extent of the ultimate impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our programs in the expected timeframe, will depend on future developments, including any potential subsequent waves or variants of COVID-19, infection, the effectiveness, distribution and acceptance of COVID-19 vaccines, the ultimate impact on financial markets and the global economy, new government regulations for defense contractors (including vaccination mandates) and other related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread, all of which remain uncertain and cannot be predicted.

For the twelve months years ended December 31, 2021, December 31, 2022 and 2021, the impact of COVID-19 was immaterial to our financial results. For the twelve months year ended December 31, 2020, it is estimated that COVID-19 caused a \$63.1 million reduction in our revenue and a \$0.39 reduction in our diluted earnings per share. This impact was primarily due to certain government actions to restrict access to certain bases by Vectrus V2X personnel and delays in supplier deliveries.

In accordance with the DoD guidance issued in March 2020 designating the Defense Industrial Base as a critical infrastructure workforce, our U.S. facilities have continued to operate in support of essential products and services required to meet our commitments to the U.S. government and the U.S. military; however, facility closures or work slowdowns or supply chain disruptions have affected our financial results and projections. In addition, other countries are responding to the pandemic differently which has affected our international operations and the operations of our suppliers and customers. However, any closures to date have not significantly impacted Vectrus' business.

We continue to work with our customers, employees, suppliers and communities to address the impacts of COVID-19. We continue to assess possible implications to our business, supply chain and customers and to take actions in an effort to mitigate adverse consequences in order to support our customers' mission critical business and national security.

### Significant Contracts

The following table reflects contracts that accounted for more than 10% of our total revenue for one or more of the years ended December 31, 2021 December 31, 2022, 2020 2021 and 2019: 2020:

Contract Name	Contract Name	% of Total Revenue			Contract Name	% of Total Revenue		
		2021	2020	2019		2022	2021	2020
LOGCAP V - Kuwait Task Order					LOGCAP V - Kuwait Task Order	16.4%	11.8%	—%
LOGCAP V - Iraq Task Order					LOGCAP V - Iraq Task Order	9.8%	11.7%	—%
OMDAC-SWACA					OMDAC-SWACA	4.2%	7.8%	14.2%
K-BOSS	K-BOSS	15.8%	34.1%	35.8%	K-BOSS	0.7%	15.8%	34.1%
Logistics Civil Augmentation Program (LOGCAP) V - Kuwait Task Order		11.8%	—%	—%				
Logistics Civil Augmentation Program (LOGCAP) V - Iraq Task Order		11.7%	—%	—%				
OMDAC-SWACA		7.8%	14.2%	15.6%				

Revenue associated with a contract will fluctuate based on increases or decreases in the work being performed on the contract, award fee payments, and other contract modifications within the term of the contract resulting in changes to the total contract value.

U.S. government contracts are multi-year contracts and typically include an initial period of one year or less with annual one-year (or less) option periods for the remaining contract period. The number of option periods vary by contract, and there is no guarantee that an option period will be exercised by the U.S. government. The right to exercise an option period is at the sole discretion of the U.S. government. The U.S. government may also extend the term of a program by issuing extensions or bridge contracts, typically for periods of one year or less.

The K-BOSS contract currently is exercised through August 28, 2022 and is our largest base operations support services contract within the State of Kuwait. Components of the K-BOSS contract was re-competited as a task order under the LOGCAP V contract vehicle, which was awarded April 12, 2019. The K-BOSS contract contributed \$282 million and \$475

million of revenue for the years ended December 31, 2021 and 2020, respectively.

The LOGCAP V - Kuwait Task Order is currently exercised through June 30, 2022 June 30, 2023, with four three additional twelve-month options and one six-month option through December 31, 2026. The task order provides services to support the Geographical Combatant Commands and Army Service Component Commands throughout the full range of military operations in the Kuwait region. The LOGCAP V - Kuwait Task Order contributed \$211 million \$472.9 million and \$210.8 million of revenue for the years ended December 31, 2021, December 31, 2022 and no revenue for the year ended December 31, 2020 2021, respectively.

The LOGCAP V - Iraq Task Order is currently exercised through June 21, 2022 June 21, 2023, with four three additional twelve-month options and one six-month option through December 21, 2026. The task order provides services to support the Geographical Combatant Commands and Army Service Component Commands throughout the full range of military operations in the Iraq region. The LOGCAP V - Iraq Task Order contributed \$209 million \$282.5 million and \$209.0 million of revenue for the years ended December 31, 2021, December 31, 2022 and no revenue for the year ended December 31, 2020 2021, respectively.

On December 29, 2020, the U.S. Army announced that Vectrus Systems Corporation (VSC), our wholly-owned subsidiary was awarded an \$859.7 million cost-plus-fixed-fee contract to continue Operations, Maintenance, and Defense of Army Communications in Southwest Asia and Central Asia (OMDAC-SWACA). OMDAC-SWACA. Work will be based in Kuwait with additional locations throughout Southeast Asia. On March 8, 2021, the U.S. government received a protest from a competitor, which was filed at the Government Accountability Office (GAO). The GAO decided the case and denied the protest on June 1, 2021. Subsequently, on July 13, 2021, the unsuccessful competitor filed a protest at the U.S. Court of Federal Claims (COFC). Performance is ongoing on the contract awarded to Vectrus as there is no "stay" of performance due to the filing of the protest. A hearing at On August 15, 2022, the COFC took place on January 11, 2022 and a decision is expected by dismissed the end of the first quarter of 2022 protest with prejudice. The estimated completion date of this contract is December 26, 2025. The OMDAC-SWACA contract contributed \$140 million \$122.7 million and \$198 million \$139.5 million of revenue for the years ended December 31, 2021 December 31, 2022 and 2020 2021, respectively.

The K-BOSS contract currently is exercised through August 28, 2023. Components of the K-BOSS contract were re-competed as a task order under the LOGCAP V contract vehicle and were awarded to us on April 12, 2019. The K-BOSS contract contributed \$18.9 million and \$282.2 million of revenue for the years ended December 31, 2022 and 2021, respectively.

#### Backlog

Total backlog includes remaining performance obligations, consisting of both funded backlog (firm orders for which funding is contractually authorized and appropriated by the customer) and unfunded backlog (firm orders for which funding is not currently contractually obligated by the customer and unexercised contract options). Total backlog excludes potential orders under IDIQ contracts and contracts awarded to us that are being protested by competitors with the GAO or in the U.S. Court of Federal Claims, COFC. The value of the backlog is based on anticipated revenue levels over the anticipated life of the contract. Actual values may be greater or less than anticipated. Total backlog is converted into revenue as work is performed. The level of order activity related to programs can be affected by the timing of government funding authorizations and their project evaluation cycles. Year-over-year comparisons could, at times, be impacted by these factors, among others.

Our contracts are multi-year contracts and typically include an initial period of one year or less with annual one-year (or less) option periods for the remaining contract period. The number of option periods vary by contract, and there is no guarantee that an option period will be exercised. The right to exercise an option period is at the sole discretion of the U.S. government when we are the prime contractor or of the prime contractor when we are a subcontractor. The U.S. government may also extend the term of a program by issuing extensions of bridge contracts, typically for periods of one year or less.

We expect to recognize a substantial portion of our funded backlog as revenue within the next 12 months. However, the U.S. government or the prime contractor may cancel any contract at any time through a termination for convenience. Most of our contracts have terms that would permit us to recover all or a portion of our incurred costs and fees for work performed in the event of a termination for convenience.

Total backlog decreased increased by \$0.1 billion \$7.3 billion in the year ended December 31, 2021, December 31, 2022 primarily due to the Merger. As of December 31, 2021 December 31, 2022, total backlog (funded and unfunded) was \$5.0 billion \$12.3 billion as set forth in the following table:

(In millions)	(In millions)	As of December 31,		(In millions)	As of December 31,	
		2021	2020		2022	2021
Funded backlog	Funded backlog	\$ 1,033	\$ 843	Funded backlog	\$ 2,567	\$ 1,033
Unfunded backlog	Unfunded backlog	3,972	4,221	Unfunded backlog	9,695	3,972
Total backlog	Total backlog	\$ 5,005	\$ 5,064	Total backlog	\$ 12,262	\$ 5,005

Funded orders (different from funded backlog) represent orders for which funding was received during the period. We received funded orders of \$1.8 billion \$2.6 billion during the year ended December 31, 2021 December 31, 2022, which was an increase of \$27.7 million \$771.3 million compared to the year ended December 31, 2020 December 31, 2021.

#### Economic Opportunities, Challenges and Risks

The U.S. government's investment in services and capabilities in response to changing security challenges creates a complex and fluid business environment for Vectrus V2X and other firms in this market. However, the U.S. continues to face substantial fiscal and economic challenges in addition to a varying political environment which could affect funding. The pace and depth of U.S. government acquisition reform and cost savings initiatives, combined with increased industry competitiveness to win long-term positions on key programs, could add pressure to revenue levels and profit margins. However, we expect the U.S. government will continue to place a high priority on national security and will continue to invest in affordable solutions. We believe that our capabilities, particularly in base operations support, supply chain and logistics, IT mission support, engineering aerospace, training and digital integration, security, or maintenance, repair, and overhaul, technology, should help our clients increase efficiency, reduce costs, improve

readiness, and strengthen national security and, as a result, continue to allow for long-term profitable growth in our business. Further, the DoD budget remains the largest in the world and management believes our addressable portion of the DoD budget offers substantial opportunity for growth.

The U.S. government's **FY** Fiscal Year (FY) begins on October 1 and ends on September 30. On **May 28, 2021** December 29, 2022, the Administration submitted FY 2022 budget, which requests \$753 billion for total national defense spending including \$715 billion for the DoD, representing a 1.6% increase above the FY 2021 enacted amounts for both total national defense and the DoD. On December 27, 2021, 2023 Omnibus Appropriations Act was signed into law by the President, signed providing \$817 billion to the Defense Department. This reflects a \$44 billion increase over the President's FY 2022 National Defense Authorization Act (NDAA), which authorizes approximately \$25 billion more than the original FY 2022 budget request. The Fiscal 2024 budget request is expected to be submitted by the President in March 2023.

The U.S. Government has not yet enacted an annual budget for FY 2022. Past congressional actions have suspended and increased the debt ceiling at various times but in January 2023, the current statutory debt ceiling limit of \$31.4 trillion was reached. As such, a series of continuing resolution (CR) funding result, the Treasury Department began taking accounting measures have been enacted to avert a government shutdown. The current CR finances U.S. Government activities through March 11, 2022. The CR provides partial-year funding at amounts consistent with appropriated levels for FY 2021, subject to certain restrictions. Under the CR new spending initiatives are not authorized. If annual appropriations bills are not enacted, continue financing the U.S. government may operate under while avoiding a CR, restricting new contract breach. However, it is expected the U.S. government will exhaust these measures and that statutory action will be needed in 2023 to increase or program starts and additional government shutdowns, which might involve all government agencies, including suspend the DoD, could arise. Future CR's and government shutdowns may lead debt ceiling.

While it is difficult to delays in procurement predict the specific course of services due to lack of funding, and those delays may adversely affect our revenue, results of operations and cash flow. Finally, there remains uncertainty surrounding future discretionary defense funding levels and priorities budgets, we believe many of the Administration core functions we perform are mission-essential and Congress, which could adversely impact demand for our services.

We believe that spending on maintaining, operating, to maintain readiness, improve performance, increase service life, lower cost, and hardening national security defense assets, as well as civilian agency infrastructure modernize digital and equipment, physical environments will continue to be a U.S. government priority. Our focus is on sustaining providing integrated solutions across the mission lifecycle that encompass (i) high consequence training; (ii) readiness/logistics/deployment; (iii) mission and protecting infrastructures, equipment, infrastructure support, including rapid response contingency efforts; (iv) battlefield connectivity and IT networks, while utilizing communications; (v) maintenance, modification, repair, and overhaul of assets and aircraft; (vi) and upgrades and modernization across digital and physical environments. We develop and insert operational technologies and converged across our solutions to improve efficiency and the outcomes of our clients' missions. We believe this aligns with our customers' clients' intent to utilize and harden existing equipment, infrastructure, and infrastructure assets rather than executing new purchases. Many of the core functions we perform are mission-essential. The following are examples of a few of these core functions: (i) keeping communications networks operational; (ii) maintaining airfields and aircraft; (iii) providing emergency services; (iv) guarding our nation's military bases, and other critical resources with integrated electronic security systems; and (v) supporting rapid response contingency efforts. While customers may reduce the level of services required from us, we do not currently anticipate the complete elimination of these services.

However, business conditions have become more challenging due to macroeconomic conditions, including inflation and rising interest rates. Given the current pace of inflation and other geopolitical factors, we are monitoring the impact of rising costs on our active and future contracts. To date, we have not experienced broad-based increases due to inflation in the costs of our fixed-price and time and materials contracts that are material to the business as a whole; however, if we begin to experience greater than expected inflation in our supply chain and labor costs, our profit margins, and in particular, our profit margin from fixed-price and time and materials contracts, which represent a substantial portion of our contracts, could be adversely affected. See Item 1A, "Risk Factors".

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022, which includes, among other provisions, changes to the U.S. corporate income tax system. While we do not currently anticipate any impact on our business, we are continuing to evaluate the Inflation Reduction Act of 2022 and its requirements, as well as any potential impact on our business in future.

The information provided above does not represent a complete list of trends and uncertainties that could impact our business in either the near or long-term and should be considered along with the risk factors identified under the caption "Risk Factors" identified in Part 1, Item 1A in our Annual Report on Form 10-K for the year ended **December 31, 2021** December 31, 2022 and the matters identified under the caption "Forward-Looking Statement Information" herein.

## DISCUSSION OF FINANCIAL RESULTS

**Year ended December 31, 2021** December 31, 2022, compared to Year ended December 31, 2020 December 31, 2021

Selected financial highlights are presented in the table below:

(In thousands)	(In thousands)	Year Ended December 31,		Change		(In thousands)	Year Ended December 31,		Change	
		2021	2020	\$	%		2022	2021	\$	%
Revenue	Revenue	\$ 1,783,665	\$ 1,395,529	\$ 388,136	27.8 %	Revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,107,195	62.1 %
Cost of revenue	Cost of revenue	1,623,245	1,271,375	351,870	27.7 %	Cost of revenue	2,595,848	1,623,245	972,603	59.9 %
% of revenue	% of revenue	91.0 %	91.1 %			% of revenue	89.8 %	91.0 %		
Selling, general and administrative		98,400	80,679	17,721	22.0 %					
Selling, general and administrative expenses						Selling, general and administrative expenses	239,241	98,400	140,841	143.1 %

% of revenue	Operating income	5.5 %	5.8 %		% of revenue	8.3 %	5.5 %	
Operating income	Operating income	62,020	43,475	18,545	42.7 %	Operating income	55,771	62,020
Operating margin	Operating margin	3.5 %	3.1 %		Operating margin	1.9 %	3.5 %	
Interest expense, net	Interest expense, net	(7,985)	(4,793)	(3,192)	66.6 %	Interest expense, net	(61,879)	(7,985)
Income before taxes	Income before taxes	54,035	38,682	15,353	39.7 %	(Loss) income before taxes	(6,108)	54,035
(Loss) income before taxes	(Loss) income before taxes					(Loss) income before taxes	(6,108)	(60,143)
% of revenue	Income tax expense	3.0 %	2.8 %		% of revenue	(0.2) %	3.0 %	
Income tax expense	Income tax expense	8,307	1,731	6,576	379.9 %	Income tax expense	8,222	8,307
Effective income tax rate	Effective income tax rate	15.4 %	4.5 %		Effective income tax rate	(134.6) %	15.4 %	
Net Income	Net Income	\$ 45,728	\$ 36,951	\$ 8,777	23.8 %	Net (loss) income	\$ (14,330)	\$ 45,728
Net (loss) income	Net (loss) income					Net (loss) income	\$ (60,058)	(131.3) %
<b>Revenue</b>								

Our revenue increased by \$388.1 million \$1,107.2 million, or 27.8% 62.1%, for the year ended December 31, 2021 December 31, 2022 compared to the year ended December 31, 2020 December 31, 2021. The Revenue increased \$908.4 million due to the Merger and the remaining increase in revenue was attributable mainly to increases from organic growth for legacy programs. Revenue from our U.S. programs of \$250.0 million (which includes \$254.4 million from our 2020 acquisitions of Zenetex U.S., Asia, Europe and HHB), Middle East programs of \$98.7 million increased by \$916.0 million, \$105.7 million, \$61.7 million, and Asia programs of \$52.0 million \$23.8 million, partially offset by a decrease from our Europe programs of \$12.6 million, respectively.

#### Cost of Revenue

The increase in Our cost of revenue of \$351.9 million increased by \$972.6 million, or 27.7% 59.9%, for the year ended December 31, 2021 December 31, 2022, as compared to the year ended December 31, 2020 December 31, 2021, was primarily due to higher increased revenue as described above, from the Merger and increased amortization of intangible assets.

#### Selling, General & Administrative (SG&A) Expenses

For Our SG&A expenses increased by \$140.8 million, or 143.1%, for the year ended December 31, 2021, SG&A expenses of \$98.4 million increased by \$17.7 million, or 22.0% December 31, 2022, as compared to the year ended December 31, 2020. The increase was December 31, 2021, primarily due to the addition Merger, including \$39.9 million of SG&A expenses from Zenetex and HHB.acquisition-related costs.

#### Operating Income

OperatingOur operating income decreased by \$6.2 million, or 10.1%, for the year ended December 31, 2021 increased by \$18.5 million, or 42.7%, December 31, 2022 as compared to the year ended December 31, 2020 December 31, 2021. This increase was primarily due to increases of \$7.5 million from our Asia programs, \$5.2 million from our Europe programs, \$5.0 million from our U.S. programs, and \$0.8 million from our Middle East programs.

Operating income as a percentage of revenue was 1.9% for the year ended December 31, 2022, compared to 3.5% for the year ended December 31, 2021, compared. The decrease in operating income was primarily due to 3.1%amortization of intangible assets and acquisition-related costs associated with the Merger.

Aggregate cumulative adjustments increased operating income by \$13.3 million for the year ended December 31, 2020. The increase was due to improved operating performance December 31, 2022 and the higher volume of revenue as described above.

Aggregate cumulative adjustments decreased operating income by \$1.3 million and \$3.7 million for the years year ended December 31, 2021 and December 31, 2020, respectively. The aggregate cumulative adjustments for the years ended December 31, 2022 and December 31, 2021 related to changes in contract terms, program performance, customer changes in scope of work and December 31, 2020 relate changes to lower margins associated with contract staffing estimates in the reported period. Operating income was also impacted by labor mix and increased the cost differential between internal resources and subcontractors as well as the volume of other direct costs, cost purchases.

#### Interest (Expense) Income, Net

Interest (expense) income, net for the years ended December 31, 2021 December 31, 2022 and 2020 2021 was as follows:

(in thousands)	Year Ended December 31,		Change		Year Ended December 31,		Change	
	2021	2020	\$	%	(in thousands)	2022	2021	\$

Interest income	Interest income	\$ 161	\$ 123	\$ 38	30.9 %	Interest income	\$ 165	\$ 161	\$ 4	2.5 %
Interest expense	Interest expense	(8,146)	(4,916)	3,230	65.7 %	Interest expense	(62,044)	(8,146)	(53,898)	(661.6) %
Interest expense, net	Interest expense, net	\$ (7,985)	\$ (4,793)	\$ 3,192	66.6 %	Interest expense, net	\$ (61,879)	\$ (7,985)	\$ (53,894)	(674.9) %

Interest income is directly related to interest earned on our cash. Interest expense is directly related to borrowings under our senior secured credit facilities, the amortization of debt issuance costs, and derivative instruments used to hedge a portion of our exposure to interest rate risk. The increase in interest expense of \$3.2 million \$53.9 million for the year ended December 31, 2021 December 31, 2022 compared to the year ended December 31, 2020 December 31, 2021 was due primarily to increased use of our revolving credit facility in 2021 to finance short-term working capital requirements and debt assumed with the acquisitions of Zenetex and HHB, Merger.

#### Income Tax Expense

We recorded income tax expense of \$8.3 million \$8.2 million and \$1.7 million \$8.3 million for the years ended December 31, 2021 December 31, 2022 and 2020, 2021, respectively, which represented effective income tax expense rates of 15.4% (134.6)% and 4.5% 15.4%, for the respective years. The increase in the effective income tax rate for the year ended December 31, 2021 December 31, 2022 compared to the year ended December 31, 2020 December 31, 2021 was due to increased non-deductible compensation, non-deductible transaction costs, foreign tax expenses, and state income tax expense which were partially offset by the year ended December 31, 2020 release of the prior year uncertain tax position balance of \$7.1 million relating to the and current year Foreign Derived Intangible Income (FDII) Deduction for the years 2018 through 2020, Deduction.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Liquidity

Historically, we have generated operating cash flow sufficient to fund our working capital, capital expenditures and financing requirements. We expect to fund our ongoing working capital, capital expenditure and financing requirements, and pursue additional growth through new business development and potential acquisition opportunities by using cash flows from operations, cash on hand, our credit facilities and access the issuance of equity and/or debt securities as appropriate given market conditions. Our future cash needs are expected to capital markets. When necessary we will utilize our revolving credit facility to satisfy short-term include cash for operating activities, working capital, requirements, capital expenditures, strategic investments, and periodic principal and interest payments on our debt.

If our cash flows from operations are less than we expect, we may need to access the long-term or short-term capital markets. Although we believe that our current financing arrangements will permit us to finance our operations on acceptable terms and conditions, our access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including: (i) our credit ratings or absence of a credit rating, (ii) the liquidity of the overall capital markets and (iii) the current state of the economy. We cannot provide assurance that such financing will be available to us on acceptable terms or that such financing will be available at all.

To date, COVID-19 has not had a significant impact on our liquidity, cash flows or capital resources. However, the continued spread of COVID-19 has also led to disruption and volatility in the global capital markets and global supply chain, which, depending on future developments, could impact our capital resources and liquidity in the future.

In addition, on March 27, 2020 The CARES Act, signed into law in March 2020 in response to the COVID-19 pandemic, President Trump signed into law the CARES Act, which provides for the provided a deferral of certain payroll tax payments. The CARES Act also contains numerous other provisions payments from which may benefit Vectrus we benefited by deferring cash outlays of \$16.8 million in 2020. This had the effect of increasing cash outlays for payroll taxes by \$8.1 million during the first quarter of 2022.

On the Closing Date, the outstanding debt from the Amended Term Loan and we continue to review ongoing government guidance on both the CARES Act Amended Revolver, \$50.2 million and COVID-19 to assess potential impacts on our liquidity \$40.0 million, respectively, was repaid, with proceeds from the First Lien Incremental Term Tranche credit facility, and capital resources.

In September 2014, we related guarantees and our wholly-owned subsidiary, VSC, entered into a credit agreement. The credit agreement was subsequently amended on December 24, 2020 liens were discharged and January 24, 2022 (See released. For additional discussion of the Company's indebtedness, see Note 18, "Subsequent Events" 10, Debt, in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further information on 10-K.

In conjunction with the January 2022 amendment,) Merger, V2X assumed first and is collectively referred to as the Amended Agreement. The Amended second lien debt of \$1,182.7 million and \$185.0 million, respectively. In addition, an ABL Credit Agreement consists of a term loan (Amended Term Loan) and a \$270.0 million revolving credit facility (Amended Revolver) as of December 31, 2021.

At December 31, 2021, there were \$50.0 million of outstanding borrowings under the Amended Revolver was assumed that were used provides for the December 31, 2021 acquisitions ABL Facility of Zenetex and HHB. At December 31, 2021, there were two up to an aggregate amount of \$200.0 million in the ABL Loans. The Vertex ABL Credit Agreement also provides for (i) a \$30.0 million sublimit of availability for letters of credit, outstanding and (ii) a \$10.0 million sublimit for short-term borrowings on a swingline basis. The Company voluntarily prepaid \$25.0 million of its second lien debt on December 30, 2022.

The Company recognized \$39.9 million of M&A-related costs that were expensed as incurred during 2022. These costs increased cash outlays for Merger related payments by \$45.8 million during the year.

The cash presented on our Consolidated Balance Sheets consists of U.S. and international cash from wholly-owned subsidiaries. Approximately \$25.5 million of our total \$116.1 million in the aggregate amount of \$2.7 million, which reduced our borrowing availability to \$217.3 million under the Amended Revolver. Vectrus had net debt, which is defined as total debt minus unrestricted cash of \$66.9 million and \$112.1 million as of December 31, 2021 December 31, 2022 is held by our foreign subsidiaries and December 31, 2020, respectively.

The Amendment Agreement includes an accordion feature that allows the Company is not available to draw up to an additional \$100.0 million subject to the lender's consent on the same terms and conditions as the existing commitments. The Amendment Agreement also permits the Company to borrow up to \$75.0 million in unsecured debt as long as the aggregated sum of both the unsecured debt and the accordion does not exceed \$100.0 million.

## Dividends

fund U.S. operations unless repatriated. We do not currently plan expect that we will

be required to pay repatriate undistributed earnings of foreign subsidiaries. We expect our U.S. domestic cash resources will be sufficient to fund our U.S. operating activities and cash commitments for financing activities.

## Subsequent Events: Debt Refinancing

On February 28, 2023, Vertex Aerospace Services Corp. (the "Borrower"), an indirect, wholly owned subsidiary of the Company, entered into a regular dividend credit agreement (the "Credit Agreement") among the lenders identified therein and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and letter of credit issuer. The Credit Agreement provides for \$750 million in senior secured financing, with a first lien on our common stock, substantially all the Borrower's assets, consisting of a \$500 million five-year Revolving Credit Facility and a five-year \$250 million Term Loan. The declaration proceeds of any future cash dividends and if declared, these Credit Facilities were used to, among other things, (i) repay a portion of the First Lien Credit Agreement, (ii) repay the entire outstanding amount of any such dividends, will depend upon our financial condition, earnings, capital requirements, financial covenants the Second Lien Credit Agreement, and other contractual restrictions and (iii) repay the discretion of our Board of Directors. In deciding whether to pay future dividends on our common stock, our Board of Directors may take into account such matters as general business conditions, industry practice, our financial condition and performance, our future prospects, our cash needs and capital investment plans, income tax consequences, applicable law and such other factors as our Board of Directors may deem relevant, entire outstanding ABL Credit Facility.

## Sources and Uses of Liquidity

Cash, accounts receivable, unbilled receivables, and accounts payable are the principal components of our working capital and are generally driven by our level of revenue with other short-term fluctuations related to payment practices by our customers and the timing of our billings. Our receivables reflect amounts billed to our customers, as well as the revenue that was recognized in the preceding month, which is normally billed the month following each balance sheet date.

The total amount of our accounts receivable can vary significantly over time and is sensitive to revenue levels and the timing of payments received from our customers. Days sales outstanding (DSO) is a metric used to monitor accounts receivable levels. The Company determines its DSO by calculating the number of days necessary to exhaust its ending accounts receivable balance based on its most recent historical revenue. Our DSO was 75.68 and 66.75 as of December 31, 2021 December 31, 2022 and 2020, 2021, respectively.

The following table sets forth net cash provided by (used in) provided by operating activities, investing and financing activities.

(In thousands)	(In thousands)	Year Ended December 31,			(In thousands)	Year Ended December 31,		
		2021	2020	2019		2022	2021	2020
Operating activities	Operating activities	\$ 61,339	\$ 64,081	\$ 27,557	Operating activities	\$ 93,495	\$ 61,339	\$ 64,081
Investing activities	Investing activities	(12,643)	(138,025)	(55,825)	Investing activities	175,958	(12,643)	(138,025)
Financing activities	Financing activities	(75,585)	105,774	(1,896)	Financing activities	(193,236)	(75,585)	105,774
Foreign exchange	Foreign exchange	(3,325)	1,579	(663)	Foreign exchange	1,337	(3,325)	1,579
Net change in cash	Net change in cash	\$ (30,214)	\$ 33,409	\$ (30,827)	Net change in cash	\$ 77,554	\$ (30,214)	\$ 33,409

Trends in our operating cash flows tend to follow trends in operating income, excluding non-cash charges and tax law changes such as the CARES Act. Net cash provided by operating activities was down slightly increased for the year ended December 31, 2021 December 31, 2022, as compared to the year ended December 31, 2020 December 31, 2021, due primarily to the \$13.2 million benefit Merger.

Net cash provided by operating activities for the year ended December 31, 2022 consisted of the CARES Act deferral cash inflows from non-cash income items of \$100.6 million and a decrease in 2020 net working capital requirements of \$47.7 million, partially offset by a net loss of \$14.3 million and cash outflows for other non-current assets and liabilities of \$40.5 million.

Net cash provided by operating activities for the year ended December 31, 2021, consisted of net income of \$45.7 million, and non-cash items of \$25.9 million and a favorable net changes decrease in net working capital requirements of \$3.1 million, partially offset by net changes in cash outflows deferred taxes of \$7.3 million and other non-current liabilities assets and non-current assets liabilities of approximately \$6.1 million.

Net cash provided by operating activities for the year ended December 31, 2020, consisted of net income of \$37.0 million and non-cash items of \$17.9 million, favorable net changes in net working capital of \$5.8 million, and favorable changes in other long-term assets of approximately \$3.4 million. Tax Deferrals related to the CARES Act contributed \$13.2 million to our cash flows from operating activities.

Net cash used in investing activities for the year ended December 31, 2021, December 31, 2022 consisted of \$9.8 million \$193.7 million of cash acquired in the Merger. This was partially offset by \$12.4 million of net capital expenditures for the purchase of computer hardware and software, and equipment related to ongoing operations and \$5.3 million of cash disbursed in a business disposition.

Net cash used in investing activities for the year ended December 31, 2021 consisted of \$9.8 million of net capital expenditures for the purchase of computer hardware and software, intangible assets, and equipment and \$3.1 million for a joint venture contribution. These outflows were partially offset by inflows from a \$0.3 million business acquisition purchase price adjustment.

Net cash used in investing activities for the year ended December 31, 2020, consisted of \$133.6 million for the acquisition of Zenetex and HHB and \$4.4 million of net capital expenditures for the purchase of computer hardware and software, intangible assets, and equipment.

Net cash used by financing activities during the year ended December 31, 2022 consisted of repayments of long-term debt of \$108.4 million, payment of debt issuance costs of \$2.3 million and payments of \$2.0 million for employee withholding taxes on share-based compensation. During 2022, we also borrowed and repaid \$392.0 million and \$472.9 million, respectively, on the Amended Revolver. These cash outflows were partially offset by \$0.4 million received from the exercise of stock options.

Net cash used in financing activities during the year ended December 31, 2021, consisted of net repayments on the Amended Revolver of \$65.0 million, \$65.0 million, long-term debt payments of \$8.6 million, and payments of \$2.4 million for employee withholding taxes on share-based compensation. This was partially offset by \$0.4 million received from the exercise of stock options.

Net cash provided in financing activities during the year ended December 31, 2020, consisted of net borrowings from the Amended Revolver of \$115.0 million to meet short-term working capital requirements and for the acquisitions of Zenetex and HHB and \$0.1 million in cash received from the exercise of stock options, partially offset by repayments of long-term debt of \$6.5 million, debt issuance costs of \$0.8 million, and payments related to employee withholding taxes on share-based compensation of \$2.0 million.

## Capital Resources

At December 31, 2021 As of December 31, 2022, we held cash and cash equivalents of \$38.5 million \$116.1 million, which included \$13.6 million \$25.5 million held by foreign subsidiaries and had \$217.3 million \$184.4 million of available borrowing capacity under the Amended Revolver ABL Facility, which expires on November 15, 2023. June 29, 2026. We believe that our cash at December 31, 2021 as of December 31, 2022, as supplemented by cash flows from operations and the Amended Revolver, our credit facilities, will be sufficient to fund our anticipated operating costs, capital expenditures and current debt repayment obligations for at least the next 12 months.

We have a shelf registration statement with the SEC that became effective in January 2020 under which we may issue, from time to time, up to \$250 million of common stock, preferred stock, depository shares, warrants, rights and debt securities. While it will expire in January 2023, we expect to renew it before expiration. If necessary, we may seek to obtain additional term loans or issue debt or equity under the registration statement to supplement our working capital and investing requirements or to fund acquisitions. A financing transaction may not be available on terms acceptable to us, or at all, and a financing transaction may be dilutive to our current stockholders.

## Contractual Obligations

Our commitments to make future payments under long-term contractual obligations were as follows, as of December 31, 2021 December 31, 2022:

(In thousands)	Payments Due in Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating leases	\$ 51,996	\$ 13,198	\$ 20,990	\$ 7,645	\$ 10,163
Principal payments on Amended Term Loan	55,400	10,400	45,000	—	—
Principal payments on Amended Revolver	50,000	—	50,000	—	—
Interest on Amended Term Loan and Amended Revolver <sup>1</sup>	5,348	2,952	2,396	—	—
<b>Total</b>	<b>\$ 162,744</b>	<b>\$ 26,550</b>	<b>\$ 118,386</b>	<b>\$ 7,645</b>	<b>\$ 10,163</b>

<sup>1</sup> Includes unused funds fee and is based on the December 31, 2021 interest rate and outstanding Amended Revolver balance

(In thousands)	Payments Due in Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating leases	\$ 65,603	\$ 19,588	\$ 22,313	\$ 12,437	\$ 11,265
Principal payments on Vertex First Lien Credit Agreements <sup>1</sup>	1,176,763	11,850	23,700	23,700	1,117,513
Principal payments on Vertex Second Lien Credit Agreement <sup>1</sup>	160,000	—	—	—	160,000
Interest on Vertex First and Second Lien Credit Agreements	688,689	115,603	228,636	222,872	121,578
<b>Total</b>	<b>\$ 2,091,055</b>	<b>\$ 147,041</b>	<b>\$ 274,649</b>	<b>\$ 259,009</b>	<b>\$ 1,410,356</b>

<sup>1</sup> Includes unused funds fee and is based on the December 31, 2022 interest rate and outstanding Credit Agreement balance

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from management's estimates under different assumptions or conditions.

Significant accounting policies used in the preparation of the Consolidated Financial Statements are discussed in Note 1, "Description of Business and Summary of Significant Accounting Policies", in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K. We believe that the assumptions and

estimates associated with revenue recognition, business combinations, goodwill impairment, assessments, intangible assets and income taxes have the greatest potential impact on our financial statements because they are inherently uncertain, involve significant judgments, and include areas where different estimates reasonably could materially impact the financial statements. These We discuss below significant critical accounting policies are discussed in this section, policies. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from management's estimates under different assumptions or conditions.

#### Revenue Recognition

We account for revenue following the guidance in Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606). As a defense contractor engaging in long-term contracts, substantially all of our revenue is derived from long-term service contracts. The unit of account for revenue in ASC Topic 606 is a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To determine the proper revenue recognition method, consideration is given as to whether a single contract should be accounted for as more than one performance obligation. For most of our contracts, the customer contracts with us to perform an integrated set of tasks and deliverables as a single service solution, whereby each service is not separately identifiable from other promises in the contract and therefore is not distinct. As a result, when this an integrated set of tasks exists, the contract is accounted for as one performance obligation. Unexercised contract options and IDIQ contracts are considered to be separate performance obligations when the option or IDIQ task order is exercised or awarded. Our performance obligations are satisfied over time as services are provided throughout the contract term. We recognize revenue over time using the input method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress. Our over time recognition is reinforced by the fact that our customers simultaneously receive and consume the benefits of our services as they are performed.

Accounting for contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For contracts, we estimate the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract. When the estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, total revenue to be earned on the contract, a provision for the entire loss is determined at the contract level and recognized in the period in which the loss was determined.

Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability, the complexity of the services being performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer.

The nature of our contracts gives rise to several types of variable consideration, including award and incentive fees, inspection of supplies and services, undefinitized change orders, and fluctuation in allowable indirect reimbursable costs. We include award or incentive fees in the estimated transaction price when there is certainty and a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and our best judgment at the time. The inspection of supplies and services is a factor because the U.S. government can reduce the transaction price if we do not perform the services in compliance with contract requirements. Variable consideration associated with undefinitized change orders is included to the extent that related estimated costs have been included in the expected costs to complete a contract. The fluctuation of allowable indirect reimbursable costs is a factor because the U.S. government has the right to review our accounting records and retroactively adjust the reimbursable rate. Any prior adjustments are reflected in the U.S. government reserve amounts recorded in our financial statements. We estimate variable consideration at the most likely amount that we expect to be entitled to receive. Refer to Note 15, "Commitments and Contingencies" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion regarding U.S. government reserve amounts.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract estimates regularly. We recognize adjustments in estimated profit on executed contracts cumulatively. The impact of the adjustments on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. If the modification either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations, the modification will be treated as a separate contract. Our contract modifications, except for those to exercise option years, have historically not been distinct from the existing contract and have been accounted for as if they were part of that existing contract.

The timing of revenue recognition, billings and cash collections results in billed and unbilled accounts receivable (contract assets) and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. Amounts are billed as work progresses in accordance with agreed-upon contractual terms at periodic intervals (e.g., biweekly or monthly). Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we may receive advances or deposits from our customers, before revenue is recognized, resulting in contract liabilities. These advance billings and payments are not considered significant financing components because they are frequently intended to fund current operating expenses under the contract. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period.

See Note 1, "Description of Business and Summary of Significant Accounting Policies" and Note 4, "Revenue" in the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

#### Business Combinations, Goodwill and Other Intangible Assets

The purchase price of an acquired business is allocated to the tangible assets, financial assets and separately recognized intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires significant judgment, which includes, among other factors, analysis of historical performance and estimates of future performance. These factors may cause final amounts to differ materially from original estimates. In some cases, we use discounted cash flow analyses, which are based on our best estimate of future revenue, earnings and cash flows as well as our discount rate adjusted for risk.

Goodwill is not amortized, but instead is tested for impairment annually (or more frequently if impairment indicators arise, such as changes to the reporting unit structure or significant adverse changes in the business climate). We conduct our annual impairment testing as of the beginning of the fourth fiscal quarter. In reviewing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If

we elect to perform a qualitative assessment and determine that an impairment is more likely than not, we then perform a quantitative impairment test as described below. Otherwise, no further analysis is required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

For the quantitative impairment test we compare the estimated fair value of a reporting unit to its carrying value, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of the reporting unit, including goodwill, exceeds its estimated fair value, a goodwill impairment loss is recognized in an amount equal to that excess limited to the total amount of goodwill allocated to that reporting unit while taking into consideration the related income tax effect from any tax-deductible goodwill.

For 2021 2022 and 2020, 2021, we used the qualitative approach to assess goodwill for impairment. No impairment charges related to goodwill were recorded during 2021 2022 and 2020, 2021.

We recognize acquired intangible assets apart from goodwill whenever the intangible assets arise from contractual or other legal rights, or whenever they can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized over their estimated useful lives unless the estimated useful life is determined to be indefinite. Amortizable intangible assets are being amortized over useful lives of four to eight years. The straight-line method of amortization is used as it has been determined to approximate the use pattern of the assets.

#### Income Taxes

We determine the provision or benefit for income taxes using the asset and liability approach. Under this approach, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse. Based on the evaluation of available evidence, we recognize future tax benefits, such as net operating loss carryforwards, to the extent that we believe it is more likely than not we will realize these benefits. We periodically assess the likelihood that we will be able to recover our deferred tax assets and reflect any changes to our estimate of the amount we are more likely than not to realize in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss), as appropriate.

Our effective tax rate reflects the impact of certain undistributed foreign earnings for which we have not recognized U.S. taxes because we plan to reinvest such earnings indefinitely outside the U.S. We plan foreign earnings remittance amounts based on projected cash flow needs, as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we will distribute to the U.S. and recognize the U.S. federal taxes due only on these amounts. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our actual remittance amounts and, accordingly, our effective tax rate.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. Furthermore, we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We adjust our liability for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional tax expense would result. If a payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary to be provided.

#### New Accounting Standards Updates

See Part II, Item 8, Note 2, "Recent Recent Accounting Standards Updates" Updates, in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for information regarding accounting standards updates.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings, cash flows and financial position are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. All of the potential changes noted below are based on information available at December 31, 2021 as of December 31, 2022.

##### Interest Rate Risk

Each one percentage point change associated with the variable rate Amended Term Loan Vertex First Lien Credit Agreement and Vertex Second Lien Credit Agreement would result in a \$0.1 million \$13.4 million change in our related annual cash interest expenses, net of the interest rate swaps in place as of December 31, 2021, to hedge a portion of this risk. expenses.

Assuming our Amended Revolver ABL Facility was fully drawn to a principal amount equal to \$270 million \$200.0 million, each one percentage point change in interest rates would result in a \$2.7 million \$2.0 million change in our annual cash interest expense.

As of December 31, 2021, in the notional value of our past, we entered into interest rate swap agreements totaled \$41.8 million. The difference derivative instruments to be paid or received under the terms manage our exposure to interest rate risk related to our Amended Term Loan. On June 29, 2022, in conjunction with our planned extinguishment of the related hedged debt interest expense, we terminated our remaining interest rate swap agreements is accrued swaps that were designated and qualified as interest rates change and recognized as an adjustment to interest expense for the related debt in the period incurred. Changes in the variable interest rates to be paid pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future effective cash flows. Refer to flow hedges. For additional information regarding our derivative instruments, see Note 11, "Derivative Derivative Instruments," in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our interest rate swaps..

##### Foreign Currency Exchange Risk

The majority of our business is conducted in U.S. dollars. However, we are required to transact in foreign currencies for some of our contracts, resulting in some assets and liabilities denominated in foreign currencies. Therefore, As a result, our earnings may experience some volatility related to movements in foreign currency exchange rates. We enter in the past, we entered into forward foreign exchange contracts to buy or sell various foreign currencies to selectively protect against volatility in the value of non-functional

currency denominated monetary assets and liabilities. As of December 31, 2021, the U.S. dollar notional value of our outstanding foreign currency forward exchange contracts was approximately \$0.5 million. The net fair value of these contracts at December 31, 2021 was a liability of less than \$0.1 million.

We perform a sensitivity analysis to determine the effects that market risk exposures may have on the fair values of our forward foreign currency exchange contracts. To perform the sensitivity analysis, we assess the risk of loss in fair values from the effect of hypothetical changes in foreign currency exchange rates. This analysis assumes a like movement by the foreign currencies in our hedge portfolio against the U.S. dollar. As of December 31, 2021, a 5% appreciation in the value impact of the U.S. dollar would have related contracts on our Consolidated Statements of Income and our Consolidated Balance Sheets was immaterial and related hedging was discontinued. Our forward contracts expired in January 2022 and no appreciable impact to the fair value such contracts are outstanding as of our derivative portfolio. December 31, 2022.

For additional information on our interest rate and foreign currency hedge contracts, refer to Note 11, "Derivative Instruments," in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See Index to Consolidated Financial Statements herein.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

#### **ITEM 9A. CONTROLS AND PROCEDURES**

##### ***Evaluation of Disclosure Controls and Procedures***

The Company's management, with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2021 December 31, 2022. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021 December 31, 2022, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to management to allow timely decisions regarding required disclosure.

##### ***Changes in Internal Control over Financial Reporting***

As discussed in Part I, Item 1, "Business" of this Annual Report on Form 10-K, the Company completed the Merger with Vertex on July 5, 2022. As permitted by interpretive guidance for newly acquired businesses issued by the SEC Staff, management has excluded the internal control over financial reporting (ICFR) of Vertex and its consolidated subsidiaries from the evaluation of the Company's effectiveness of its disclosure controls and procedures as of December 31, 2022. Since the date of Merger, Vertex's financial results are included in the Company's Consolidated Financial Statements. Total assets, excluding goodwill and intangible assets, and revenues of Vertex that were excluded from management's assessment constitute 45.1% of the Company's consolidated total assets, excluding goodwill and intangible assets as of December 31, 2022 and 31.4% of consolidated total revenues for the year ended December 31, 2022. As part of our post-closing integration activities, we are engaged in the process of assessing the internal controls. The Company has begun to integrate policies, processes, people, technology and operations for the post-acquisition combined company, and it will continue to evaluate the impact of any related changes to ICFR.

Other than the items discussed above, there were no changes in our internal control over financial reporting ICFR that occurred during the quarter year ended December 31, 2021 December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting ICFR.

##### ***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, ICFR, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal

control over financial reporting ICFR based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on this evaluation, management concluded that our internal control over financial reporting ICFR was effective as of December 31, 2021 December 31, 2022. Management reviewed the results of its assessment with our Audit Committee.

The effectiveness of the Company's internal control over financial reporting ICFR as of December 31, 2021 December 31, 2022 was audited by Deloitte & Touche RSM US LLP, an independent registered public accounting firm, as stated in their report included herein.

##### ***Limitations on Effectiveness of Controls and Procedures***

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there may be resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

#### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM Report of Independent Registered Public Accounting Firm**

To the shareholders Shareholders and the Board of Directors of Vectrus, V2X, Inc.

## Opinion on the Internal Control over Over Financial Reporting

We have audited the V2X, Inc.'s (the Company) internal control over financial reporting of Vectrus, Inc. and subsidiaries (the "Company") as of December 31, 2021 December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, the related consolidated statements of (loss) income, comprehensive (loss) income, changes in shareholders' equity and cash flows for the year ended December 31, 2022, and the related notes to the consolidated financial statements of the Company and our report dated March 2, 2023, expressed an unqualified opinion.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Vertex Aerospace Services Holding Corp. from its assessment of internal control over financial reporting as of December 31, 2022, because it was acquired by the Company in a purchase business combination in the third quarter of 2022. We have also excluded Vertex Aerospace Services Holding Corp. from our audit of internal control over financial reporting. Vertex Aerospace Services Holding Corp. is a wholly owned subsidiary whose total assets, excluding goodwill and intangible assets, and revenues represent approximately 45.1% and 31.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021 of the Company and our report dated March 7, 2022, expressed an unqualified opinion on those financial statements, December 31, 2022.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control over Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche RSM US LLP

Denver, Colorado McLean, Virginia  
March 7, 2022, 2023

### ITEM 9B. OTHER INFORMATION

On and effective February 24, 2021, the Compensation and Personnel Committee of the Board of Directors of the Company approved and adopted an amended and restated Special Senior Executive Severance Pay Plan (the "Amended Plan")~~None~~. The Amended Plan (i) increases the multiples for two executive positions from 1.5x to 2x and adds an executive position entitled to severance; (ii) changes the timing of severance payments owed to an eligible recipient from installments over time to a single lump sum payment payable within 30 days following termination; (iii) amends the definitions of termination for "Good Reason," to include any decrease in incentive compensation by a buyer, and termination for "Cause," to eliminate discretion by a buyer; (iv) provides for the payment of the employer and employee portions of healthcare premiums for continuing health care coverage; and (v) makes certain other editorial edits.

The foregoing summary of the Amended Plan does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Plan, attached hereto as Exhibit 10.27 and incorporated herein by reference.

### ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

### PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 is incorporated herein by reference to the definitive proxy statement for the Company's 2022 2023 Annual Meeting of Shareholders (the 2023 Proxy Statement) to be filed within 120 days after the Company's fiscal year ended December 31, 2021 December 31, 2022 pursuant to Regulation 14A of the Exchange Act, except that the information called for by Item 10 with respect to executive officers is set forth in Part I, Item 1, "Business" in this Annual Report on Form 10-K.

The Company filed with the SEC, as exhibits to this Annual Report on Form 10-K, the certifications required under Section 302 of the Sarbanes-Oxley Act for its Chief Executive Officer and Chief Financial Officer.

**ITEM 11. EXECUTIVE COMPENSATION**

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referred to in Item 10, 2023 Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referred to in Item 10, 2023 Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information called for by Item 13 is incorporated herein by reference to the definitive proxy statement referred to in Item 10, 2023 Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTING ACCOUNTANT FEES AND SERVICES**

The information called for by Item 14 regarding our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34), is incorporated herein by reference to the definitive proxy statement referred to in Item 10, 2023 Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as a part of this report:

1. See Index to Consolidated Financial Statements appearing on page F-1 for a list of the financial statements filed as a part of this report.
2. Exhibits

2.1 [Agreement and Plan of Merger, dated as of March 7, 2022, by and among Vectrus, Inc., Vertex Aerospace Services Holding Corp., Andor Merger Sub LLC and Andor Merger Sub Inc. \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 7, 2022\)†](#)

2.2 [Share Purchase Agreement, dated as of December 28, 2020, among Vectrus Systems Corporation, Zenetex LLC, ZTX Holdings, LLC, and the persons named on the signature pages thereto \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 29, 2020\)](#)

3.1 [Second Amended and Restated Articles of Incorporation of Vectrus, V2X, Inc. \(incorporated by reference to Exhibit 3.1 to Vectrus, Inc.'s the Company's Current Report on Form 8-K filed on May 22, 2019 July 5, 2022\)](#)

3.2 [Second Amended and Restated By-laws Bylaws of Vectrus, V2X, Inc. \(incorporated by reference to Exhibit 3.2 to Vectrus, Inc.'s the Company's Current Report on Form 8-K filed on May 22, 2019 July 5, 2022\)](#)

4.1 [Shareholders Agreement, dated as of July 5, 2022, by and among Vectrus, Inc. and the shareholders that are party thereto \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 5, 2022\)†](#)

4.2 [Registration Rights Agreement, dated as of July 5, 2022, by and among Vectrus, Inc. and the shareholders that are party thereto \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 5, 2022\)†](#)

4.3 [Description of the Company's securities+ Company's securities +](#)

10.1 [Management Services Agreement, dated as of July 5, 2022, by and between Vectrus, Inc. and AIP, LLC \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 5, 2022\)](#)

10.2 [Amendment No. 2, dated as of January 24, 2022, by and among Vectrus, Inc., an Indiana corporation, as Holdings, Vectrus Systems Corporation, a Delaware corporation, as the Borrower, the other Loan Parties party thereto, the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 27, 2022\)](#)

10.3 [Guaranty of Lease, dated September 30, 2021, by Vectrus Systems Corporation \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 6, 2021\)](#)

10.4 [Distribution Agreement by and between Vectrus, Inc. and Exelis Inc. dated as of September 25, 2014 \(incorporated by reference to Exhibit 2.1 of Exelis Inc.'s Current Report on Form 8-K filed on September 29, 2014 \(CIK No. 1524471, File No. 1-35228\)\)](#)

10.2 [Employee Matters Agreement by and between Exelis Inc. and Vectrus, Inc. dated as of September 25, 2014 \(incorporated by reference to Exhibit 10.1 of Exelis Inc.'s Form 8-K Current Report filed on September 29, 2014 \(CIK No. 1524471, File No. 1-35228\)\)\\*](#)

10.3 [Tax Matters Agreement between Vectrus, Inc. and Exelis Inc. dated as of September 25, 2014 \(incorporated by reference to Exhibit 10.2 of Exelis Inc.'s Form 8-K Current Report filed on September 29, 2014 \(CIK No. 1524471, File No. 1-35228\)\)](#)

10.4 10.5 [Technology License Agreement between Vectrus, Inc. and Exelis Inc. dated as of September 25, 2014 \(incorporated by reference to Exhibit 10.5 of Exelis Inc.'s Form 8-K Current Report filed on September 29, 2014 \(CIK No. 1524471, File No. 1-35228\)\)](#)

10.5 10.6 [Stock Purchase First Lien Credit Agreement, dated as of January 23, 2018 the December 6, 2021 \(as amended by Amendment No 1, dated as of July 5, 2022\), by and among R&R Enterprises, Inc, Vertex Aerospace Service Corp., SENTEL Corporation, Vectrus Systems Corporation Vertex Aerospace Intermediate LLC, the lenders from time to time party thereto and Russell T. Wright Royal Bank of Canada, as administrative agent \(incorporated by reference to Exhibit 10.1 of Vectrus, Inc.'s 10.3 to the Company's Current Report on Form 8-K filed on January 23, 2018 July 5, 2022\)](#)

10.6 10.7 [Second Lien Credit Agreement, dated as of December 6, 2021, by and among Vertex Aerospace Service Corp., Vertex Aerospace Intermediate LLC, the lenders from time to time party thereto and Royal Bank of Canada, as administrative agent \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on July 5, 2022\)](#)

10.8 [ABL Credit Agreement, dated as of June 29, 2018 \(as amended by the First Amendment to ABL Credit Agreement, dated as of May 17, 2019, as further amended by the Second Amendment to ABL Credit Agreement, dated as of May 17, 2021, and as further amended by the Third Amendment to ABL Credit Agreement, dated as of December 6, 2021, as further amended by the Fourth Amendment to ABL Credit Agreement, dated as of July 5, 2022\), by and among Vertex Aerospace Service Corp., Vertex Aerospace Intermediate LLC, certain other subsidiaries of Vertex Borrower from time to time party thereto as co-borrowers, the lenders from time to time party thereto and Ally Bank, as administrative agent \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on July 5, 2022\)](#)

10.9 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 5, 2022\) \\*](#)

10.10 [Amended and Restated Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 19, 2022\)\\*](#)

10.11 [Prow Letter Agreement, dated November 30, 2016, between Vectrus, Inc. the Company and Charles L. Prow \(incorporated by reference to Exhibit 10.01 to Vectrus Inc.'s the Company's Current Report on Form 8-K filed on December 6, 2016\)\\*](#)

10.7 [Description of Housing Allowance for Charles L. Prow \(incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 filed on May 9, 2017\)\\*](#)

10.8 [Moline Letter Agreement, dated August 25, 2015, between Vectrus, Inc. and Rene J. Moline \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on April 3, 2017\)\\*](#)

10.9 [Separation Agreement and Complete Release of Liability, dated June 12, 2017, between Vectrus Systems Corporation and Rene J. Moline \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on June 12, 2017\)\\*](#)

10.10 [Separation Agreement and Complete Release of Liability, dated June 30, 2017, between Vectrus Systems Corporation and Kelvin R. Coppock \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on June 30, 2017\)\\*](#)

10.11 [Leonard Employment Letter, dated March 9, 2017, between Vectrus, Inc. and Kevin A. Leonard \(incorporated by reference to Exhibit 10.2 to Vectrus, Inc.'s Current Report on Form 8-K filed on April 3, 2018\)\\*](#)

10.12 [Deagle Employment Letter, dated March 13, 2017, between Vectrus, Inc. and Susan L. Deagle \(incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on April 3, 2018\)\\*](#)

10.13 [Separation Agreement and Complete Release of Liability, dated November 5, 2018, between Vectrus Systems Corporation and Michele L. Tyler \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on November 9, 2018\)\\*](#)

10.14 [Hathaway Employment Letter, dated September 4, 2017 between Vectrus, Inc. and David A. Hathaway \(incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on March 14, 2019\)\\*](#)

10.15 [Lynch Letter Agreement, dated July 7, 2019 between Vectrus, Inc. and Susan D. Lynch \(incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on August 5, 2019\)\\*](#)

10.14 [Boyle Letter Agreement, dated October 3, 2018 between the Company and Kevin T. Boyle \\*](#)

10.15 [Shreves Letter Agreement, dated September 29, 2017 between the Company and Kenneth W. Shreves\\*](#)

10.16 [Description Separation Agreement and Complete Release of Vectrus, Inc. Non-Management Director Annual Compensation \(effective May 12, 2017\) \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on May 16, 2017\)\\* Liability, dated January 6, 2023 between the Company and John E. Boyington\\*](#)

10.17 [Description of Vectrus, Inc. Non-Management Director Annual Compensation \(effective May 18, 2018\) \(incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on May 22, 2018\)\\*](#)

<a href="#">10.18</a>	<a href="#">Credit Agreement by and among Vectrus, Inc., Exelis Systems Corporation, as the Borrower, the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated September 17, 2014 (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on September 19, 2014)</a>
<a href="#">10.19</a>	<a href="#">Amendment No. 1 to Credit Agreement by and among Vectrus, Inc., Vectrus Systems Corporation, as the Borrower, the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of April 19, 2016 (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on April 20, 2016)</a>
<a href="#">10.20</a>	<a href="#">Amendment and Restatement Agreement among Vectrus, Inc., Vectrus Systems Corporation, as the Borrower, the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of November 15, 2017 (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on November 15, 2017)</a>
<a href="#">10.21</a>	<a href="#">Form of Indemnification Agreement for Directors of Vectrus, Inc. (incorporated by reference to Exhibit 10.10 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014)*</a>
<a href="#">10.22</a>	<a href="#">Vectrus, Inc. 2014 Omnibus Incentive Plan (As Amended and Restated as of May 7, 2020) (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on May 13, 2020)*</a>
<a href="#">10.23</a>	<a href="#">Vectrus, Inc. Annual Incentive Plan, as amended and restated as of January 1, 2016 (incorporated by reference to Exhibit 10.17 to Vectrus, Inc.'s Annual Report on Form 10-K filed on March 15, 2016)*</a>
<a href="#">10.24</a>	<a href="#">Vectrus, Inc., Annual Incentive Plan for Executive Officers (As Amended and Restated as of January 1, 2016) (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on May 16, 2016)*</a>
<a href="#">10.25</a>	<a href="#">Vectrus Systems Corporation Excess Savings Plan (incorporated by reference to Exhibit 10.15 to Vectrus, Inc.'s the Company's Annual Report on Form 10-K filed on March 16, 2015)*</a>
<a href="#">10.26</a>	<a href="#">10.18 Vectrus, Inc. Severance Plan, as amended and restated as of October 6, 2015 (incorporated by reference to Exhibit 10.2 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.27</a>	<a href="#">10.19 Vectrus, Inc. Special Senior Executive Severance Pay Plan, as amended and restated as of February 24, 2021+ (incorporated by reference to Exhibit 10.27 to Vectrus, Inc.'s Annual Report on Form 10-K filed on March 7, 2022)*</a>
<a href="#">10.28</a>	<a href="#">10.20 Vectrus, Inc. Senior Executive Severance Pay Plan, as Amended and Restated as of November 9, 2016 (incorporated by reference to Exhibit 10.01 to Vectrus, Inc.'s Current Report on Form 8-K filed on November 10, 2016)*</a>
<a href="#">10.29</a>	<a href="#">10.21 Form of Vectrus, V2X, Inc. Second Amended and Restated 2014 Omnibus Incentive Plan - Restricted Stock Unit Award Agreement - Non-Management Director (Stock Settled) (incorporated by reference to Exhibit 10.20 Appendix A to Vectrus, Inc.'s Quarterly Report the Company's Definitive Proxy Statement on Form 10-Q Schedule 14A filed on November 10, 2014 September 13, 2022)*</a>
<a href="#">10.30</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Stock Unit Agreement - General Grant - Stock Settled (incorporated by reference to Exhibit 10.21 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014)*</a>
<a href="#">10.31</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Unit Agreement - General Grant - Cash Settled (incorporated by reference to Exhibit 10.22 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014)*</a>
<a href="#">10.32</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Nonqualified Stock Option Award Agreement - General Grant (incorporated by reference to Exhibit 10.23 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014)*</a>
<a href="#">10.33</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Stock Unit Agreement - 2013 TSR Replacement Grant - Stock Settled (incorporated by reference to Exhibit 10.24 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2014)*</a>
<a href="#">10.34</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - TSR Award Agreement (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on March 5, 2015)*</a>
<a href="#">10.35</a>	<a href="#">Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Stock Unit Award Agreement - Non-Management Director (Stock Settled) (for awards on or after October 6, 2015) (incorporated by reference to Exhibit 10.7 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.36</a>	<a href="#">10.23 Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Stock Unit Agreement - General Grant - Stock Settled (for awards on or after October 6, 2015) (incorporated by reference to Exhibit 10.8 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.37</a>	<a href="#">10.24 Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Restricted Stock Unit Agreement - General Grant - Cash Settled (for awards on or after October 6, 2015) (incorporated by reference to Exhibit 10.9 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.38</a>	<a href="#">10.25 Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - Nonqualified Stock Option Award Agreement - General Grant (for awards on or after October 6, 2015) (incorporated by reference to Exhibit 10.10 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.39</a>	<a href="#">10.26 Form of Vectrus, Inc. 2014 Omnibus Incentive Plan - TSR Award Agreement (for awards on or after October 6, 2015) (incorporated by reference to Exhibit 10.11 to Vectrus, Inc.'s Quarterly Report on Form 10-Q filed on November 4, 2015)*</a>
<a href="#">10.40</a>	<a href="#">10.27 Description of Non-Management Director Annual Compensation (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on May 11, 2021)*</a>

10.41	<a href="#">Guaranty of Lease, dated September 30, 2021, by Vectrus Systems Corporation (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on October 6, 2021)</a>
10.42	<a href="#">Amendment No. 2, dated as of January 24, 2022 by and among Vectrus, Inc., an Indiana corporation, as Holdings, Vectrus Systems Corporation, a Delaware corporation, as the Borrower, the other Loan Parties thereto, the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on January 27, 2022)</a>
10.43	<a href="#">Agreement and Plan of Merger, dated as of March 7, 2022, by and among Vectrus, Inc., Vertex Aerospace Services Holding Corp., Andor Merger Sub LLC and Andor Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on March 7, 2022)</a>
10.44	<a href="#">Form of Shareholders Agreement by and among Vectrus, Inc. and the shareholders that are party thereto (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on March 7, 2022) May 11, 2021)*</a>
10.45 10.28	<a href="#">Form of Registration Rights replacement Restricted Unit Agreement by and among under the Vectrus, Inc. and the shareholders that are party thereto (incorporated by reference to Exhibit 10.2 to Vectrus, Inc.'s Current Report on Form 8-K filed on March 7, 2022) 2014 Omnibus Incentive Plan *</a>
21	<a href="#">Subsidiaries of the Company</a> +
23	<a href="#">Consent of RSM US LLP</a> +
23.1	<a href="#">Consent of Deloitte &amp; Touche LLP</a> +
31.1	<a href="#">Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> +
31.2	<a href="#">Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> +
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference</a> +
32.2	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference</a> +

101 The following materials from [Vectrus, V2X, Inc.](#)'s Annual Report on Form 10-K for the fiscal year ended [December 31, 2019](#) [December 31, 2022](#), formatted in [XBRL](#) ([Extensible](#) [Inline](#) [Extensible](#) [Business](#) [Reporting](#) [Language](#) [Language](#) ("[Inline XBRL](#)"): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Shareholders' Equity, and (vi) Notes to Consolidated Financial Statements.#

104 Cover Page Interactive Data File (formatted as [Inline XBRL](#) and contained in Exhibit 101) #

\* Indicates management contract or compensatory plan or arrangement.

+ Indicates this document is filed as an exhibit herewith.

# Submitted electronically with this report.

The Company's Commission File Number for Reports on Form 10-K, Form 10-Q and Form 8-K is 001-36341.

(b) Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the Consolidated Financial Statements filed as part of this report.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**VECTRUS, V2X, INC.**

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Note 17. Shareholders' Equity	<a href="#">F-32</a> <a href="#">F-35</a>
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#### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM Report of Independent Registered Public Accounting Firm**

To the ~~shareholders~~ Shareholders and the Board of Directors of Vectrus, V2X, Inc.

##### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets sheet of Vectrus, V2X, Inc. and subsidiaries (the "Company" "Company") as of December 31, 2021 and December 31, 2022, the related consolidated statements of (loss) income, comprehensive (loss) income, shareholders' shareholders' equity and cash flows, for each of the three years in the period year then ended, December 31, 2021, and the related notes (collectively, referred to as the "financial statements" financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period year then ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021 December 31, 2022, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 7, 2022, March 2, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

##### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide audit provides a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Revenue Recognition — Refer to

As described in Notes 1, 4 and 4 to 5 of the consolidated financial statements,

#### Critical Audit Matter Description

The Company recognizes revenue derived from contracts over time. For the year ended December 31, 2022, revenue was \$2,890.9 million. Accounting for contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For contracts, management estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability, the complexity of the services being performed, the cost and availability of materials, the performance of subcontractors, and negotiations with the customer on contract modifications. For the year ended December 31, 2021, revenue was \$1,784 million.

We have identified the assessment of the total estimated costs to complete a contract in order to accurately recognize the associated revenue on contracts in process as a critical audit matter because of the significant assumptions necessary to estimate total management makes in determining the costs and revenue for revenues related to the performance obligations. This required extensive Auditing management's judgments related to Company's contracts involves a high degree of auditor judgment and increased audit effort due to the volume and complexity of contracts and required a high degree of auditor judgment when performing audit procedures to audit management's estimates and the assumptions related to total costs revenue and revenue, costs.

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#### How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of total costs revenue and revenue costs for the performance obligations used to recognize revenue included the following, among others:

- We obtained an understanding of the relevant controls related to revenue recognition and costs and tested such controls for design and operating effectiveness, of controls over contract revenue, including management's controls over the estimation of total contract costs and revenue for performance obligations, to be incurred to complete uncompleted contracts.
- We developed an expectation of revenue and compared it to the recorded balance.
- We selected a sample of contracts and performed the following for each contract:
  - Evaluated whether the contract was properly included in management's calculation of contract revenue based on the terms and conditions, of each contract, including whether the customers simultaneously receive and consume the benefits of the Company's services.
  - Evaluated the Company's identification of performance obligations by evaluating whether the services to be performed under the contract were capable of being distinct or an integrated set of tasks and deliverables as a single solution.
  - Compared the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any contract, including all executed contract modifications that were agreed upon with the customers.
  - Tested management's identification of distinct performance obligations by evaluating whether the underlying services were an integrated set of tasks and deliverables as a single service solution, as well as the impact of contract modifications.
  - Tested the accuracy and completeness of the costs incurred to date for the performance obligation.
  - Evaluated the estimates of total cost revenue and revenue costs for the performance obligation by:
    - Comparing costs incurred to date to the costs management estimated to be incurred to date, obligations as follows:
      - Comparing management's estimates for the selected contracts to costs and revenue of similar performance obligations, when applicable, as well as current contractual requirements.
    - Developing an independent expectation of management's estimated cost based upon historical labor efforts and compared it to the estimated cost prepared by management.
    - Selecting a sample of items representing contractual consideration and agreeing the samples to contract documents or other supporting documentation related to management's estimate of variable consideration and contract scope changes.
    - Testing the mathematical accuracy of management's calculation of revenue for the performance obligation.
      - We selected a sample of performance obligations and the associated estimate of profitability at completion as prepared by management and compared it to the recorded cost and revenue.
      - We evaluated management's ability to estimate total costs and revenue accurately by comparing actual costs and profits to management's historical estimates for performance obligations that have been fulfilled.
  - Acquisitions – Zenetex – Customer Related – Evaluated performance obligation results occurring after the measurement period and, when applicable, understood changes to the estimate and impacts on the measurement period.

- We performed analytical procedures over contract margins by comparing the current year results to prior results and to post-close results.

#### ***Fair Value Estimation of Certain Customer-Related and Contractual Intangible Assets — Refer to Notes 1 and Acquired in Business Combination***

As described in the Note 3 to the consolidated financial statements,

##### ***Critical Audit Matter Description***

The Company acquired Zenetex on July 5, 2022, Vectrus, Inc. merged with Vertex Aerospace Services Corp forming V2X for \$117.6 million on December 31, 2020 total consideration of \$634.0 million. The Company conducted valuations of certain acquired intangible assets and liabilities as of the date of acquisition, including customer related customer-related and contractual intangible assets of \$57.1 million, \$480 million. The Company used an income approach in its valuation of intangible assets, which were finalized during is a method of using discounted cash flows. The model requires management to make significant assumptions, which include revenue growth rates and the current fiscal year. Management's selection of an appropriate discount rate.

We identified the fair value determination of customer related certain customer-related and contractual intangible assets fair value required significant judgment. These judgments included cash flow analyses using management's best estimate of future revenue, earnings and cash flows, as well as analysis of historical performance of Zenetex. The cash flow analyses were discounted to adjust for risks in these estimates. These judgments may cause final amounts to differ materially from original estimates.

Given the judgments necessary to a critical audit such accounting conclusions, the estimates required an increased extent of audit effort matter due to the uncertainty associated with future events and a high degree of auditor judgment when and subjectivity in applying audit procedures relating to the fair value measurement of the intangible assets acquired. Increased audit effort was required in performing audit procedures and evaluating the results of those procedures, significant assumptions relating to the estimate, including the need to involve our fair value use of valuation specialists.

##### ***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to management's estimates for the valuation fair value of customer related customer-related intangible assets acquired in business combination included the following, among others:

- We obtained and read an understanding of the executed purchase agreement.
- We tested the effectiveness of relevant controls over related to the valuation of customer related customer-related and contractual intangible assets and tested design and operating effectiveness, including management's controls for identifying the intangible assets, determining forecasts of future cash flows and selecting the discount rate.

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- We tested the completeness and accuracy of the underlying data used in the fair value model models which included inspecting contractual documents and comparing projected cash flows to both historical actual results and industry data.
- With the assistance of our fair value valuation specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management. calculation.
- We performed sensitivity analyses over assumptions used in the fair value model, calculations, to evaluate the risk associated with a change in assumptions to the recorded fair value of the customer related customer-related intangible assets.
- We compared the significant assumptions to current industry, market and economic trends, historical results of Zenetex and to other relevant factors including benchmark data.
- We evaluated the adequacy of the Company's financial statement disclosures related to the acquisition.

/s/ Deloitte & Touche RSM US LLP

Denver, Colorado

March 7, 2022

We have served as the Company's auditor since 2013. 2022.

McLean, Virginia

March 2, 2023

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#### ***VECTRUS, REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM***

To the shareholders and the Board of Directors of V2X, Inc.

##### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of V2X, Inc. (formerly Vectrus, Inc.) and subsidiaries (the "Company") as of December 31, 2021, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as

of December 31, 2021 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Denver, Colorado

March 7, 2022

We began serving as the Company's auditor in 2013. In 2022 we became the predecessor auditor.

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#### V2X, INC.

#### CONSOLIDATED STATEMENTS OF (LOSS) INCOME

		Year Ended December 31,			Year Ended December 31,			
(In thousands, except per share data)	(In thousands, except per share data)	2021	2020	2019	(In thousands, except per share data)	2022	2021	2020
Revenue	Revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529
Cost of revenue	Cost of revenue	1,623,245	1,271,375	1,254,560	Cost of revenue	2,595,848	1,623,245	1,271,375
Selling, general, and administrative expenses		98,400	80,679	78,316	Selling, general and administrative expenses	239,241	98,400	80,679
Operating income	Operating income	62,020	43,475	49,649	Operating income	55,771	62,020	43,475
Interest expense, net	Interest expense, net	(7,985)	(4,793)	(6,470)	Interest expense, net	(61,879)	(7,985)	(4,793)
Income from operations before income taxes		54,035	38,682	43,179	(Loss) income from operations before income taxes	(6,108)	54,035	38,682
(Loss) income from operations before income taxes					Income tax expense	8,222	8,307	1,731
Income tax expense	Income tax expense	8,307	1,731	10,003	Net (loss) income	\$ (14,330)	\$ 45,728	\$ 36,951
Net income		\$ 45,728	\$ 36,951	\$ 33,176	Earnings per share			
Net (loss) income					(Loss) earnings per share			
Earnings per share					Basic	\$ (0.68)	\$ 3.91	\$ 3.19
(Loss) earnings per share					Diluted	\$ (0.68)	\$ 3.86	\$ 3.14
Basic	Basic	\$ 3.91	\$ 3.19	\$ 2.90	Weighted average common shares outstanding - basic	11,705	11,599	11,444
Diluted	Diluted	\$ 3.86	\$ 3.14	\$ 2.86	Weighted average common shares outstanding - diluted	11,836	11,751	11,612

Weighted average common shares outstanding – basic	Weighted average common shares outstanding – basic	20,996	11,705	11,599
Weighted average common shares outstanding – diluted	Weighted average common shares outstanding – diluted	20,996	11,836	11,751

The accompanying notes are an integral part of the Consolidated Financial Statements.

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**VECTRUS, V2X, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

(In thousands)	(In thousands)	Year Ended December 31,			Year Ended December 31,		
		2021	2020	2019	(In thousands)	2022	2021
Net income		\$ 45,728	\$ 36,951	\$ 33,176	Net (loss) income	\$ (14,330)	\$ 45,728
Net (loss) income					Net (loss) income	\$ (14,330)	\$ 36,951
Other comprehensive income (loss), net of tax	Other comprehensive income (loss), net of tax				Other comprehensive income (loss), net of tax		
Changes in derivative instrument:	Changes in derivative instrument:				Changes in derivative instrument:		
Net change in fair value of interest rate swaps	Net change in fair value of interest rate swaps	1,099	(756)	(1,234)	Net change in fair value of interest rate swaps	666	1,099
Net change in fair value of foreign currency forwards	Net change in fair value of foreign currency forwards	(434)	589	173	Net change in fair value of foreign currency forwards	31	(434)
Tax benefit	Tax benefit	121	36	230	Tax benefit	272	121
Net change in derivative instrument	Net change in derivative instrument	786	(131)	(831)	Net change in derivative instrument	969	786
Foreign currency translation adjustments	Foreign currency translation adjustments	(6,659)	5,186	(834)	Foreign currency translation adjustments	(596)	(6,659)
Accounting Standards Update (ASU) 2018-02 reclassification of certain tax effects to retained earnings		—	—	(259)			
Other comprehensive income (loss), net of tax	Other comprehensive income (loss), net of tax	(5,873)	5,055	(1,924)	Other comprehensive income (loss), net of tax	373	(5,873)
Total comprehensive income		\$ 39,855	\$ 42,006	\$ 31,252	Total comprehensive (loss) income	\$ (13,957)	\$ 39,855
Total comprehensive (loss) income					Total comprehensive (loss) income	\$ (13,957)	\$ 42,006

The accompanying notes are an integral part of the Consolidated Financial Statements.

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**VECTRUS, V2X, INC.**

**CONSOLIDATED BALANCE SHEETS**

		December 31,		December 31,	
(In thousands, except per share data)	(In thousands, except per share data)	2021	2020	(In thousands, except per share data)	2022
<b>Assets</b>	<b>Assets</b>			<b>Assets</b>	
Current assets	Current assets			Current assets	
Cash and cash equivalents	Cash and cash equivalents	\$ 38,513	\$ 66,949	Cash and cash equivalents	\$ 116,067
Restricted cash		—	1,778		
Receivables	Receivables	348,605	314,959	Receivables	728,582
Prepaid expenses	Prepaid expenses	21,160	16,083	Prepaid expenses	74,234
Other current assets	Other current assets	15,062	8,619	Other current assets	13,049
Total current assets	Total current assets	423,340	408,388	Total current assets	931,932
Property, plant, and equipment, net	Property, plant, and equipment, net	23,758	22,573	Property, plant, and equipment, net	78,715
Goodwill	Goodwill	321,734	339,702	Goodwill	1,653,822
Intangible assets, net	Intangible assets, net	66,582	48,105	Intangible assets, net	497,951
Right-of-use assets	Right-of-use assets	43,651	18,718	Right-of-use assets	52,825
Other non-current assets	Other non-current assets	10,394	6,325	Other non-current assets	17,858
Total non-current assets	Total non-current assets	466,119	435,423	Total non-current assets	2,301,171
<b>Total Assets</b>	<b>Total Assets</b>	<b>\$ 889,459</b>	<b>\$ 843,811</b>	<b>Total Assets</b>	<b>\$ 3,233,103</b>
<b>Liabilities and Shareholders' Equity</b>	<b>Liabilities and Shareholders' Equity</b>			<b>Liabilities and Shareholders' Equity</b>	
Current liabilities	Current liabilities			Current liabilities	
Accounts payable	Accounts payable	\$ 212,533	\$ 159,586	Accounts payable	\$ 406,706
Compensation and other employee benefits	Compensation and other employee benefits	80,284	79,568	Compensation and other employee benefits	168,038
Short-term debt	Short-term debt	10,400	8,600	Short-term debt	11,850
Other accrued liabilities	Other accrued liabilities	55,031	40,657	Other accrued liabilities	196,538
Total current liabilities	Total current liabilities	358,248	288,411	Total current liabilities	783,132
Long-term debt, net	Long-term debt, net	94,246	168,751	Long-term debt, net	1,262,811
Deferred tax liability		32,214	39,386	Deferred tax liabilities	15,813
Deferred tax liabilities				Deferred tax liabilities	32,214
Operating lease liabilities	Operating lease liabilities	34,536	13,970	Operating lease liabilities	41,083
Other non-current liabilities	Other non-current liabilities	20,128	28,355	Other non-current liabilities	133,185
Total non-current liabilities	Total non-current liabilities	181,124	250,462	Total non-current liabilities	1,452,892
Total liabilities	Total liabilities	539,372	538,873	Total liabilities	2,236,024
Commitments and contingencies (Note 15)	Commitments and contingencies (Note 15)			Commitments and contingencies (Note 15)	

Shareholders' Equity	Shareholders' Equity	Shareholders' Equity
Preferred stock; \$0.01 par value; 10,000 shares authorized; No shares issued and outstanding	Preferred stock; \$0.01 par value; 10,000 shares authorized; No shares issued and outstanding	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; 11,738 and 11,625 shares issued and outstanding as of December 31, 2021 and 2020, respectively	—	—
Common stock; \$0.01 par value; 100,000 shares authorized; 30,470 and 11,738 shares issued and outstanding as of December 31, 2022 and 2021, respectively	117	116
Additional paid in capital	Additional paid in capital	Common stock; \$0.01 par value; 100,000 shares authorized; 30,470 and 11,738 shares issued and outstanding as of December 31, 2022 and 2021, respectively
Retained earnings	Retained earnings	305
Accumulated other comprehensive loss	Accumulated other comprehensive loss	117
Total shareholders' equity	Total shareholders' equity	748,877
<b>Total Liabilities and Shareholders' Equity</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>88,116</b>
		Retained earnings
		253,424
		Accumulated other comprehensive loss
		(5,527)
		(5,900)
		997,079
		350,087
		<b>Total Liabilities and Shareholders' Equity</b>
		<b>\$ 3,233,103</b>
		<b>\$ 889,459</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

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#### VECTRUS, V2X, INC.

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year Ended December 31,			Year Ended December 31,			
(In thousands)	(In thousands)	2021	2020	2019	(In thousands)	2022	2021	2020
<b>Operating activities</b>	<b>Operating activities</b>				<b>Operating activities</b>			
Net income	\$ 45,728	\$ 36,951	\$ 33,176		Net (loss) income	\$ (14,330)	\$ 45,728	\$ 36,951
Adjustments to reconcile net income to net cash provided by operating activities:					Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Net (loss) income					Depreciation expense	13,472	6,526	4,097
Adjustments to reconcile net (loss) income to net cash provided by operating activities:					Amortization of intangible assets	48,643	10,028	3,379
Depreciation expense	Depreciation expense	6,526	4,097	3,379	(Gain) loss on disposal of property, plant, and equipment	65	(14)	62
Amortization of intangible assets	Amortization of intangible assets	10,028	4,029	3,111				
(Gain) loss on disposal of property, plant, and equipment								

Loss (gain) on disposal of property, plant, and equipment					Loss (gain) on disposal of property, plant, and equipment	59	65	(14)
Stock-based compensation	Stock-based compensation	8,331	9,445	8,262	Stock-based compensation	32,736	8,331	9,445
Amortization of debt issuance costs	Amortization of debt issuance costs	912	386	404	Amortization of debt issuance costs	7,805	912	386
Gain on disposition of business					Gain on disposition of business	(2,082)	—	—
Changes in assets and liabilities:	Changes in assets and liabilities:				Changes in assets and liabilities:			
Receivables	Receivables	(36,376)	1,000	(21,053)	Receivables	(52,311)	(36,376)	1,000
Prepaid expenses	Prepaid expenses	(5,178)	(3,588)	(5,610)	Prepaid expenses	(3,971)	(5,178)	(3,588)
Other assets	Other assets	(7,667)	(3,644)	7,147	Other assets	15,333	(7,667)	(3,644)
Accounts payable	Accounts payable	56,985	(2,680)	(11,733)	Accounts payable	71,837	56,985	(2,680)
Deferred taxes	Deferred taxes	(7,280)	(10,665)	(7,173)	Deferred taxes	(15,554)	(7,280)	(10,665)
Compensation and other employee benefits	Compensation and other employee benefits	1,133	12,004	9,652	Compensation and other employee benefits	42,878	1,133	12,004
Other liabilities	Other liabilities	(11,868)	16,760	7,933	Other liabilities	(51,020)	(11,868)	16,760
<b>Net cash provided by operating activities</b>	<b>Net cash provided by operating activities</b>	<b>61,339</b>	<b>64,081</b>	<b>27,557</b>	<b>Net cash provided by operating activities</b>	<b>93,495</b>	<b>61,339</b>	<b>64,081</b>
Investing activities	Investing activities				Investing activities			
Purchases of capital assets and intangibles	Purchases of capital assets and intangibles	(9,776)	(4,500)	(16,151)	Purchases of capital assets and intangibles	(12,425)	(9,776)	(4,500)
Proceeds from the disposition of assets	Proceeds from the disposition of assets	16	84	5,400	Proceeds from the disposition of assets	9	16	84
Acquisition of business, net of cash acquired	Acquisition of business, net of cash acquired	262	(133,609)	(45,074)	Acquisition of business, net of cash acquired	193,677	262	(133,609)
Disposition of business					Disposition of business	(5,303)	—	—
Distributions from (contributions to) joint venture					Distributions from (contributions to) joint venture	—	(3,145)	—
Contribution to joint venture		(3,145)	—	—				
<b>Net cash (used in) investing activities</b>		<b>(12,643)</b>	<b>(138,025)</b>	<b>(55,825)</b>	<b>Net cash provided by (used in) investing activities</b>			
<b>Net cash provided by (used in) investing activities</b>					<b>Net cash provided by (used in) investing activities</b>	<b>175,958</b>	<b>(12,643)</b>	<b>(138,025)</b>
Financing activities	Financing activities				Financing activities			

Repayments of long-term debt	Repayments of long-term debt	(8,600)	(6,500)	(4,500)	Repayments of long-term debt	(108,400)	(8,600)	(6,500)
Proceeds from revolver	Proceeds from revolver	529,000	314,000	333,500	Proceeds from revolver	392,000	529,000	314,000
Repayments of revolver	Repayments of revolver	(594,000)	(199,000)	(333,500)	Repayments of revolver	(472,925)	(594,000)	(199,000)
Proceeds from exercise of stock options	Proceeds from exercise of stock options	379	59	3,672	Proceeds from exercise of stock options	408	379	59
Payment of debt issuance costs	Payment of debt issuance costs	(17)	(830)	—	Payment of debt issuance costs	(2,325)	(17)	(830)
Payments of employee withholding taxes on share-based compensation	Payments of employee withholding taxes on share-based compensation	(2,347)	(1,955)	(1,068)	Payments of employee withholding taxes on share-based compensation	(1,994)	(2,347)	(1,955)
<b>Net cash provided by (used in) financing activities</b>		(75,585)	105,774	(1,896)				
<b>Net cash (used in) provided by financing activities</b>					<b>Net cash (used in) provided by financing activities</b>	(193,236)	(75,585)	105,774
<b>Exchange rate effect on cash</b>	<b>Exchange rate effect on cash</b>	(3,325)	1,579	(663)	<b>Exchange rate effect on cash</b>	1,337	(3,325)	1,579
Net change in cash, cash equivalents and restricted cash	Net change in cash, cash equivalents and restricted cash	(30,214)	33,409	(30,827)	Net change in cash, cash equivalents and restricted cash	77,554	(30,214)	33,409
Cash, cash equivalents and restricted cash - beginning of year		68,727	35,318	66,145				
<b>Cash, cash equivalents and restricted cash - end of year</b>		\$ 38,513	\$ 68,727	\$ 35,318				
Cash, cash equivalents and restricted cash - beginning of year					Cash, cash equivalents and restricted cash - beginning of year	38,513	68,727	35,318
<b>Cash, cash equivalents and restricted cash - end of year</b>					<b>Cash, cash equivalents and restricted cash - end of year</b>	\$ 116,067	\$ 38,513	\$ 68,727
Supplemental Disclosure of Cash Flow Information:	Supplemental Disclosure of Cash Flow Information:				Supplemental Disclosure of Cash Flow Information:			
Interest paid	Interest paid	\$ 5,801	\$ 3,717	\$ 6,229	Interest paid	\$ 54,267	\$ 5,801	\$ 3,717
Income taxes paid	Income taxes paid	\$ 9,703	\$ 14,520	\$ 4,511	Income taxes paid	\$ 13,416	\$ 9,703	\$ 14,520
Non-cash investing activities:					Non-cash investing activities:			
Purchase of capital assets on account	Purchase of capital assets on account	\$ 277	\$ 2,226	\$ 556	Purchase of capital assets on account	\$ 2,716	\$ 277	\$ 2,226
Common stock issued for business acquisition					Common stock issued for business acquisition	\$ 630,636	\$ —	\$ —

The accompanying notes are an integral part of the Consolidated Financial Statements.

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**VECTRUS, V2X, INC.**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

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**REFINITIV** 

(In thousands)	Common Stock				Accumulated				Common Stock				Accumulated			
	Issued		Additional		Other		Total		Issued		Additional		Other			
	Shares	Amount	Paid-in Capital	Retained Earnings	(In thousands)	Comprehensive Loss	Shares	Shareholders' Equity	Amount	Capital	Retained Earnings	Comprehensive Loss				
<b>Balance at December 31, 2018</b>																
Net income	—	—	—	33,176		—	—	33,176		—	—	—	—	—	—	—
Cumulative effects of adoption of ASU 2018-02																
reclassification of certain tax effects from AOCI	—	—	—	259		(259)	—	—								
Foreign currency translation adjustments	—	—	—	—		(834)	—	(834)								
Unrealized gain on cash flow hedge	—	—	—	—		(831)	—	(831)								
Employee stock awards and stock options	257	2	3,671	—		—	—	3,673								
Taxes withheld on stock compensation awards	—	—	(1,069)	—		—	—	(1,069)								
Stock-based compensation	—	—	4,426	—		—	—	4,426								
<b>Balance at December 31, 2019</b>	<b>Balance at December 31, 2019</b>								<b>Balance at December 31, 2019</b>							
Net income	Net income	—	—	—	36,951		—	36,951	Net income	—	—	—	36,951	\$ (5,082)	\$ 258,865	\$ (5,082)
Foreign currency translation adjustments	Foreign currency translation adjustments	—	—	—	—		5,186	5,186	Foreign currency translation adjustments	—	—	—	—	—	—	5,186
Unrealized loss on cash flow hedge	Unrealized loss on cash flow hedge	—	—	—	—		(131)	(131)	Unrealized gain on cash flow hedge	—	—	—	—	—	—	(131)
Unrealized gain on cash flow hedge	Unrealized gain on cash flow hedge	—	—	—	—		—	—	Employee stock awards and stock options	101	1	58	—	—	—	—
Employee stock awards and stock options	Employee stock awards and stock options	101	1	58	—		—	59	Conversion of liability-based stock compensation awards to equity-based stock	—	—	405	—	—	—	—
Conversion of liability-based stock compensation awards to equity-based stock	Conversion of liability-based stock compensation awards to equity-based stock	—	—	405	—		—	405	Conversion of liability-based stock compensation awards to equity-based stock	—	—	405	—	—	—	—
Taxes withheld on stock compensation awards	Taxes withheld on stock compensation awards	—	—	405	—		—	405	Taxes withheld on stock compensation awards	—	—	405	—	—	—	—
Stock-based compensation	Stock-based compensation	—	—	(1,955)	—		—	(1,955)	Stock-based compensation	—	—	(1,955)	—	—	—	—
<b>Balance at December 31, 2020</b>	<b>Balance at December 31, 2020</b>								<b>Balance at December 31, 2020</b>							
Net income	Net income	—	—	—	45,728		—	45,728	Net income	—	—	—	45,728	\$ (27)	\$ 304,938	\$ (27)

Foreign currency translation adjustments	Foreign currency translation adjustments	—	—	—	—	(6,659)	Foreign currency translation adjustments	—	—	—	—	(6,659)
Unrealized loss on cash flow hedge	Unrealized loss on cash flow hedge	—	—	—	—	786	786	Unrealized loss on cash flow hedge	—	—	—	786
Employee stock awards and stock options	Employee stock awards and stock options	113	1	377	—	—	378	Employee stock awards and stock options	113	1	377	—
Taxes withheld on stock compensation awards	Taxes withheld on stock compensation awards	—	—	(2,345)	—	—	(2,345)	Taxes withheld on stock compensation awards	—	—	(2,345)	—
Stock-based compensation	Stock-based compensation	—	—	7,261	—	—	7,261	Stock-based compensation	—	—	7,261	—
<b>Balance at December 31, 2021</b>	<b>Balance at December 31, 2021</b>	<b>11,738</b>	<b>\$ 117</b>	<b>\$ 88,116</b>	<b>\$ 267,754</b>	<b>\$ (5,900)</b>	<b>\$ 350,087</b>	<b>Balance at December 31, 2021</b>	<b>11,738</b>	<b>\$ 117</b>	<b>\$ 88,116</b>	<b>\$ 267,754</b>
Net loss	Net loss	—	—	—	—	—	—	Net loss	—	—	—	(14,330)
Foreign currency translation adjustments	Foreign currency translation adjustments	—	—	—	—	—	—	Foreign currency translation adjustments	—	—	—	(59)
Unrealized loss on cash flow hedge	Unrealized loss on cash flow hedge	—	—	—	—	—	—	Unrealized loss on cash flow hedge	—	—	—	96
Employee stock awards and stock options	Employee stock awards and stock options	140	2	406	—	—	—	Employee stock awards and stock options	140	2	406	—
Issuance of common stock in connection with a business combination	Issuance of common stock in connection with a business combination	18,592	186	630,450	—	—	—	Issuance of common stock in connection with a business combination	18,592	186	630,450	—
Taxes withheld on stock compensation awards	Taxes withheld on stock compensation awards	—	—	(1,994)	—	—	—	Taxes withheld on stock compensation awards	—	—	(1,994)	—
Stock-based compensation	Stock-based compensation	—	—	31,899	—	—	—	Stock-based compensation	—	—	31,899	—
<b>Balance at December 31, 2022</b>	<b>Balance at December 31, 2022</b>	<b>30,470</b>	<b>\$ 305</b>	<b>\$ 748,877</b>	<b>\$ 253,424</b>	<b>\$ (5,522)</b>	<b>\$ 350,087</b>	<b>Balance at December 31, 2022</b>	<b>30,470</b>	<b>\$ 305</b>	<b>\$ 748,877</b>	<b>\$ 253,424</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

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**VECTRUS, V2X, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1**

## DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Description of Business and Basis of Presentation

#### Our Business

V2X, Inc., an Indiana Corporation, formerly known as Vectrus, Inc. (Vectrus), is a leading provider of global service critical mission solutions and support to the U.S. government worldwide. The Company operates as one segment and provides a comprehensive suite of integrated solutions across the following services and offerings: facility and base operations, supply chain and logistics, services, information aerospace, training and technology mission support, markets to national security, defense, civilian and engineering and digital integration services, international clients.

Unless the context otherwise requires, references in these notes to "Vectrus", "we," "us," "our," "the Company" and "our Company" refer to Vectrus, Inc. Vectrus was incorporated in the State of Indiana in February 2014. On September 27, 2014, Exelis Inc. (Exelis) completed the Spin-off of Inc., an Indiana corporation, spun-off (the Spin-off) Vectrus and Vectrus became an independent, publicly traded company. References in these notes herein to "Exelis" or "Former Parent" refer to Exelis Inc., an Indiana corporation, and its consolidated subsidiaries (other than Vectrus). Exelis was acquired by a predecessor entity of L3Harris Technologies, Inc. in May 2015.

On March 7, 2022, Vectrus entered into an Agreement and Plan of Merger (the Merger Agreement) with Vertex Aerospace Services Holding Corp., a Delaware corporation (Vertex), Andor Merger Sub Inc., a Delaware corporation and Andor Merger Sub LLC, a Delaware limited liability company. On July 5, 2022 (the Closing Date), Vectrus completed its merger (Merger) thereby forming V2X, Inc. For a description of the Merger, see Note 3, *Merger and Acquisitions*.

Unless the context otherwise requires or unless stated otherwise, references in these notes to "V2X", "we," "us," "our," "combined company", "the Company" and "our Company" refer to V2X, Inc. and all of its consolidated subsidiaries (including, subsequent to the Merger, Vertex and its consolidated subsidiaries), taken together as a whole.

#### Equity Investment

In 2011, we entered into a joint venture agreement with Shaw Environmental & Infrastructure, Inc., which is now APTIM Federal Services LLC. Pursuant to the joint venture agreement, High Desert Support Services, LLC (HDSS) was established to pursue and perform work on the Ft. Irwin Installation Support Services Contract, which was awarded to HDSS in October 2012. In 2018, we entered into a joint venture agreement with J&J Maintenance. Pursuant to the joint venture agreement, J&J Facilities Support, LLC (J&J) was established to pursue and perform work on various U.S. government contracts. In 2020, we entered into a joint venture agreement with Kuwait Resources House for Human Resources Management and Services Company (KRH). Pursuant to the joint venture agreement, ServCore Resources and Services Solutions, LLC. (ServCore) was established to operate and manage labor and life support services outside of the continental United States at designated locations serviced by Vectrus V2X and others around the world.

We account for our investments in HDSS, J&J and ServCore under the equity method as we have the ability to exercise significant influence, but do not hold a controlling interest. We record our proportionate 40% 25%, 50% and 40% shares, respectively, of income or losses from HDSS, J&J and ServCore in selling, general and administrative expenses in the Consolidated Statements of Income. Our investment in these joint ventures is recorded in other non-current assets in the Consolidated Balance Sheets.

When we receive cash distributions from our equity method investments, the cash distribution is compared to cumulative earnings and cumulative cash distributions. Cash distributions received are recorded as a return on investment in operating cash flows within the Consolidated Statements of Cash Flows to the extent cumulative cash distributions are less than cumulative earnings. Any cash distributions in excess of cumulative earnings are recorded as a return of investment in investing cash flows within the Consolidated Statements of Cash Flows. As of December 31, 2021 December 31, 2022 and December 31, 2020 December 31, 2021, our combined investment balance in these joint ventures was \$7.0 million and \$5.4 million and \$1.4 million, respectively. Our proportionate share of income from HDSS, J&J and ServCore joint ventures was \$2.8 million, \$1.9 million, \$0.6 million, and \$1.0 \$0.6 million for the years ended December 31, 2021 December 31, 2022, 2021, and 2020, and 2019, respectively.

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## Summary of Significant Accounting Policies

### Principles of Consolidation

Vectrus V2X consolidates companies in which it has a controlling financial interest. All intercompany transactions and balances have been eliminated.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, revenue recognition, recognition; income taxes, taxes; fair value and impairment of goodwill and intangible assets and assets; valuation of assets and certain contingent liabilities. Actual results could differ from these estimates.

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## Segment Information

Management has concluded that the Company operates as one segment based upon the information used by the chief operating decision maker in evaluating the performance of the Company's business and allocating resources and capital. Although we perform services worldwide, substantially all of our revenue for the years ended December 31, 2021 December 31, 2022, 2020 2021 and 2019 2020 was from the U.S. government.

### Reclassifications

Certain reclassifications have been made to the presentation of amounts in our Consolidated Balance Sheet as of December 31, 2020 to conform to the current year presentation. Specifically, prepaid expenses were reclassified from other current assets, as well as operating lease liability from other non-current liabilities, and presented separately on our Consolidated Balance Sheets. Changes in prepaid expenses were reclassified from changes in other assets and presented separately on our Consolidated Statements of Cash Flows.

## Revenue Recognition

As a defense contractor engaging in long-term contracts, substantially all of our revenue is derived from long-term service contracts. The unit of account for revenue in Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606) is a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To determine the proper revenue recognition method, consideration is given as to whether a single contract should be accounted for as more than one performance obligation. For most of our contracts, the customer contracts with us to perform an integrated set of tasks and deliverables as a single service solution, whereby each service is not separately identifiable from other promises in the contract and therefore is not distinct. As a result, when this integrated set of tasks exists, the contract is accounted for as one performance obligation. The vast majority of our contracts have a single performance obligation. Unexercised contract options and indefinite delivery and indefinite quantity (IDIQ) contracts are considered to be separate performance obligations when the option or IDIQ task order is exercised or awarded. Our performance obligations are satisfied over time as services are provided throughout the contract term. We recognize revenue over time using the input method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress. Our over time recognition is reinforced by the fact that our customers simultaneously receive and consume the benefits of our services as they are performed. For most U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. This continuous transfer of control requires that we track progress towards completion of performance obligations in order to measure and recognize revenue.

Accounting for contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For contracts, we estimate the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability; the complexity of the services being performed; the cost and availability of materials; the performance of subcontractors; and negotiations with the customer on contract modifications. When the estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, a provision for the entire loss is determined at a contract level and is recognized in the period in which the loss was determined.

The nature of our contracts gives rise to several types of variable consideration, including award and incentive fees, inspection of supplies and services, undefinitized change orders, and fluctuation in allowable indirect reimbursable costs. We include award or incentive fees in the estimated transaction price when there is certainty and a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and our best judgment at the time. The inspection of supplies and services is a factor because the U.S. government can reduce the transaction price if we do not perform the services in compliance with contract requirements. Variable consideration associated with undefinitized change orders is included to the extent related estimated costs have been included in the expected costs to complete a contract. The fluctuation of allowable indirect reimbursable costs is a factor because the U.S. government has the right to review our accounting records and retroactively adjust the reimbursable rate. Any prior adjustments are reflected in the U.S. government reserve amounts recorded in our financial statements. We estimate variable consideration at the most likely amount that we expect to be entitled to receive, which is included in the transaction price to

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the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. Refer to Note 15, "Commitments and Contingencies" for additional information regarding U.S. government reserve amounts.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract estimates regularly. We recognize adjustments in estimated profit on executed contracts cumulatively. The impact of the adjustments on profit recorded to date is recognized in the period the adjustment is identified. Revenue and

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profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. If the modification either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations, the modification will be treated as a separate contract. Our contract modifications, except for those to exercise option years, have historically not been distinct from the existing contract and have been accounted for as if they were part of that existing contract.

The timing of revenue recognition, billings and cash collections results in billed and unbilled accounts receivable (contract assets) and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. Amounts are billed as work progresses in accordance with agreed-upon contractual terms at periodic intervals (e.g., biweekly or monthly). Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we may receive advances or deposits from our customers, before revenue is recognized, resulting in contract liabilities. These advance billings and payments are not considered significant financing components because they are frequently intended to fund current operating expenses under the contract. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period.

## **Receivables**

Receivables include amounts billed and currently due from customers, amounts unbilled, certain estimated contract change amounts, estimates related to expected award fees, claims or requests for equitable adjustment in negotiation that are probable of recovery, and amounts retained by the customer pending contract completion. Unbilled receivables are classified as current assets based on our contract operating cycle.

## **Restricted Cash**

The Company had no restricted cash at December 31, 2021. At December 31, 2020 the Company had total cash, cash equivalents and restricted cash of \$68.7 million which included \$1.8 million of restricted cash related to collateral security for an outstanding letter of credit. The Company's restricted cash was immaterial at December 31, 2022 and we had no restricted cash at December 31, 2021.

## **Receivables**

Receivables include amounts billed and currently due from customers, amounts unbilled, certain estimated contract change amounts, estimates related to expected award fees, claims or REAs in negotiation that are probable of recovery, and amounts retained by the customer pending contract completion. Unbilled receivables are classified as current assets based on our contract operating cycle. Substantially all billed receivables are due from the U.S. government, either directly as prime contractor to the U.S. government or as subcontractor to another prime contractor to the U.S. government. Because the Company's billed receivables are with the U.S. government, the Company does not believe it has a material credit risk exposure.

#### **Inventory**

Inventory, reported in the prepaid expenses balance on the face of the Consolidated Balance Sheets, is substantially comprised of parts inventory and is valued at the lower of cost or net realizable value, generally using the average cost method. We establish provisions for excess and obsolete inventories after evaluation of historical sales, current economic trends, forecasted sales, and current inventory levels.

#### **(Loss) Earnings Per Share**

We compute (loss) earnings per common share on the basis of the weighted average number of common shares, and, where dilutive, common share equivalents, outstanding during the indicated periods.

#### **Stock-Based Compensation**

We recognize stock-based compensation expense based on the grant date fair values of the equity instruments issued or on the fair values of the liabilities incurred. The expense is recognized primarily within selling, general and administrative expenses over the requisite service periods of the awards, which are generally equivalent to the vesting terms.

#### **Property, Plant and Equipment, Net**

Property, plant and equipment, net are stated at cost less accumulated depreciation. Major improvements are capitalized at cost while expenditures for maintenance, repairs and minor improvements are expensed. For asset sales or retirements, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in operating income.

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Depreciation and amortization are generally computed using either an accelerated or straight-line method and is based on estimated useful lives or lease terms as follows:

	Years
Buildings and improvements	3 - 11
Machinery, equipment and vehicles	3 - 12
Office furniture and equipment, computers and software	3 - 7

#### **Long-Lived Asset Impairment**

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. We assess the recoverability of long-lived assets based on the undiscounted future cash flow the assets are expected to generate. When carrying value exceeds the undiscounted future cash flow, an impairment is recorded when the carrying value of the asset exceeds its estimated fair value based on a discounted cash flow approach or, when available and appropriate, comparable market values.

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#### **Goodwill**

Goodwill represents purchase consideration paid in a business combination that exceeds the fair values assigned to the net assets of acquired businesses. Goodwill is not amortized, but instead is tested for impairment annually (or more frequently if impairment indicators arise, such as changes to the reporting unit structure or significant adverse changes in the business climate). We conduct our annual impairment testing on the first day of the Company's fourth fiscal quarter. In reviewing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If we elect to perform a qualitative assessment and determine that an impairment is more likely than not, we then perform a quantitative impairment test as described below. Otherwise, no further analysis is required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

For the quantitative impairment test we compare the estimated fair value of a reporting unit to its carrying value, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of the reporting unit, including goodwill, exceeds its estimated fair value, a goodwill impairment loss is recognized in an amount equal to that excess limited to the total amount of goodwill allocated to that reporting unit. We estimate the fair value of our reporting unit using an income approach and a market approach. Under the income approach, we estimate fair value based on the present value of estimated future cash flows. Under the market approach, we compare our company to select reasonably similar publicly traded companies.

#### **Intangible Assets**

We recognize acquired intangible assets apart from goodwill whenever the intangible assets arise from contractual or other legal rights, or whenever they can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized over their estimated useful lives unless the estimated useful life is determined to be indefinite. Finite lived intangible assets are being amortized over useful lives of four to twelve years. The straight-line method of amortization is used as it has been determined to approximate the use pattern of the assets.

#### **Leases**

On January 1, 2019, the Company adopted In accordance with ASC Topic 842, Leases (ASC Topic 842). Operating, operating leases are included on our Consolidated Balance Sheets as right-of-use (ROU) assets, other accrued liabilities and operating lease liabilities.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Because most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate as of January 1, 2019 was applied to operating leases in effect as of that date. The lease ROU assets also include any prepaid lease payments and exclude lease incentives. Many of our leases include one or more options to renew or terminate the lease, solely at our discretion. Such options are factored into the lease term when it is reasonably certain that we will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the term of the lease.

As allowed under ASC Topic 842, the Company elected the package of practical expedients permitted under the transition guidance which allowed the Company to carry forward the historical lease classification, assessment of whether a contract was or contained a lease and assessment of initial direct costs. In addition, we have made policy elections to apply the short-term leases practical expedient, whereby leases with a term of 12 months or less are not recorded on our balance

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sheet, and the practical expedient to not separate lease components from non-lease components. The latter expedient is applied to all of our leases. We did not elect to apply the hindsight practical expedient in determining lease terms and assessing impairment of ROU assets. See Note 12, "Leases", for further information.

#### **Income Taxes**

We determine the provision or benefit for income taxes using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning strategies, and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

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#### **Commitments and Contingencies**

We record accruals for commitments and loss contingencies when they are probable of occurrence and the amounts can be reasonably estimated. In addition, legal fees are accrued for cases where a loss is probable and the related fees can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. We review these accruals quarterly and adjust the accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information.

#### **Derivative Instruments**

Derivative instruments are recognized as either an asset or liability at fair value in our Consolidated Balance Sheets and are classified as current or long-term based on the scheduled maturity of the instrument. Our derivative instruments have been formally designated and qualify as part of a cash flow hedging relationship under applicable accounting standards.

The interest rate derivative instruments are adjusted to fair value through accumulated other comprehensive income (loss). If we were to determine that a derivative was no longer highly effective as a hedge, we would discontinue the hedge accounting prospectively. Gains or losses would be immediately reclassified from accumulated other comprehensive income (loss) to earnings relating to hedged forecasted transactions that are no longer probable of occurring. Gains or losses relating to terminations of effective cash flow hedges in which the forecasted transactions would still be probable of occurring would be deferred and recognized consistent with the income or loss recognition of the underlying hedged item.

Refer to Note 11, "Derivative Instruments", for additional information regarding our derivative activities.

#### **Severance Expense**

We periodically initiate management-approved restructuring activities to achieve cost savings through reduced operational redundancies and to strategically position ourselves in the market in response to prevailing economic conditions and associated customer demand. Costs associated with restructuring actions can include severance and related benefit charges. For involuntary separation plans, a liability is recognized when it is probable, reasonably estimable, and communicated to employees. For voluntary separation plans, a liability is recognized when the employee irrevocably accepts the termination.

#### **Fair Value Measurements**

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, a fair value hierarchy is applied which categorizes and prioritizes the inputs used to estimate fair value into three levels. The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. There are three levels of the fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices (in nonactive markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable inputs for the assets or liabilities.

#### **Foreign Currency Translation**

The financial statements of programs for which the functional currency is not the U.S. dollar are translated into U.S. dollars. Balance sheet accounts are translated at the exchange rate in effect at the end of each period; income statement accounts are translated at the average rates of exchange prevailing during the period. Gains and losses on

foreign currency translations are recorded as translation adjustments to other comprehensive (loss) income. Net gains or losses from foreign currency transactions are reported in selling, general and administrative expenses and have historically been insignificant.

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### **NOTE 2**

#### **RECENT ACCOUNTING STANDARDS UPDATES**

##### **Accounting Standards Updates Issued but Not Yet Adopted**

There were no accounting standards issued during 2021 2022 that are expected to have a material impact on the Company's financial statements.

##### **Accounting Standards Updates Adopted**

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08). The amendment requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with ASC 606, Revenue from Contracts with Customers, as if the acquirer had originated the contract. The amendment also provides certain practical expedients when applying the guidance. ASU No. 2021-08 is effective for interim and annual periods beginning after December 15, 2022, on a prospective basis, with early adoption permitted. Early adoption is to be applied to all business combinations that occur during the fiscal year that the amendment is adopted. We adopted this standard in the third quarter of 2022 and applied the guidance to our Merger.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* which : *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04). To ease the burden in accounting for reference rate reform on financial reporting, the ASU provides companies with optional expedients and exceptions to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This update provides optional expedients for applying accounting guidance to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The amendments in this update are

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effective for all entities as of March 2020 and can be adopted using a prospective approach no later than December 31, 2022. We are currently evaluating the impacts of the reference rate reform.

##### **Accounting Standards Updates Adopted**

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes* (ASU 2019-12). The objectives of ASU 2019-12 are (i) to simplify the accounting for income taxes by removing certain exceptions, (ii) to update certain requirements to simplify the accounting for income taxes, and (iii) to make minor codification improvements for income taxes. The Company adopted the standard as during the first quarter of January 1, 2021 and it 2022. It did not have a material impact on the Company's financial statements.

### **NOTE 3**

#### **MERGER AND ACQUISITIONS**

In accordance with ASC Topic 805, *Business Combinations*, we accounted for the below transactions using the acquisition method. We conducted valuations of certain acquired assets and liabilities for inclusion in our Consolidated Balance Sheets as of the date of the acquisitions. Assets that normally would not be recorded in ordinary operations, such as intangibles related to contractual relationships, were recorded at their estimated fair values. The excess purchase price over the estimated fair value of the net assets acquired was recorded as goodwill.

##### **MERGER**

On July 5, 2022, the Closing Date, Vectrus completed its previously announced Merger with Vertex, forming V2X by acquiring all of the outstanding shares of Vertex. On the Closing Date, Vertex and its consolidated subsidiaries became wholly-owned subsidiaries of the Company.

The combined V2X entity from the Merger is a larger and more diversified Company with the ability to compete for more integrated business opportunities and generate revenue across geographies, clients, and contract types in supporting the mission of our customers.

The operating results of Vertex subsequent to the Closing Date are included in the Company's consolidated results of operations. Vertex and its consolidated subsidiaries recognized revenue of \$908.4 million and net loss of \$39.9 million for the period from the Closing Date until December 31, 2022.

The Company recognized \$39.9 million of acquisition-related costs that were expensed as incurred during the year ended December 31, 2022. These costs are included in selling, general and administrative expenses in the Consolidated Statements of Income.

##### **Purchase Price Allocation**

The Merger is accounted for as a business combination. As such, the assets acquired and liabilities assumed are accounted for at fair value, with the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed recorded as goodwill.

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The Closing Date fair value of the consideration transferred totaled \$634.0 million, which was comprised of the following:

(\$ in thousands, except share and per share amounts)	Purchase Price
Shares of V2X common stock issued	18,591,866
Market price per share of V2X as of Closing Date	\$ 33.92
Fair value of common shares issued	\$ 630,636
Fair value of cash consideration	3,315
Total consideration transferred	\$ 633,951

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed in the Merger as of the Closing Date. The estimated fair value of Vertex's assets acquired and liabilities assumed at the acquisition date are determined based on preliminary valuations and analyses. As of December 31, 2022, we considered these amounts to be preliminary because we are still in the process of gathering and reviewing information to support the valuations of certain contractual and operational factors underlying the customer related intangible assets, details surrounding tax matters and assumptions underlying certain existing or potential reserves, such as those for workers compensation and loss and below market contracts which are included in current and non-current liabilities below. The final determination could result in material adjustments.

(In thousands)	Preliminary Fair Value
Cash and cash equivalents	\$ 196,993
Receivables	334,655
Prepaid expenses	49,172
Property, plant, and equipment	53,618
Intangible assets	480,000
Other non-current assets	18,895
Right-of-use assets	21,062
Accounts payable	(121,515)
Debt	(1,352,303)
Compensation and other employee benefits	(45,968)
Other current and non-current liabilities	(332,746)
Total identifiable net assets	(698,137)
Goodwill	1,332,088
Total purchase consideration	\$ 633,951

As a result of the Merger, the Company recognized \$1,332.1 million of goodwill. The goodwill recognized is attributable to operational and general and administrative cost synergies, expanded market opportunities and other benefits that do not qualify for separate recognition. None of the goodwill is expected to be deductible for tax purposes. In addition, we recognized two intangible assets related to backlog and customer contracts arising from the Merger. The fair value of backlog was \$316.0 million, and the fair value of the customer contracts was \$164.0 million with amortization periods of 4.5 years and 14.0 years, respectively. The receivables of \$334.7 million represent fair value and are considered fully collectible as of December 31, 2022.

As part of the Merger, V2X acquired certain contracts, including a Transition Services Agreement (TSA) with Crestview Aerospace LLC (Crestview), which was previously divested to American Industrial Partners Capital Fund VI, L.P. (AIP). As of December 31, 2022, the Company recorded \$2.3 million of income related to the TSA with Crestview, which was recorded as a reduction in cost of sales. AIP currently holds approximately 60.1% of V2X common stock.

The following unaudited pro forma information shows the combined results of our operations for the years ended December 31, 2022 and 2021 as if the Merger had occurred on January 1, 2021. The unaudited pro forma information reflects the effects of applying our accounting policies and certain pro forma adjustments to the combined historical financial information of Vertex. The pro forma adjustments include: a) incremental amortization expense associated with identified intangible assets; b) incremental interest expense resulting from fair value adjustments applied to the Vertex debt that we

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assumed; and c) a reduction of revenues and operating expenses associated with fair value adjustments made to acquire assets and assumed liabilities, such as contract cost assets and contract liabilities.

This unaudited pro forma information is presented for informational purposes only and may not necessarily reflect the actual results of operations that would have been achieved, nor are they necessarily indicative of future results of operations.

(Unaudited, in thousands)	Year Ended December 31,	
	2022	2021
Pro forma revenue	\$ 3,669,567	\$ 3,371,828
Pro forma net (loss) income	\$ (11,281)	\$ 60,137

#### **Zenetex**

On December 31, 2020, we acquired Zenetex, LLC (Zenetex) a leading provider of technical and strategic solutions focused on enabling mission readiness, performance, and enhancement of protection for defense and national security clients globally.

The total net consideration paid for the acquisition was approximately \$117.6 million, consisting of the purchase price of \$122.8 million, net of cash acquired, less \$5.2 million for a working capital shortfall compared with the working capital requirement agreed upon in the stock purchase agreement. The acquisition was funded by utilizing available capacity from our Amended Revolver (as defined in Note 10, **Debt**) and cash on hand.

A breakdown of the purchase price allocation, net of cash acquired, is as follows:

<i>(In thousands)</i>	Allocation of Purchase Price
Receivables	\$ 40,144
Deferred taxes	88
Other current assets	1,314
Property, plant and equipment	1,108
Goodwill	53,541
Intangible assets	57,100
Right-of-use assets	7,930
Accounts payable	(7,381)
Other current liabilities	(15,821)
Accrued compensation	(12,087)
Lease liabilities	(8,275)
Other non-current liabilities	(55)
Purchase price, net of cash acquired	\$ 117,606

We finalized our determination of the fair values of the assets acquired and liabilities assumed during the fourth quarter of 2021. Based on additional information obtained during the measurement period, we refined our initial assessment of fair value and recognized the following significant adjustments to our preliminary purchase price allocation: Intangible assets increased \$23.9 million, Other current liabilities increased \$14.2 million, Accounts payable decreased \$3.1 million, and Goodwill decreased \$13.4 million.

The Company recognized customer related intangible assets arising from the acquisition. The related fair value was \$57.1 million with an amortization period of 11.8 years. Fair value of intangible assets was based upon a cash flow analysis using management's best estimate of future revenue, earnings and cash flows, as well as analysis of historic performance of Zenetex. The cash flow analysis **were** **was** discounted to adjust for risks in these estimates.

Additionally, the Company recognized goodwill of \$53.5 million arising from the acquisition, which relates primarily to acquired product and services strengthening our position as a leading fully-integrated provider in the converged infrastructure

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market, as well as extending our operations and maintenance services to increase content and scope at client installations. Goodwill also includes other intangibles that do not qualify for separate recognition. The goodwill recognized for the Zenetex acquisition is fully deductible for income tax purposes.

Zenetex results of operations have been included in our Consolidated Statements of Income for the periods subsequent to acquisition on December 31, 2020. On a proforma basis, the acquired business would have recognized revenue of \$238.0 million and \$208.8 million for the years ended December 31, 2020 and December 31, 2019, respectively, and an insignificant amount of income before taxes after proforma adjustments.

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#### **HHB**

On December 31, 2020, we acquired Higgins, Hermansen, Banikas, LLC (HHB). HHB, is a leading provider of high-end solutions for facilities management, logistics, engineering, enterprise operations and asset management solutions for supporting intelligence community projects. The total net consideration paid for the acquisition was approximately \$15.5 million. The acquisition was funded by utilizing available capacity from our Amended Revolver and cash on hand.

We finalized our determination of the fair values of the assets acquired and liabilities assumed during the fourth quarter of 2021. Based on additional information obtained during the measurement period, we refined our initial assessment of fair value and recognized the following significant adjustments to our preliminary purchase price allocation: Intangible assets increased \$4.6 million and Goodwill decreased \$4.5 million.

The Company recognized a customer related intangible assets arising from the acquisition. The fair value was \$8.6 million with an amortization period of 7.4 years. Fair value of the intangible assets was based upon a cash flow analysis using management's best estimate of future revenue, earnings and cash flows, as well as analysis of historic performance of HHB. The cash flow analysis **were** **was** discounted to adjust for risks in these estimates.

Additionally, the Company recognized goodwill of \$6.1 million arising from the acquisition, which relates primarily to growth opportunities in the intelligence community as a converged infrastructure provider. Goodwill also includes other intangibles that do not qualify for separate recognition. The goodwill recognized for the HHB acquisition is fully deductible for income tax purposes.

The remainder of the purchase price was allocated primarily to working capital.

#### **Advantor**

On July 8, 2019, we acquired Advantor from Infrasafe Holding, Inc. and Infrasafe, LLC (collectively, Infrasafe). Advantor is a leading provider of integrated electronic security systems to the U.S. government.

The total net consideration paid for the acquisition was \$45.1 million, consisting of the purchase price of \$44.0 million, net of cash acquired, and \$1.1 million for working capital in excess of the working capital requirement agreed upon in the stock purchase agreement. The acquisition was funded by utilizing cash on hand and available capacity from our Amended Revolver.

A breakdown of the purchase price allocation, net of cash acquired, is as follows:

(In thousands)	Allocation of Purchase Price
Receivables	\$ 11,388
Other current assets	2,719
Property, plant and equipment	155
Goodwill	28,511
Intangible assets	8,300
Other non-current assets	1,868
Accounts payable	(4,223)
Other current liabilities	(1,519)
Accrued compensation	(907)
Other non-current liabilities	(1,218)
Purchase price, net of cash acquired	\$ 45,074

We completed the purchase accounting as of July 3, 2020 with no material adjustments. The Company recognized two intangible assets related to customer contracts (backlog) and the Advantor trade name arising from the acquisition. The fair value of the customer contracts was \$7.2 million, and the fair value of the Advantor trade name was \$1.1 million with amortization periods of 5.0 years and 4.5 years, respectively.

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Additionally, the Company recognized goodwill of \$28.5 million arising from the acquisition, which relates primarily to acquired product and services strengthening our advance into a higher value, technology-enabled and differentiated platform, as well as extending our facilities and logistics services to include the electronic protection and security of facilities. Goodwill also includes other intangibles that do not qualify for separate recognition. The goodwill recognized for the Advantor acquisition is fully deductible for income tax purposes.

Advantor's results of operations have been included in our reported results since the date of acquisition.

For the years ended December 31, 2020, and 2019, the Company recognized total acquisition related costs of \$4.2 million, and \$1.0 million, respectively, for the three transactions noted above. These costs are included in selling, general and administrative expenses in our Consolidated Statements of Income and do not reflect any other one-time internal non-recurring integration costs.

#### **NOTE 4**

##### **REVENUE**

###### **Remaining Performance Obligations**

Remaining performance obligations represent firm orders by the customer and excludes potential orders under IDIQ contracts, unexercised contract options and contracts awarded to us that are being protested by competitors with the U.S. Government Accountability Office (GAO) GAO or in the U.S. Court of Federal Claims. COFC. The level of order activity related to programs can be affected by the timing of government funding authorizations and their project evaluation cycles. Year-over-year comparisons could, at times, be impacted by these factors, among others.

The Company's contracts are multi-year contracts and typically include an initial period of one year or less with annual one-year (or less) option periods. The number of option periods varies by contract, and there is no guarantee that an option period will be exercised. The right to exercise an option period is at the sole discretion of the U.S. government when we are the prime contractor or of the prime contractor when we are a subcontractor. We expect to recognize a substantial portion of our performance obligations as revenue within the next 12 months. However, the U.S. government or the prime contractor may cancel any contract at any time through a termination for convenience or for cause. Substantially all of our contracts have terms that would permit us to recover all or a portion of our incurred costs and fees for work performed in the event of a termination for convenience.

Remaining performance obligations increased by \$404.6 million to \$1,398 million as of December 31, 2022 and December 31, 2021 as compared to \$993 million as of December 31, 2020, are presented in the following table:

(In millions)	Year Ended December 31,	
	2022	2021
Performance Obligations	\$ 2,997	\$ 1,398

We expect to recognize approximately 77% 72% of the remaining performance obligations as of December 31, 2021 December 31, 2022 as revenue in 2022. Remaining performance obligations as of December 31, 2021 and December 31, 2020 are presented in the following table:

(In millions)	Year Ended December 31,	
	2021	2020
Performance Obligations	\$ 1,398	\$ 993

## Contract Estimates

The impact of adjustments in contract estimates on our operating income can be reflected in either revenue or cost of revenue. Cumulative adjustments for the year ended December 31, 2022 were favorable by \$13.3 million, and for the years ended December 31, 2021 and 2020 were unfavorable by \$1.3 million and \$3.7 million, respectively, and for the year ended December 31, 2019 were favorable by \$3.1 million, respectively.

For the years ended December 31, 2021, 2020, December 31, 2022 and 2019, 2021, the net adjustments to operating income increased revenue by \$0.4 million and \$0.4 million, respectively. For the year ended December 31, 2020, the net adjustments to operating income decreased revenue by \$1.8 million and increased revenue by \$4.4 million, respectively.

## Revenue by Category

Generally, the sales price elements for our contracts are cost-plus, cost-reimbursable or firm-fixed-price. We commonly have elements of cost-plus, cost-reimbursable, time-and-materials and firm-fixed-price contracts on a single

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contract. On a cost-plus type contract, we are paid our allowable incurred costs plus a profit, which can be fixed or variable depending on the contract's fee arrangement, up to funding levels predetermined by our customers.

On cost-plus type contracts, we do not bear the risks of unexpected cost overruns, provided that we do not incur costs that exceed the predetermined funded amounts. Most of our cost-plus contracts also contain a firm-fixed-price element. Cost-plus type contracts with award and incentive fee provisions are our primary variable contract fee arrangement. Award fees provide for a fee based on actual performance relative to contractually specified performance criteria. Incentive fees provide for a fee based on the relationship between total allowable and target cost.

On most of our contracts, a cost-reimbursable element captures consumable materials required for the program. Typically, these costs do not bear fees.

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On a time-and-materials contract, we are reimbursed for labor at fixed hourly rates and generally reimbursed separately for allowable materials, costs and expenses at cost. For this contract type, we bear the risk that our labor costs and allocable indirect expenses are greater than the fixed hourly rate defined within the contract.

On a firm-fixed-price type contract, we agree to perform the contractual statement of work for a predetermined contract price. A firm-fixed-price type contract typically offers higher profit margin potential than a cost-plus type contract, which is commensurate with the greater levels of risk we assume on a firm-fixed-price type contract. Although a firm-fixed-price type contract generally permits us to retain profits if the total actual contract costs are less than the estimated contract costs, we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain losses on the contract. Although the overall scope of work required under the contract may not change, profit may be adjusted as experience is gained and as efficiencies are realized or costs are incurred.

The following tables present our revenue disaggregated by different categories. Revenue by contract type for the years 2022, 2021 2020 and 2019 2020 are as follows:

Year Ended December 31,			Year Ended December 31,					
(In thousands)	(In thousands)	2021	2020	2019	(In thousands)	2022	2021	2020
Cost-plus and cost-reimbursable	Cost-plus and cost-reimbursable	\$ 1,271,167	\$ 955,506	\$ 1,015,963	Cost-plus and cost-reimbursable	\$ 1,625,196	\$ 1,271,167	\$ 955,506
Firm-fixed-price	Firm-fixed-price	452,112	403,994	334,510	Firm-fixed-price	1,159,743	452,112	403,994
Time and material		60,386	36,029	32,052	Time-and-materials	105,921	60,386	36,029
Total revenue	Total revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Total revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529

Revenue by geographic region in which the contract is performed for the years 2022, 2021 2020 and 2019 2020 are as follows:

Year Ended December 31,			Year Ended December 31,					
(In thousands)	(In thousands)	2021	2020	2019	(In thousands)	2022	2021	2020
United States					United States	\$ 1,494,255	\$ 578,255	\$ 328,214
Middle East	Middle East	\$ 1,000,877	\$ 902,162	\$ 939,685	Middle East	1,024,674	1,000,877	902,162
United States		578,255	328,214	301,991				
Europe	Europe	142,606	155,169	137,915	Europe	204,302	142,606	155,169
Asia	Asia	61,927	9,984	2,934	Asia	167,629	61,927	9,984
Total revenue	Total revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Total revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529

Revenue by contract relationship for the years 2022, 2021 2020 and 2019 2020 are as follows:

(In thousands)	(In thousands)	Year Ended December 31,			(In thousands)	Year Ended December 31,		
		2021	2020	2019		2022	2021	2020
Prime contractor	Prime contractor	\$ 1,663,828	\$ 1,324,628	\$ 1,312,928	Prime contractor	\$ 2,695,067	\$ 1,663,828	\$ 1,324,628
Subcontractor	Subcontractor	119,837	70,901	69,597	Subcontractor	195,793	119,837	70,901
Total revenue	Total revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Total revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529

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Revenue by customer for the years 2022, 2021 2020 and 2019 2020 are as follows:

		Year Ended December 31,			Year Ended December 31,			
		(in thousands)	(in thousands)	2021	2020	2019	(in thousands)	2022
Army	Army	\$ 1,134,849	\$ 965,558	\$ 958,582	Army	\$ 1,342,406	\$ 1,134,849	\$ 965,558
Navy					Navy	713,732	224,407	68,748
Air Force	Air Force	266,291	299,272	306,767	Air Force	459,849	266,291	299,272
Navy		224,407	68,748	56,236				
Other	Other	158,118	61,951	60,940	Other	374,873	158,118	61,951
Total revenue	Total revenue	\$ 1,783,665	\$ 1,395,529	\$ 1,382,525	Total revenue	\$ 2,890,860	\$ 1,783,665	\$ 1,395,529

## Contract Balances

The timing of revenue recognition, billings and cash collections results in billed and unbilled accounts receivable (contract assets) and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. Amounts are billed as work progresses in accordance with agreed-upon contractual terms at periodic intervals (e.g., biweekly or monthly). Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we may receive advances or deposits from our customers, before revenue is recognized, resulting in contract liabilities. These advance billings and payments are not considered significant financing components because they are frequently intended to ensure that both

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parties are in conformance with the primary contract terms. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period.

As of December 31, 2021 December 31, 2022, we had contract assets of \$240.0 million \$487.8 million. Contract assets primarily consist of unbilled receivables which represent rights to consideration for work completed but not billed as of the reporting date. The balance of unbilled receivables consists of costs and fees that are: (i) billable immediately; (ii) billable on contract completion; or (iii) billable upon other specified events, such as the resolution of a request for equitable adjustment. Refer to Note 5, "Receivables," for additional information regarding the composition of our receivables balances. As of December 31, 2021 December 31, 2022, our we had contract liabilities were insignificant, of \$76.4 million included in other accrued liabilities in the Consolidated Balance Sheets.

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## NOTE 5

## RECEIVABLES

Receivables were comprised of the following:

		December 31,				December 31,	
(In thousands)	(In thousands)	2021	2020	(In thousands)	2022	(In thousands)	2021
Billed receivables	Billed receivables	\$ 104,074	\$ 102,045	Billed receivables	\$ 227,718	\$ 104,074	
Unbilled receivables	Unbilled receivables			Unbilled receivables			
(contract assets)	(contract assets)	239,979	203,127	(contract assets)	487,758		239,979
Other	Other	4,552	9,787	Other	13,106		4,552
Total Receivables	Total Receivables	\$ 348,605	\$ 314,959	Total Receivables	\$ 728,582	\$ 348,605	

As of December 31, 2021 December 31, 2022 and 2020, substantially all billed receivables are due from the U.S. government, either directly as prime contractor to the U.S. government or as subcontractor to another prime contractor to the U.S. government. Because the Company's billed receivables are with the U.S. government, the Company does not believe it has a material credit risk exposure.

Unbilled receivables are contract assets that represent revenue recognized on long-term contracts in excess of amounts billed as of the balance sheet date. We expect to bill customers for the majority of the December 31, 2021 December 31, 2022 contract assets during 2022, 2023. Changes in the balance of receivables are primarily due to the timing differences between our performance and customer payments.

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**NOTE 6**

**(LOSS) EARNINGS PER SHARE**

Basic earnings per share (EPS) is computed by dividing net **(loss)** income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects potential dilution that could occur if securities to issue common stock were exercised or converted into common stock. Diluted EPS includes the dilutive effect of share-based compensation outstanding after application of the treasury stock method.

<i>(In thousands, except per share data)</i>	Year Ended December 31,		
	2021	2020	2019
Net Income	\$ 45,728	\$ 36,951	\$ 33,176
Weighted average common shares outstanding	11,705	11,599	11,444
Add: Dilutive impact of stock options	37	37	47
Add: Dilutive impact of restricted stock units	94	115	121
Diluted weighted average common shares outstanding	11,836	11,751	11,612
Earnings per share			
Basic	\$ 3.91	\$ 3.19	\$ 2.90
Diluted	\$ 3.86	\$ 3.14	\$ 2.86

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<i>(In thousands, except per share data)</i>	Year Ended December 31,		
	2022	2021	2020
Net (loss) income	\$ (14,330)	\$ 45,728	\$ 36,951
Weighted average common shares outstanding	20,996	11,705	11,599
Add: Dilutive impact of stock options	—	37	37
Add: Dilutive impact of restricted stock units	—	94	115
Diluted weighted average common shares outstanding	20,996	11,836	11,751
(Loss) earnings per share			
Basic	\$ (0.68)	\$ 3.91	\$ 3.19
Diluted	\$ (0.68)	\$ 3.86	\$ 3.14

The following table below summarizes the weighted average of anti-dilutive securities excluded from the diluted earnings per share calculation.

<i>(In thousands)</i>	<i>(In thousands)</i>	Year Ended December 31,			<i>(In thousands)</i>	Year Ended December 31,		
		2021	2020	2019		2022	2021	2020
Anti-dilutive restricted stock units	Anti-dilutive restricted stock units	1	2	4	Anti-dilutive restricted stock units	—	1	2

**NOTE 7**

**PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net consisted of the following at December 31:

<i>(In thousands)</i>	<i>(In thousands)</i>	2021	2020	<i>(In thousands)</i>	2022	2021	2020
Buildings and improvements	Buildings and improvements	\$ 2,232	\$ 2,143	Buildings and improvements	\$ 23,941	\$ 2,232	
Machinery, equipment and vehicles	Machinery, equipment and vehicles	19,756	17,774	Machinery, equipment and vehicles	42,874	19,756	

Office furniture and equipment, computers and software	Office furniture and equipment, computers and software	21,672	17,346	Office furniture and equipment, computers and software	44,150	21,672
Property, plant and equipment, gross	Property, plant and equipment, gross	43,660	37,263	Property, plant and equipment, gross	110,965	43,660
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization	(19,902)	(14,690)	Less: accumulated depreciation and amortization	(32,250)	(19,902)
Property, plant and equipment, net	Property, plant and equipment, net	\$ 23,758	\$ 22,573	Property, plant and equipment, net	\$ 78,715	\$ 23,758

Depreciation expense of property, plant and equipment was \$6.5 million \$13.5 million, \$6.5 million and \$4.1 million in 2022, 2021, and \$3.4 million in 2021, 2020, and 2019, respectively.

#### NOTE 8

##### GOODWILL AND INTANGIBLE ASSETS

The Company tests goodwill for impairment on the first day of the Company's fourth fiscal quarter each year, or more frequently should circumstances change or events occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The annual qualitative assessment tests performed in the three years ended December 31, 2021 resulted in December 31, 2022 indicated there was no impairment of goodwill. goodwill impairment.

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The change in the net carrying amount of goodwill for 2020 2021 and 2021 2022 is as follows (in thousands):

Balance at December 31, 2019	\$ 261,983
Adjustments to preliminary purchase price allocation of Advantor	147
Acquisition of HHB	10,647
Acquisition of Zenetex	66,925
Balance at December 31, 2020	\$ 339,702
Adjustments to preliminary purchase price allocation of Zenetex	(13,383)
Adjustments to preliminary purchase price allocation of HHB	(4,585)
Balance at December 31, 2021	\$ 321,734
Acquisition of Vertex	1,332,088
Balance at December 31, 2022	\$ 1,653,822

Other identifiable intangible assets consist of the following:

(In thousands)	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Contract backlog and recompetes	\$ 77,300	\$ (14,988)	\$ 62,312	\$ 48,800	\$ (6,645)	\$ 42,155
Customer contracts	7,200	(3,572)	3,628	7,200	(2,133)	5,067
Trade names and other	1,249	(607)	642	1,243	(360)	883
Total intangible assets	\$ 85,749	\$ (19,167)	\$ 66,582	\$ 57,243	\$ (9,138)	\$ 48,105

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(In thousands)	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Contract backlog and recompetes	\$ 393,300	\$ (56,210)	\$ 337,090	\$ 77,300	\$ (14,988)	\$ 62,312
Customer contracts	171,200	(10,748)	160,452	7,200	(3,572)	3,628
Trade names and other	1,260	(851)	409	1,249	(607)	642
Total intangible assets	\$ 565,760	\$ (67,809)	\$ 497,951	\$ 85,749	\$ (19,167)	\$ 66,582

Intangible amortization expense was approximately \$10.0 million \$48.6 million and \$4.0 million \$10.0 million for years ended 2021 2022 and 2020, 2021, respectively. As of December 31, 2021 December 31, 2022, the weighted-average intangible asset amortization period was 9.5 7.6 years.

The estimated amortization expense for intangible assets for the next five years is as follows (in thousands):

Period	Period	Amortization	Period	Amortization
2022		\$ 8,499		
2023	2023	\$ 8,403	2023	\$ 90,423
2024	2024	\$ 7,296	2024	\$ 89,316
2025	2025	\$ 6,499	2025	\$ 88,518
2026	2026	\$ 6,028	2026	\$ 88,048
After 2026		\$ 29,857		
2027			2027	\$ 18,666
After 2027			After 2027	\$ 122,980

#### NOTE 9

##### COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

The following tables present financial information underlying certain balance sheet captions.

##### Compensation and other employee benefits

Compensation and other employee benefits are affected by short-term fluctuations in the timing of payments and were comprised of the following at December 31:

(In thousands)	(In thousands)	2021	2020	(In thousands)	2022	2021
Accrued salaries and wages	Accrued salaries and wages	\$ 37,883	\$ 42,206	Accrued salaries and wages	\$ 37,795	\$ 37,883
Accrued bonus	Accrued bonus	14,364	7,617	Accrued bonus	23,484	14,364
Accrued employee benefits	Accrued employee benefits	28,037	29,745	Accrued employee benefits	106,759	28,037
Total	Total	\$ 80,284	\$ 79,568	Total	\$ 168,038	\$ 80,284

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##### Other accrued liabilities

Other accrued liabilities were comprised of the following at December 31:

(In thousands)	(In thousands)	2021	2020	(In thousands)	2022	2021
Contract related reserves	Contract related reserves	\$ 15,699	\$ 13,064	Contract related reserves	\$ 74,915	\$ 15,699
Current operating lease liabilities	Current operating lease liabilities	11,983	6,245	Current operating lease liabilities	17,564	11,983
Accrued non-payroll taxes	Accrued non-payroll taxes	6,425	124	Accrued non-payroll taxes	4,145	6,425
Workers' compensation, auto and general liability reserve	Workers' compensation, auto and general liability reserve	3,169	4,042	Workers' compensation, auto and general liability reserve	2,799	3,169
Other	Other	17,755	17,182	Other	97,115	17,755
Total	Total	\$ 55,031	\$ 40,657	Total	\$ 196,538	\$ 55,031

##### Other non-current liabilities

Other non-current liabilities were comprised of the following at December 31:

(In thousands)	(In thousands)	2021	2020	(In thousands)	2022	2021
Long-term contract-related reserves				Long-term contract-related reserves	\$ 111,534	\$ —

Income taxes payable	Income taxes payable	\$ 9,724	\$ 7,352	Income taxes payable	9,202	9,724
CARES Act payroll tax deferral	CARES Act payroll tax deferral	8,448	16,806	CARES Act payroll tax deferral	—	8,448
Other	Other	1,956	4,197	Other	12,449	1,956
Total	Total	\$ 20,128	\$ 28,355	Total	\$ 133,185	\$ 20,128

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**NOTE 10**

**DEBT**

**Senior Secured Credit Facilities**

**Term Loan and Revolver.** In September 2014, we and our wholly owned subsidiary, VSC, entered into a credit agreement. The credit agreement was subsequently amended on December 24, 2020 and January 24, 2022 (see Note 18 Subsequent Events) and is collectively referred to as the Amended Prior Credit Agreement. The credit agreement consists of a term loan (Amended Term Loan) and a \$270.0 million revolving credit facility (Amended Revolver) as of December 31, 2021.

The Amendment Agreement includes an accordion feature that allows the Company to draw up to an additional \$100.0 million subject to the lender's consent Merger described in Note 3, *Merger and Acquisitions*, on the same terms and conditions as Closing Date, the existing commitments. The Amendment Agreement also permits the Company to borrow up to \$75.0 million in unsecured outstanding debt as long as the aggregated sum of both the unsecured debt and the accordion does not exceed \$100.0 million.

The Amended Term Loan amortizes in an amount equal to \$2.6 million per quarter for the fiscal quarters ending December 31, 2021 through September 30, 2023, with the balance of \$37.2 million due on November 15, 2023. Amounts borrowed under the Amended Term Loan that are and the Amended Revolver, \$50.2 million and \$40.0 million, respectively, was repaid or prepaid may not be re-borrowed. Any unpaid amounts must be repaid by and related guarantees and liens were discharged and released. Repayment was made using proceeds from the maturity dates, Vertex First Lien Credit Agreement described below. As of December 31, 2021 and December 31, 2020, the balance outstanding under the Amended Term Loan was \$55.4 million and \$64.0 million, respectively.

The Amended Revolver is available for working capital, capital expenditures, and other general corporate purposes. There were \$50.0 million of outstanding borrowings under the Amended Revolver, at December 31, 2021. Up to \$25.0 million of was \$55.4 million and \$50.0 million, respectively.

On the Amended Revolver is available for the issuance of letters of credit. As of December 31, 2021, there were two letters of credit outstanding in the aggregate amount of \$2.7 million, which reduced our borrowing availability under the Amended Revolver to \$217.3 million. At December 31, 2020, there were \$115.0 million of outstanding borrowings under the Amended Revolver which had been used in the December 31, 2020 acquisitions of Zenetex and HHB (see Note 3, *Acquisitions*).

All outstanding amounts under the Amended Agreement as of December 31, 2021, were due in 2022 prior to consideration of the January 24, 2022 amendment. The Company's aggregate scheduled maturities at December 31, 2021, after consideration of the January 24, 2022 amendment, are as follows:

(In thousands)	Payments due
2022	\$ 10,400
2023	95,000
Total	\$ 105,400

**Guarantees and Collateral.** The indebtedness and other obligations under the Amended Agreement are unconditionally guaranteed jointly and severally on a senior secured basis by us and Closing Date, certain of our restricted subsidiaries, including VSC (and together with VSC, the Company Guarantor Subsidiaries), that became direct or indirect subsidiaries of Vertex Aerospace Service Corp., a Delaware corporation and are secured, subject to permitted liens and other exceptions, by a first-priority lien on substantially all wholly-owned indirect subsidiary of our tangible and intangible assets and those of each domestic guarantor.

**Voluntary Prepayments.** We may voluntarily prepay the Amended Term Loan in whole or in part at any time without premium or penalty, subject to the payment of customary breakage costs under certain conditions. Voluntary prepayments Vertex (Vertex Borrower), have provided guarantees of the Amended Term Loan will be applied to indebtedness under each of:

(i) the remaining installments thereof as directed by us. We may reduce the commitments under the Amended Revolver in whole or in part at any time without premium or penalty.

**Covenants.** The Amended First Lien Credit Agreement, contains customary covenants, including covenants that, under certain circumstances and subject to certain qualifications and exceptions: limit or restrict our ability to incur additional indebtedness; merge, dissolve, liquidate or consolidate; make acquisitions, investments, advances or loans; dispose of or transfer assets; pay dividends; redeem or repurchase certain debt; and enter into certain restrictive agreements.

In addition, we are required to comply with (a) a maximum ratio of total consolidated indebtedness to consolidated earnings before interest, tax, depreciation and amortization (EBITDA) of 3.00 to 1.00 (or 3.50 to 1.00 for the 12 months following a qualified acquisition), and (b) a minimum ratio of consolidated EBITDA to consolidated interest expense (net of cash interest income) of 4.50 to 1.00. As of December 31, 2021, we had a ratio of total consolidated indebtedness to EBITDA of 1.2 to 1.00 and a ratio of consolidated EBITDA to consolidated interest expense of 12.39 to 1.00. We were in compliance with all covenants related to the Amended Agreement dated as of December 31, 2021, December 6, 2021 (as amended by the Amendment No. 1 to First Lien Credit Agreement, dated as of the Closing Date, and as further amended, restated, amended and restated, supplemented and otherwise modified from time to time, the Vertex First Lien Credit Agreement), by and among Vertex Borrower, as borrower, Vertex Aerospace Intermediate LLC, a Delaware

limited liability company, direct parent entity of Vertex Borrower and wholly-owned indirect subsidiary of Vertex (Vertex Holdings), the lenders from time to time party thereto and Royal Bank of Canada, as administrative agent;

**Interest Rates (ii) the Second Lien Credit Agreement, dated as of December 6, 2021 (as amended, restated, amended and fees.** Outstanding borrowings under restated, supplemented and otherwise modified from time to time, the Amended Agreement accrue interest, at our option, at a per annum rate Vertex Second Lien Credit Agreement, Vertex Borrower, as borrower, Vertex Holdings, the lenders from time to time party thereto and Royal Bank of (i) SOFR plus the applicable margin, which ranges from 1.75% to 2.50% depending on the leverage ratio, or (ii) a base rate plus the applicable margin, which ranges from 0.75% to 1.50% depending on the leverage ratio. The interest Canada, as administrative agent; and

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(iii) the ABL Credit Agreement, dated as of June 29, 2018 (as amended by the First Amendment to ABL Credit Agreement, dated as of May 17, 2019, as further amended by the Second Amendment to ABL Credit Agreement, dated as of May 17, 2021, as further amended by the Third Amendment to ABL Credit Agreement, dated as of December 6, 2021, as further amended by the Fourth Amendment to ABL Credit Agreement, dated as of the Closing Date, as further amended by the Fifth Amendment to ABL Credit Agreement, dated September 21, 2022, and as further amended, restated, amended and restated, supplemented and otherwise modified from time to time, the Vertex ABL Credit Agreement), by and among Vertex Borrower, Vertex Holdings, certain other subsidiaries of Vertex Borrower from time to time party thereto as co-borrowers, the lenders from time to time party thereto and Ally Bank, as administrative agent (in such capacity, the ABL Agent).

#### **rate** Vertex First Lien Credit Agreement

The Vertex First Lien Credit Agreement provides for senior secured first lien term loans in an aggregate principal amount of \$1,185.0 million, consisting of a \$925.0 million term loan "B" tranche, (the First Lien Initial Term Tranche) and a \$260.0 million incremental term loan "B" tranche (the First Lien Incremental Term Tranche and, together with the First Lien Initial Term Tranche, collectively, the First Lien Term Facility). The entire amount of the proceeds from the (i) First Lien Initial Term Tranche were previously used to finance the acquisition of certain subsidiaries of Raytheon Company, a Delaware corporation, and related transaction costs (the Sky Acquisition in December 2021). As provided in the Merger Agreement, the proceeds of the First Lien Incremental Term Tranche were used by the Vertex Borrower to redeem all of the shares of previously issued preferred stock on the Closing Date (but prior to the Merger). The remaining First Lien Incremental Term Tranche proceeds were used to repay in full all outstanding indebtedness under the Amended Prior Credit Agreement, at December 31, 2021 was 2.11%. We pay a commitment fee on and other transaction costs. Approximately \$54.0 million of cash remained after funding the undrawn portion preferred stock redemption, repayment of the Amended Revolver ranging from 0.30% Prior Credit Agreement and other transaction costs. The loans under the First Lien Term Facility will be payable in full on December 6, 2028.

The First Lien Term Facility amortizes in an amount equal to 0.45% approximately \$3.0 million per quarter for the fiscal quarters ending September 30, 2022, through September 30, 2028, with the balance of \$1,108.6 million due on December 6, 2028.

The Vertex Borrower's obligations under the First Lien Term Facility, which were assumed in the Merger, are guaranteed by Vertex Holdings and Vertex Borrower's wholly-owned domestic subsidiaries (including the Company Guarantor Subsidiaries, collectively, the First Lien Guarantors), subject to customary exceptions and limitations. The Vertex Borrower's obligations under the First Lien Term Facility and the First Lien Guarantors' obligations under the related guarantees are secured by (i) a first priority lien on substantially all of the Vertex Borrower's and the First Lien Guarantors' assets other than the ABL Priority Collateral, as defined below (subject to customary exceptions and limitations), and (ii) a second-priority lien on substantially all of the Vertex Borrower's and the First Lien Guarantors' accounts receivable, inventory and certain other assets arising therefrom or related thereto (collectively, the ABL Priority Collateral) (subject to customary exceptions and limitations).

The borrowings under the First Lien Initial Term Tranche bear interest at rates that, at the Vertex Borrower's option, can be either a base rate, determined by reference to the federal funds rate, plus a margin of 2.50% to 3.75% per annum, or a Eurodollar rate, determined by reference to LIBOR, plus a margin of 3.50% to 3.75% per annum, in each case, depending on the consolidated first lien net leverage ratio. ratio of the Vertex Borrower and its subsidiaries. As of December 31, 2022, the effective interest rate for the First Lien Initial Term Tranche was 8.65%. The borrowings under the First Lien Incremental Term Tranche bear interest at rates that, at the Vertex Borrower's option, can be either a base rate, determined by reference to the federal funds rate, plus a margin of 3.00% per annum, or a term benchmark rate, determined by reference to the Secured Overnight Financing Rate (SOFR), plus a margin of 4.00% per annum. As of December 31, 2022, the effective interest rate for the First Lien Incremental Term Tranche was 9.19%.

The Vertex First Lien Credit Agreement contains customary representations and warranties and affirmative covenants. The Vertex First Lien Credit Agreement also includes negative covenants that limit, among other things, additional indebtedness, additional liens, sales of assets, dividends, investments and advances, prepayments of debt and mergers and acquisitions.

The Vertex First Lien Credit Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the First Lien Term Facility to be in full force and effect, and a change of control. If an event of default occurs and is continuing, the Vertex Borrower may be required immediately to repay all amounts outstanding under the Vertex First Lien Credit Agreement.

**Carrying Value** As of December 31, 2022, the carrying value of the First Lien Credit Agreement was \$1,176.8 million, excluding deferred discount and **Fair Value** unamortized deferred financing costs of \$54.6 million. The estimated fair value of the Amended Term Loan and Amended Revolver approximates the carrying value First Lien Credit Agreement as of December 31, 2021, because the debt bears interest at a floating rate of interest. December 31, 2022 was \$1,157.6 million. The fair value is based on observable inputs of interest rates that are currently available to us for debt with similar terms and maturities for non-public debt, debt (Level 2).

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#### **Vertex Second Lien Credit Agreement**

The Vertex Second Lien Credit Agreement provides for senior secured second lien term loans in an aggregate principal amount of \$185.0 million (the Second Lien Term Facility). The entire amount of the proceeds from the Second Lien Term Facility were previously used to finance the Sky Acquisition in December 2021. The Company voluntarily prepaid \$25.0 million of the Second Lien Term Facility on December 30, 2022. Under the terms of the Vertex Second Lien Credit Agreement, the Vertex Borrower was required to remit a prepayment premium of \$0.3 million with the voluntary prepayment. The remaining balance of loans under the Second Lien Term Facility will be payable in full on December 6, 2029.

The Vertex Borrower's obligations under the Second Lien Term Facility are guaranteed by Vertex Holdings and the Vertex Borrower's wholly-owned domestic subsidiaries (including the Company Guarantor Subsidiaries, collectively, the Second Lien Guarantors), subject to customary exceptions and limitations. The Vertex Borrower's obligations under the Second Lien Term Facility and the Second Lien Guarantors' obligations under the related guarantees are secured by (i) a second priority-lien on substantially all of the Vertex Borrower's and Second Lien Guarantors' assets other than the ABL Priority Collateral (subject to customary exceptions and limitations), and (b) a third-priority lien on substantially all of the Vertex Borrower's and Second Lien Guarantors' assets ABL Priority Collateral (subject to customary exceptions and limitations).

The borrowings under the Second Lien Term Facility bear interest at rates that, at the Vertex Borrower's option, can be either a base rate, determined by reference to the federal funds rate, plus a margin of 6.50% per annum, or a Eurodollar rate, determined by reference to LIBOR, plus a margin of 7.50% per annum. As of December 31, 2022, the effective interest rate for Second Lien Term Facility was 12.55%.

The Vertex Second Lien Credit Agreement contains customary representations and warranties and affirmative covenants. The Vertex Second Lien Credit Agreement also includes negative covenants that limit, among other things, additional indebtedness, additional liens, sales of assets, dividends, investments and advances, prepayments of debt and mergers and acquisitions.

The Vertex Second Lien Credit Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the First Lien Term Facility to be in full force and effect, and a change of control. If an event of default occurs and is continuing, the Vertex Borrower may be required immediately to repay all amounts outstanding under the Vertex Second Lien Credit Agreement.

As of December 31, 2022, the carrying value of the Second Lien Credit Agreement was \$160.0 million, excluding a deferred discount of \$7.5 million. The estimated fair value of the Second Lien Credit Agreement as of December 31, 2022 was \$152.0 million. The fair value is based on observable inputs of interest rates that are currently available to us for debt with similar terms and maturities for non-public debt (Level 2).

#### **Vertex ABL Credit Agreement**

The Vertex ABL Credit Agreement provides for a senior secured revolving loan facility (the ABL Facility) of up to an aggregate amount of \$200.0 million (the loans thereunder, the ABL Loans). The Vertex ABL Credit Agreement also provides for (i) a \$30.0 million sublimit of availability for letters of credit, and (ii) a \$10.0 million sublimit for short-term borrowings on a swingline basis. The commitments under the ABL Facility expire on June 29, 2026, and any ABL Loans then outstanding will be payable in full at that time.

Availability under the ABL Facility is subject to a borrowing base (the Borrowing Base), which is based on 85% of eligible accounts receivable, eligible government account receivable and eligible government subcontract accounts receivable, plus 50% of eligible unbilled accounts receivable, plus the lesser of (x) 65% of the book value of eligible inventory, and (y) 85% of the net orderly liquidation value of eligible inventory of the Vertex Borrower, Vertex Holdings and most of the Vertex Borrower's wholly-owned domestic subsidiaries (including the Company Guarantor Subsidiaries, collectively, the ABL Guarantors), after adjusting for customary reserves that are subject to the ABL Agent's discretion. The aggregate amount of the ABL Loans made and letters of credit issued under the ABL Facility shall at no time exceed the lesser of the aggregate commitments under the ABL Facility (currently \$200.0 million) or the Borrowing Base. To the extent that the Vertex Borrower's and ABL Guarantors' eligible accounts receivable, eligible government account receivable, eligible government subcontract accounts receivable, eligible unbilled accounts receivable, and eligible inventory, decline, the Borrowing Base will decrease, and the availability under the ABL Facility may decrease below \$200.0 million. Any ABL Loans requested are subject to a number of customary conditions, including accuracy of representations and warranties and no default. The proceeds from the ABL Loans may be used to finance the working capital needs and general corporate purposes of the Vertex Borrower and its subsidiaries.

The Vertex Borrower's obligations under the ABL Facility are guaranteed by the ABL Guarantors, subject to customary exceptions and limitations. The Vertex Borrower's obligations under the ABL Facility and the ABL Subsidiary Guarantors' obligations under the related guarantees are secured by (a) a first priority-lien on substantially all of the Vertex Borrower's and

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the ABL Guarantors' ABL Priority Collateral (subject to customary exceptions and limitations), and (b) a third priority-lien on substantially all of the Vertex Borrower's and the ABL Guarantors' assets other than the ABL Priority Collateral (subject to customary exceptions and limitations).

The borrowings under the ABL Facility bear interest at rates that, at the Vertex Borrower's option, can be either a base rate, determined by reference to the federal funds rate, plus a margin of 0.75% to 1.25% per annum, or a term benchmark rate, determined by reference to SOFR, plus a margin of 1.75% to 2.25% per annum, in each case, depending on the aggregate availability under the ABL Facility.

Unutilized commitments under the ABL Facility are subject to a per annum fee of (x) 0.375% if the total outstandings were equal to or less than 50% of the aggregate commitments, or (y) 0.25% if such total outstandings were more than 50% of the aggregate commitments.

The Vertex Borrower is also required to pay a letter of credit fronting fee to each letter of credit issuer equal to 0.125% per annum of the amount available to be drawn under each such letter of credit (or such other amount as may be mutually agreed by the Vertex Borrowers and the applicable letter of credit issuer), as well as a fee to all lenders equal to the applicable margin to SOFR of ABL Loans times the average daily amount available to be drawn under all outstanding letters of credit.

The Vertex ABL Credit Agreement contains customary representations and warranties, which must be accurate for the Vertex Borrower to borrow under the ABL Facility, and affirmative covenants. The Vertex ABL Credit Agreement also includes negative covenants that limit, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions. The Vertex ABL Credit Agreement also includes a financial covenant that requires the fixed charge coverage ratio to be at least 1.00 to 1.00 as of the end of any period of four fiscal quarters while aggregate availability is less than the greater of (i) \$10.0 million and (ii) 10% of the aggregate borrowing base.

The Vertex ABL Credit Agreement contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the ABL Facility to be in full force and effect, and a change of control. If an event of default occurs and is continuing, the Borrowers may be required immediately to repay all amounts outstanding under the Vertex ABL Credit Agreement.

As of December 31, 2022, there was no outstanding balance under the ABL Facility and \$14.9 million outstanding for letters of credit. Availability under the ABL Facility was \$184.4 million as of December 31, 2022. Unamortized deferred financing fees related to the ABL Credit Agreement of \$1.6 million are included in Other Non-Current Assets in the Consolidated Balance Sheets. As of December 31, 2022, the fair value of the ABL Credit Agreement approximated the carrying value because the debt bears a floating interest rate.

The Company's aggregate scheduled maturities at December 31, 2022 are as follows:

(In thousands)	Payments due
2023	\$ 11,850
2024	11,850
2025	11,850
2026	11,850
2027	11,850
Thereafter	1,277,513
Total	<u>\$ 1,336,763</u>

**Voluntary Prepayments.** We may voluntarily prepay the First Lien Facility or Second Lien Facility in whole or in part at any time, subject to the payment of customary breakage costs under certain conditions. Voluntary prepayments of the Second Lien Facility prior to December 6, 2023 require payment of a 1% prepayment premium. Voluntary prepayments of the First Lien Facility will be applied to the remaining installments thereof as directed by us. We may reduce the commitments under the ABL Facility in whole or in part at any time without premium or penalty.

As of December 31, 2022, we were in compliance with all covenants related to the First Lien Term Facility, the Second Lien Term Facility and the ABL Facility.

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## NOTE 11

### DERIVATIVE INSTRUMENTS

#### Interest Rate Derivative Instruments

The Company is exposed to the risk that our earnings and cash flows could be adversely impacted due to fluctuations in interest rates. To manage this risk, the Company has periodically ~~entered~~ entered into interest rate swaps in which we agree to exchange, at specified intervals, the difference between variable and fixed interest amounts calculated by reference to an agreed-upon notional amount. Derivative instruments are not used for trading purposes or to manage exposure to changes in interest rates for investment ~~securities, and our~~ securities. Our outstanding derivative instruments ~~do have not~~ contain contained credit risk related contingent features. Collateral features ~~nor~~ is collateral generally not required.

The interest rate swaps are measured at fair value on a recurring basis and are determined using the income approach based on a discounted cash flow model to determine the present value of future cash flows over the remaining term of the contract incorporating observable market inputs such as prevailing interest rates as of the reporting date (Level 2). Changes in fair value of the interest rate swap are recorded, net of tax, as a component of accumulated other comprehensive loss in the accompanying Consolidated Balance Sheets. We reclassify the effective gain or loss from accumulated other comprehensive loss, net of tax, to interest expense on the Consolidated Statements of Income as the interest expense is recognized on the related debt. The ineffective portion of the change in fair value of the interest rate swap, if any, is recognized directly in earnings in interest expense.

On June 29, 2022, in conjunction with our planned extinguishment of the related hedged debt interest expense, we terminated our remaining interest rate swaps that were designated and qualify qualified as effective cash flow hedges. The contracts, with a notional amount totaling \$41.8 million at December 31, 2021 and expiration dates through November 2022, are recorded at fair value. Interest rate swap losses in accumulated other comprehensive loss upon termination were immaterial.

The following table summarizes the amount at fair value and location of the derivative instruments in the Consolidated Balance Sheet as of December 31, 2021:

(In thousands)	Fair Value	
	Balance sheet caption	Amount
Interest rate swap designated as cash flow hedge	Other accrued liabilities	\$ 666

The following table summarizes the amount at fair value and location of the derivative instruments in the Consolidated Balance Sheet as of December 31, 2020:

(In thousands)	Fair Value	
	Balance sheet caption	Amount
Interest rate swap designated as cash flow hedge	Other accrued liabilities	\$ 1,015
Interest rate swap designated as cash flow hedge	Other non-current liabilities	\$ 750

By utilizing interest rate swaps, we are exposed to credit-related losses in the event that the counterparty fails to perform under the terms of the derivative contract. To mitigate this risk, we entered into the interest rate swap with a major financial institution based upon credit ratings and other factors. We regularly assess the creditworthiness of the counterparty. As of December 31, 2021, the counterparty to the interest rate swap had performed in accordance with its contractual obligations. Both the counterparty credit risk and our credit risk were considered in the fair value determination.

Net interest rate derivative losses of \$0.4 million, \$0.9 million \$1.0 million, and less than \$0.1 \$0.9 million were reclassified from accumulated other comprehensive loss to interest expense in our Consolidated Statements of Income during 2022, 2021, and 2020, and 2019, respectively. We expect \$0.7 million of existing interest rate swap losses reported in accumulated other comprehensive loss as of December 31, 2021, to be reclassified into earnings within the next 12 months.

#### Foreign Currency Derivative Instrument

We transact business in various foreign countries and are therefore exposed to foreign currency exchange rate risk that impacts the reported U.S. dollar amounts of revenues, costs, and certain foreign currency monetary assets and liabilities. In order to manage exposure to fluctuations in foreign currency and to reduce the volatility in cash

flows and earnings caused

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by fluctuations in foreign exchange rates, we have entered into forward contracts to buy and sell foreign currency. By policy, we do not enter into these contracts for trading purposes or speculation. As of December 31, 2021, we

The Company had economically hedged certain portions of our foreign currency risk in anticipated transactions using derivative instruments with expiration dates through January 2022.

Counterparty default risk is considered low because the forward contracts that we entered into are over-the-counter instruments transacted with highly rated financial institutions. We were not required to, and did not, post collateral as of December 31, 2021.

Our foreign currency derivative instruments are recorded at fair value as a derivative asset or liability in the Consolidated Balance Sheets. The no outstanding foreign currency forward contracts are measured at fair value on December 31, 2022 and had outstanding forward contracts with a recurring basis and are determined using the income approach based on a discounted cash flow model to determine the present current liability value of future cash flows over the remaining term of the contract incorporating observable market inputs such as prevailing foreign currency exchange rates as of the reporting date (Level 2) less than \$0.1 million at December 31, 2021.

Our forward contracts were designated and qualify as hedging instruments. Changes in the fair value of these instruments are recorded, net of tax, as a component of accumulated other comprehensive loss in the accompanying Consolidated Balance Sheets. We reclassify the effective gain or loss from accumulated other comprehensive loss, net of tax, within selling, general and administrative expense on the Consolidated Statements of Income as the forward contracts are settled. The ineffective portion of the change in fair value of the forward contracts, if any, is recognized directly in earnings in selling, general and administrative expense. In the Consolidated Statements of Cash Flows, we classify cash flows from foreign currency derivative instruments at settlement in the same category as the cash flows from the related hedged item, generally within cash provided by operating activities.

Net foreign currency derivative gains of less than \$0.1 million and losses of \$0.1 million, and \$0.6 million were recognized in selling, general and administrative expense during 2022, 2021 and 2020 and 2019, respectively. We expect less than \$0.1 million of existing foreign currency forward contract losses reported in accumulated other comprehensive loss as of December 31, 2021, to be reclassified into earnings within the next 12 months.

The following table summarizes the amount at fair value and location of the derivative instruments used for our forward contract hedges in the Consolidated Balance Sheet as of December 31, 2021.

(In thousands)	Fair Value	
	Balance sheet caption	Amount
Foreign currency forward contracts designated as cash flow hedge	Other accrued liabilities	\$ 30

The following table summarizes the amount at fair value and location of the derivative instruments used for our forward contract hedges in the Consolidated Balance Sheet as of December 31, 2020.

(In thousands)	Fair Value	
	Balance sheet caption	Amount
Foreign currency forward contracts designated as cash flow hedge	Other current assets	\$ 404

At December 31, 2021, the notional amount of our outstanding foreign currency foreign exchange contracts, all of which were for the exchange of U.S. dollars and Euros, was \$0.5 million. immaterial.

#### NOTE 12

##### LEASES

We determine whether an arrangement contains a lease at inception. We have operating leases for office space, apartments, vehicles, and machinery and equipment. Our operating leases have lease terms of less than one year to ten years.

We do not separate lease components from non-lease components (e.g., common area maintenance, property taxes, and insurance) but account for both components in a contract as a single lease component.

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The components of lease expense are as follows:

(In thousands)	(In thousands)	Year Ended		(In thousands)	Year Ended	
		December 31, 2021	December 31, 2020		December 31, 2022	December 31, 2021
Operating lease expense	Operating lease expense	\$ 11,477	\$ 6,952	Operating lease expense	\$ 17,167	\$ 11,477
Variable lease expense	Variable lease expense	783	736	Variable lease expense	568	783

Short-term lease expense	Short-term lease expense	62,124	53,528	Short-term lease expense	82,952	62,124
Total lease expense	Total lease expense	\$ 74,384	\$ 61,216	Total lease expense	\$ 100,687	\$ 74,384

Supplemental balance sheet information related to our operating leases is as follows:

(In thousands)	(In thousands)	Year Ended		Year Ended		
		December 31, 2021	December 31, 2020	(In thousands)	December 31, 2022	December 31, 2021
Right-of-use assets	Right-of-use assets	\$ 43,651	\$ 18,718	Right-of-use assets	\$ 52,825	\$ 43,651
Current lease liabilities (recorded in other accrued liabilities)	Current lease liabilities (recorded in other accrued liabilities)	\$ 11,983	\$ 6,245	Current lease liabilities (recorded in other accrued liabilities)	\$ 17,564	\$ 11,983
Long-term operating lease liabilities	Long-term operating lease liabilities	34,536	13,970	Long-term operating lease liabilities	41,083	34,536
Total operating lease liabilities	Total operating lease liabilities	\$ 46,519	\$ 20,215	Total operating lease liabilities	\$ 58,647	\$ 46,519

Additional ROU assets from operating lease arrangements of \$35.3 million were recognized as non-cash asset additions during the year ended December 31, 2021. During 2022, we recognized additional right-of-use assets of \$5.0 million from newly executed operating leases executed to support and \$21.1 million from the OMDAC-SWACA contract extension and to replace expiring office space leases. Merger.

The weighted average remaining lease term and discount rate for our operating leases at December 31, 2021 December 31, 2022 were 5.2 years and 3.7%, respectively.

Maturities of lease liabilities at December 31, 2021 December 31, 2022 were as follows:

(In thousands)	(In thousands)	Payments due	(In thousands)	Payments due
2022		\$ 13,198		
2023	2023	12,762	2023	\$ 19,588
2024	2024	8,228	2024	13,670
2025	2025	4,166	2025	8,643
2026	2026	3,479	2026	7,137
After 2026		10,163		
2027			2027	5,300
After 2027			After 2027	11,265
Total minimum lease payments	Total minimum lease payments	\$ 51,996	Total minimum lease payments	\$ 65,603
Less: Imputed interest	Less: Imputed interest	(5,477)	Less: Imputed interest	(6,956)
Total operating lease liabilities	Total operating lease liabilities	\$ 46,519	Total operating lease liabilities	\$ 58,647

#### NOTE 13

#### INCOME TAXES

We determine the provision for income taxes using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning strategies and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates. For the year ended December 31, 2021 December 31, 2022, we did not establish or release an additional valuation allowance.

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The sources of pre-tax income and the components of income tax expense for the years ended **December 31, 2021**, **December 31, 2022**, **2020**, **2021** and **2019**, **2020**, respectively, are as follows:

(in thousands)	(in thousands)	2021	2020	2019	(in thousands)	2022	2021	2020
<b>Income Components</b>	<b>Income Components</b>				<b>Income Components</b>			
United States	United States	\$ 51,532	\$ 33,946	\$ 37,521	United States	\$ (8,324)	\$ 51,532	\$ 33,946
Foreign	Foreign	2,503	4,736	5,658	Foreign	2,216	2,503	4,736
<b>Total pre-tax income from continuing operations</b>		<b>\$ 54,035</b>	<b>\$ 38,682</b>	<b>\$ 43,179</b>				
<b>Total pre-tax (loss) income</b>					<b>Total pre-tax (loss) income</b>	<b>\$ (6,108)</b>	<b>\$ 54,035</b>	<b>\$ 38,682</b>
<b>Income tax expense components</b>	<b>Income tax expense components</b>				<b>Income tax expense components</b>			
Current income tax provision	Current income tax provision				Current income tax provision			
United States-Federal	United States-Federal	\$ 11,860	\$ 9,920	\$ 12,017	United States-Federal	\$ 1,145	\$ 11,860	\$ 9,920
United States-State and local	United States-State and local	740	735	866	United States-State and local	334	740	735
Foreign	Foreign	1,477	1,704	3,883	Foreign	4,558	1,477	1,704
Total current income tax provision	Total current income tax provision	14,077	12,359	16,766	Total current income tax provision	6,037	14,077	12,359
Deferred income tax provision (benefit)	Deferred income tax provision (benefit)				Deferred income tax provision (benefit)			
United States-Federal	United States-Federal	(5,008)	(9,953)	(6,689)	United States-Federal	(317)	(5,008)	(9,953)
United States-State and local	United States-State and local	(211)	(342)	(387)	United States-State and local	2,577	(211)	(342)
Foreign	Foreign	(551)	(333)	313	Foreign	(75)	(551)	(333)
Total deferred income tax provision (benefit)	Total deferred income tax provision (benefit)	(5,770)	(10,628)	(6,763)	Total deferred income tax provision (benefit)	2,185	(5,770)	(10,628)
<b>Total income tax expense</b>	<b>Total income tax expense</b>	<b>\$ 8,307</b>	<b>\$ 1,731</b>	<b>\$ 10,003</b>	<b>Total income tax expense</b>	<b>\$ 8,222</b>	<b>\$ 8,307</b>	<b>\$ 1,731</b>
<b>Effective income tax rate</b>	<b>Effective income tax rate</b>	<b>15.4 %</b>	<b>4.5 %</b>	<b>23.2 %</b>	<b>Effective income tax rate</b>	<b>(134.6) %</b>	<b>15.4 %</b>	<b>4.5 %</b>

A reconciliation of the income tax provision at the U.S. statutory rate to the effective income tax rate as reported is as follows:

	2021	2020	2019
Tax provision at U.S. statutory rate	21.0 %	21.0 %	21.0 %
State and local income tax, net of federal benefit	1.1 %	1.5 %	0.8 %
Foreign taxes	0.3 %	0.8 %	0.5 %
Uncertain tax positions	4.1 %	(4.5)%	8.0 %
Prior year true-ups	(0.5)%	0.3 %	0.4 %

Foreign derived intangible income deduction	(7.3)%	(13.8)%	(8.0)%
Credits	(3.8)%	(1.0)%	(1.3)%
Other	0.5 %	0.2 %	1.8 %
Effective income tax rate	<u>15.4 %</u>	<u>4.5 %</u>	<u>23.2 %</u>

	2022	2021	2020
Tax provision at U.S. statutory rate	21.0 %	21.0 %	21.0 %
State and local income tax, net of federal benefit	(38.1)%	1.1 %	1.5 %
Foreign taxes	(24.6)%	0.3 %	0.8 %
Uncertain tax positions	16.3 %	4.1 %	(4.5)%
Return to provision true-ups	8.6 %	(0.5)%	0.3 %
Foreign derived intangible income deduction	11.3 %	(7.3)%	(13.8)%
Non-deductible compensation expense	(79.0)%	0.5 %	1.1 %
Non-deductible transaction expense	(59.5)%	— %	— %
Tax credits	12.2 %	(3.8)%	(1.0)%
Other	(2.8)%	— %	(0.9)%
Effective income tax rate	<u>(134.6)%</u>	<u>15.4 %</u>	<u>4.5 %</u>

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Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse. Deferred tax assets and liabilities include the following:

(in thousands)	2021	2020
<b>Deferred tax assets</b>		
Compensation and benefits	\$ 8,125	\$ 7,180
Reserves	4,632	4,359
Lease liability	10,204	4,818
Social security deferral	1,874	3,717
Other	2,515	581
Net operating losses	1,912	1,889
<b>Total deferred tax assets</b>	<u>\$ 29,262</u>	<u>\$ 22,544</u>
<b>Deferred tax liabilities</b>		
Goodwill and intangibles	\$ (47,228)	\$ (46,493)
Unbilled receivables	—	(5,043)
Property, plant and equipment, net	(2,179)	(2,492)
Right-of-use assets	(9,571)	(4,479)
Other liabilities	(1,845)	(1,669)
<b>Total deferred tax liabilities</b>	<u>(60,823)</u>	<u>(60,176)</u>
<b>Net deferred tax liabilities</b>	<u>\$ (31,561)</u>	<u>\$ (37,632)</u>

(in thousands)	2022	2021
<b>Deferred tax assets</b>		
Compensation and benefits	\$ 12,461	\$ 8,125
Reserves	45,952	4,632
Lease liability	13,585	10,204
Social security deferral	—	1,874
Research expenditures	8,269	—
Tax credits	1,468	—

Disallowment interest		23,345	—
Net operating losses		2,415	1,912
Other		4,416	2,515
<b>Total deferred tax assets</b>		<b>\$ 111,911</b>	<b>\$ 29,262</b>
<b>Deferred tax liabilities</b>			
Goodwill and intangibles		\$ (97,014)	\$ (47,228)
Property, plant and equipment, net		(13,279)	(2,179)
Right-of-use assets		(12,278)	(9,571)
Other liabilities		(5,153)	(1,845)
<b>Total deferred tax liabilities</b>		<b>(127,724)</b>	<b>(60,823)</b>
<b>Net deferred tax liabilities</b>		<b>\$ (15,813)</b>	<b>\$ (31,561)</b>

#### Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 31, 2021 December 31, 2022, 2020 2021 and 2019 2020 is as follows:

(in thousands)	(in thousands)	2021	2020	2019	(in thousands)	2022	2021	2020
Unrecognized tax benefits-January 1,	Unrecognized tax benefits-January 1,	\$ 7,411	\$ 7,945	\$ 1,755	Unrecognized tax benefits-January 1,	\$ 9,321	\$ 7,411	\$ 7,945
Additions for:	Additions for:				Additions for:			
Current year tax positions	Current year tax positions	2,139	2,765	3,613	Current year tax positions	373	2,139	2,765
Prior year tax positions	Prior year tax positions	251	—	2,577	Prior year tax positions	613	251	—
Reductions for:	Reductions for:				Reductions for:			
Lapse of statute of limitations	Lapse of statute of limitations	(480)	—	—	Lapse of statute of limitations	(1,696)	(480)	—
Prior year tax positions	Prior year tax positions	—	(3,299)	—	Prior year tax positions	—	—	(3,299)
Unrecognized tax benefits-December 31,	Unrecognized tax benefits-December 31,	\$ 9,321	\$ 7,411	\$ 7,945	Unrecognized tax benefits-December 31,	\$ 8,611	\$ 9,321	\$ 7,411

As of December 31, 2021 December 31, 2022, 2020 2021, and 2019 2020, unrecognized tax benefits from uncertain tax positions were \$9.3 million \$8.6 million, \$7.4 million \$9.3 million and \$7.9 million \$7.4 million, respectively. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately \$1.7 \$2.5 million during the next 12 months in connection with matters which may be resolved. The total amount of unrecognized benefit that, if recognized, would affect the effective tax rate was \$9.3 million \$8.3 million, \$7.1 million \$9.3 million, and \$7.5 million \$7.1 million as of December 31, 2021 December 31, 2022, 2020 2021, and 2019 2020, respectively, excluding the interest and penalties.

During the quarter ended December 31, 2020, the Company undertook a profit split transfer pricing analysis to determine if any potential Foreign Derived Intangible Income (FDII) deduction could be derived for financial reporting purposes. Vectrus V2X performed a functional analysis focusing on the U.S. and non-U.S. roles and support activities relating to the Vectrus V2X programs for services being provided to U.S. military bases that are located in foreign countries. Based on this further analysis, it was determined that the Company could support \$7.1 million of federal and state FDII benefit over the three-year period from 2018 to 2020, with \$2.6 million, \$2.5 million, and \$2.0 million related to December 31, 2020, 2019, and 2018, respectively. During the quarter ended December 31, 2021 December 31, 2022, the Company updated the profit split analysis for 2021 2022 to account for changes in the Vectrus V2X programs. Based on the updated analysis, the Company provided for a FDII benefit of \$1.8 \$0.4 million. During the quarter ended December 31, 2022, the Company released the 2018 unrecognized tax benefit from uncertain positions of \$1.7 million as the statute of limitations for the 2018 tax year expired at the end of 2022. The Company continues

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to reserve a portion of the FDII benefit on an annual basis and continues to monitor further guidance and potential U.S. Tax Reform which could make changes to the mechanics around the way FDII is calculated.

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We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our Consolidated and Combined Statements of Income. The Company recognized net interest related to tax matters of \$0.2 million, \$0.0 \$0.2 million, and \$0.2 \$0.0 million during the years ended

December 31, 2021 December 31, 2022, 2020 2021 and 2019, 2020, respectively. The Company has accrued \$0.4 million \$0.8 million and \$0.2 \$0.4 million for the payment of net interest and penalties as of December 31, 2021, December 31, 2022 and 2020, 2021, respectively.

The Company has not recorded a deferred tax liability for undistributed earnings of certain foreign subsidiaries since such earnings are considered to be reinvested indefinitely. If the earnings were distributed, the Company may be subject to federal income and foreign withholding taxes.

The Company files income tax returns in the United States and in various foreign jurisdictions. The Company is no longer subject to U.S. federal or state income tax examinations for years prior to 2018.

Under U.S. GAAP, we are allowed to make an accounting policy choice of either (i) treating taxes due on future U.S. inclusions in taxable income related to global intangible low taxed income (GILTI) as a current-period expense when incurred (the "period cost method") or (ii) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). We have chosen to account for GILTI under the period cost method as an accounting policy, and therefore the anticipated future expense associated with GILTI is not reflected in our financial statements.

At December 31, 2021, the Company has NOL carryforwards for German federal income tax purposes of \$5.5 million all of which are available to offset future federal taxable income, if any, and are carried forward indefinitely.

#### NOTE 14

##### POST EMPLOYMENT POST-EMPLOYMENT BENEFIT PLANS

We sponsor two defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. The Company matches a percentage of eligible employee contributions up to certain limits of employee base pay. Our portion of the matching contributions charged to income amounted to \$8.7 million \$17.4 million, \$8.7 million and \$6.5 million \$6.5 million for the years ended December 31, 2021 December 31, 2022, 2021 and 2020, respectively. The increase in 2022 was due primarily to the Merger.

The Company participates in multiemployer pension plans for certain employees in the United States covered by collective bargaining agreements. Contributions are based on specified hourly rates for eligible hours. Company expenses related to these plans were \$6.3 million, \$1.1 million and \$3.0 million during 2022, 2021, and \$4.9 million during 2021, 2020, and 2019, respectively. The increase in 2022 from 2021 was due to the Merger and the decrease in the 2021 expense was attributable to the completion of a subcontract in September 2020. At the time the subcontract was completed, the individuals ceased being Company employees and the Company was relieved of its contractual obligation to fund the related multiemployer pension plans on the former employee's behalf. The Company is unaware of any significant future obligations or funding requirements related to these plans other than the ongoing contributions that are paid as hours are worked by plan participants. None of these multiemployer pension plans are individually significant to the Company.

During V2X, Inc. has two non-qualified deferred compensation plans one established during the first quarter of 2021 and one assumed in the Company established a non-qualified deferred compensation plan under which Merger. Under these plans, participants are eligible to defer a portion of their compensation on a tax deferred basis. The assets in the plan are held in a Rabbi trust. Plan investments and obligations were recorded in other non-current assets and other non-current liabilities, respectively, in the consolidated balance sheets, representing the fair value related to the deferred compensation plan. Adjustments to the fair value of the plan investments and obligations are recorded in operating expenses. The plan assets and liabilities as of December 31, 2021, December 31, 2022 and 2021 were \$1.5 million and \$0.5 million, respectively.

On September 11, 2014, our Board of Directors adopted and approved the Vectrus Systems Corporation Excess Savings Plan (the Excess Savings Plan). Since federal law limits the amount of compensation that can be used to determine employee and employer contribution amounts to our tax-qualified plans, we established the Excess Savings Plan to allow for Company contributions based on an eligible employee's base salary in excess of these limits. No employee contributions are permitted. All balances under the Excess Savings Plan are maintained on the books of the Company and credits and deductions are made to the accumulated savings under the plan based on the earnings or losses attributable to a stable value fund as defined in the Excess Savings Plan. Benefits will be paid in a lump sum generally in the seventh month following the date on which the employee's separation from service occurs. Employees are 100% vested at all times in any amounts credited to their accounts. Although the plan did not end, excess savings were paid out due to the Merger. As of December 31, 2021, December 31, 2022 and 2020, December 31, 2021 we had accrued \$0.1 million and \$0.2 million and \$0.1 million, respectively, of contributions under the Excess Savings Plan.

The Company has an amended and restated Senior Executive Severance Pay Plan (the Amended Plan) that has been effective since 2016. Termination benefits offered under the Amended Plan are other post-employment benefits as defined by ASC 712-10 - Compensation - Nonretirement Postemployment Benefits. Benefits under the Amended Plan vest or accumulate with the employee's years of service; however, the payment of benefits is not probable, and the Company does

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not have the ability to reliably estimate when there will be an involuntary termination without cause under the Amended Plan. Accordingly, the Company does not accrue a benefit obligation for severance costs under the Amended Plan over the duration of executive employment.

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#### NOTE 15

##### COMMITMENTS AND CONTINGENCIES

###### General

From time to time, we are involved in party to various investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings including government investigations and claims that are incidental to the operation of our business. Some of these proceedings seek remedies relating to employment matters, matters in connection with our contracts and matters arising under laws relating to the protection of the environment. Additionally, U.S. government customers periodically advise the Company of claims and penalties concerning certain potential disallowed costs. When such findings are presented, Vectrus V2X and the U.S. government representatives engage in discussions

to enable Vectrus V2X to evaluate the merits of these claims as well as to assess the amounts being claimed. Where appropriate, provisions are made to reflect probable losses related to the matters raised by the U.S. government representatives. Such assessments, along with any assessments regarding provisions for legal proceedings, are reviewed on a quarterly basis for sufficiency based on the most recent information available to us. We have estimated and accrued \$27.6 million \$9.6 million and \$11.7 million \$9.6 million as of December 31, 2021 December 31, 2022 and 2020, 2021, respectively, in other accrued liabilities in the Consolidated Balance Sheets for legal proceedings and for claims with respect to our government contracts as discussed below, including years where the U.S. government has not completed its incurred cost audits. Although the ultimate outcome of any legal matter or claim cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal or contractual claims or proceedings, individually or in the aggregate, will have a material adverse effect on our cash flow, results of operations or financial condition.

#### **Legal Proceedings**

From time to time we are involved in legal proceedings that are incidental to the operation of our business. Some of these proceedings seek remedies relating to employment matters, matters in connection with our contracts and matters arising under laws relating to the protection of the environment.

As a result of final indirect rate negotiations between the U.S. government and our Former Parent, we may be subject to adjustments to costs previously allocated by our Former Parent to our business, which was formerly Exelis' Mission Systems Business, from 2007 through 2014. We are in discussions with our Former Parent and the U.S. government regarding these cost adjustments from 2007 through 2014 and believe that our potential cumulative liability for these years is insignificant. Between June 2019 and March 2021, the U.S. government provided us with three Contracting Officers Final Decisions (COFD) for the years from 2007 through 2014 related to Former Parent costs. We filed appeals of the COFDs with the Armed Services Board of Contract Appeals (ASBCA), which have been consolidated. The ASBCA has granted Vectrus' and the U.S. government's joint requests to stay proceedings in the appeal, most recently through March 21, 2022, to enable ongoing discussions regarding the matter between the parties. The U.S. government subsequently offered a settlement to reduce the costs to an insignificant amount to address errors and costs related to contracts novated to our Former Parent, which we are currently reviewing. We believe we are fully indemnified under our Distribution Agreement with our Former Parent and have notified our Former Parent of our appeal of the U.S. government's decision in this matter.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our cash flow, results of operations or financial condition.

#### **U.S. Government Contracts, Investigations and Claims**

We have U.S. government contracts that are funded incrementally on a year-to-year basis. Changes in government policies, priorities or funding levels through agency or program budget reductions by the U.S. Congress or executive agencies could have a material adverse effect on our financial condition or results of operations. Furthermore, our contracts with the U.S. government may be terminated or suspended by the U.S. government at any time, with or without cause. Such contract suspensions or terminations could result in unreimbursable non-reimbursable expenses or charges or otherwise adversely affect our financial condition and results of operations.

Departments and agencies of the U.S. government have the authority to investigate various transactions and operations of the Company, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. U.S. government regulations provide that certain findings against a contractor may lead to suspension or debarment from future U.S. government contracts or the loss of export privileges for a company or an operating division or subdivision. Suspension or debarment could have a material adverse effect on the Company because of its reliance on U.S. government contracts.

U.S. government agencies, including the Defense Contract Audit Agency (DCAA), DCAA, the Defense Contract Management Agency (DCMA) DCMA and others, routinely audit and review our performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. Accordingly, costs

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billed or billable to U.S. government customers are subject to potential adjustment upon audit by such agencies. The U.S. government agencies also review the adequacy of our compliance with government standards for our business systems, including our accounting, earned value management, estimating, materials management and accounting, purchasing, and property management systems.

In the performance of our contracts, we routinely request contract modifications that require additional funding from U.S. government customers. Most often, these requests are due to customer-directed changes in the scope of work. While we are entitled to recovery of these costs under our contracts, the administrative process with our U.S. government customer may be protracted. Based on the circumstances, we periodically file REAs that are sometimes converted into claims. In some cases, these requests are disputed by our U.S. government customer. We believe our outstanding modifications, REAs and other claims will be resolved without material adverse impact to our results of operations, financial condition or cash flows.

As a result of final indirect rate negotiations between the U.S. government and our Former Parent, we were subject to adjustments to costs previously allocated by our Former Parent to our business from 2007 through 2014. On July 7, 2022, we accepted an offer by the U.S. government to settle this legal matter involving our payment of an insignificant amount, thereby bringing closure to the matter. With respect to our Former Parent, we believe we are fully indemnified under our distribution agreement and have notified our Former Parent of the closure of our appeal of the U.S. government's decision in this matter.

#### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization designated the outbreak of COVID-19 as a global pandemic. Governments COVID-19 has negatively impacted public health and businesses around the world global economy, disrupted global supply chains, and created volatility in financial markets. Furthermore, in September 2021, the Biden Administration issued an executive order mandating a COVID-19

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vaccination requirement for federal contractors, except in certain limited circumstances. Since then, multiple courts have taken unprecedented actions enjoined the executive order's implementation, although the court decisions are not uniform in their application or the states to mitigate which the spread of COVID-19, including, but injunction applies. The federal government has indicated that it will not, limited to, shelter-in-place orders, quarantines, significant restrictions on travel, social distancing guidelines, and restrictions on employees going to work. Uncertainty with respect to for the economic impacts time being, enforce the vaccination mandate.

The extent of the ultimate impact of the COVID-19 pandemic has introduced significant volatility on our operational and financial performance, including our ability to execute our programs in the financial markets. The Company has observed, and continues to experience, some disruptions on its operations due to government and supply chain delays related to the global pandemic. While the extent to which COVID-19 ultimately impacts the Company's future results expected timeframe, will depend on future developments, including any potential subsequent waves or variants of COVID-19, the pandemic effectiveness, distribution and associated economic impacts, particularly with respect acceptance of COVID-19 vaccines, the ultimate impact on financial markets and the global economy, new government regulations for defense contractors (including vaccination mandates) and other related actions taken by the U.S. government, state and local government officials, and international governments to newly issued vaccine mandates for government contractors prevent disease spread, all of which remain uncertain and subcontractors, could result in a material impact to cannot be predicted.

For the Company's future financial condition, results of operations and cash flows.

#### Contractual Commitment

On September 30, 2021 year ended December 31, 2022, the Company signed a forward-starting agreement for warehouse space in support impact of its contractual obligations under a task order issued under the Logistics Civil Augmentation Program (LOGCAP) V support services contract in support of the U.S. Military. The agreement commencement date, which is anticipated in early 2022, is subject COVID-19 was immaterial to the completion of certain documents and the receipt of related government regulatory and other third-party approvals. The term of the agreement consists of eight one-year extension options and one additional six-month option period, consistent with our LOGCAP V contract with the U.S. Military. The annual obligations are \$20 million per year, subject to a market adjustment beginning in the sixth year, and additional obligations for certain operating expenses, financial results.

#### NOTE 16

##### STOCK-BASED COMPENSATION

The Company maintains an equity incentive plan, the 2014 Omnibus Incentive Plan, as amended and restated effective as of May 13, 2016 October 27, 2022 (the 2014 Omnibus Plan), to govern awards granted to Vectrus V2X employees and directors, including nonqualified stock options (NQOs), restricted stock units (RSUs), total shareholder return (TSR) awards and other awards. We account for NQOs and stock-settled RSUs as equity-based compensation awards. TSR awards, described below, and cash-settled RSUs are accounted for as liability-based compensation awards.

The maximum number of There were 3.5 million shares of the Company's common stock authorized for issuance under the 2014 Omnibus Plan is 2.6 million shares. Plan. As of December 31, 2021 December 31, 2022, there were 0.8 million 1.4 million shares remaining remained available for future awards.

Stock-based compensation expense and the associated tax benefits impacting our Consolidated Statements of Income were as follows:

(In thousands)	(In thousands)	Year Ended December 31,		(In thousands)	Year Ended December 31,	
		2021	2020		2022	2021
Compensation costs for equity-based awards	Compensation costs for equity-based awards	\$ 7,261	\$ 5,558	Compensation costs for equity-based awards	\$ 31,897	\$ 7,261
Compensation costs for liability-based awards	Compensation costs for liability-based awards	1,070	3,887	Compensation costs for liability-based awards	839	1,070
Total compensation costs, pre-tax	Total compensation costs, pre-tax	\$ 8,331	\$ 9,445	Total compensation costs, pre-tax	\$ 32,736	\$ 8,331
Future tax benefit	Future tax benefit	\$ 1,810	\$ 2,040	Future tax benefit	\$ 7,726	\$ 1,810

Liability-based awards were revalued at the end of each reporting period to reflect changes in fair value. For 2022, in concurrence with the Merger, fair value was measured as of the Closing Date and the aggregate future award payouts were fixed at \$4.6 million. The Company paid \$2.5 million \$2.9 million and \$2.4 million \$2.5 million related to liability-based compensation awards during the years ended December 31, 2021 December 31, 2022 and 2020, 2021, respectively.

At December 31, 2021 December 31, 2022, total unrecognized compensation costs related to equity-based awards and liability-based awards were \$5.3 million \$26.4 million and \$1.6 million \$2.1 million, respectively, which are expected to be recognized ratably over a weighted average period of 1.76 1.53 years and 1.63 1.81 years, respectively.

##### Non-Qualified Stock Options

NQOs vest in one-third increments on the first, second and third anniversaries of the grant date and expire 10 years from the date of grant.

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A summary of the status of our NQOs as of December 31, 2021 December 31, 2022, 2020 2021 and 2019 2020 and changes during the years then ended is presented below:

	Year Ended December 31,			Year Ended December 31,		
	2021	2020	2019	2022	2021	2020

(In thousands, except per share data)	(In thousands, except per share data)	Weighted Average Exercise Price Per Share		Weighted Average Exercise Price Per Share		(In thousands, except per share data)	Weighted Average Exercise Price Per Share		Weighted Average Exercise Price Per Share		(In thousands, except per share data)	Weighted Average Exercise Price Per Share	
		Shares	Shares	Shares	Shares		Shares	Shares	Shares	Shares		Shares	Shares
Outstanding at January 1,	Outstanding at January 1,	74	\$ 23.37	77	\$ 23.30	251	\$ 23.00	59	\$ 23.19	74	\$ 23.37	77	\$ 23.30
Granted	Granted	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	\$ —
Exercised	Exercised	(15)	\$ 24.04	(3)	\$ 21.43	(161)	\$ 22.74	(17)	\$ 24.02	(15)	\$ 24.04	(3)	\$ 21.43
Forfeited, canceled or expired	Forfeited, canceled or expired	—	\$ —	—	\$ —	(13)	\$ 24.47	—	\$ —	—	\$ —	—	\$ —
Outstanding at December 31,		59	\$ 23.19	74	\$ 23.37	77	\$ 23.30						
Options exercisable		59	\$ 23.19	74	\$ 23.37	59	\$ 23.35						
Outstanding and exercisable at December 31,								42	\$ 22.86	59	\$ 23.19	74	\$ 23.37

All outstanding NQOs are exercisable. The following table summarizes information about NQOs outstanding and exercisable as of December 31, 2021 December 31, 2022:

(In thousands, except per share data)	(In thousands, except per share data)	Options Outstanding and Exercisable					(In thousands, except per share data)	Options Outstanding and Exercisable				
		Range of Exercise Prices Per Share	Range of Exercise Prices Per Share	Number	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share		Range of Exercise Prices Per Share	Range of Exercise Prices Per Share	Number	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share
\$20.06 - \$21.98	\$20.06 - \$21.98	44	4.03	\$ 21.56	\$ 1,049		\$20.06 - \$21.98	34	3.03	\$ 21.68	\$ 661	
\$24.61 - \$32.49	\$24.61 - \$32.49	15	2.53	27.83	274		\$24.61 - \$32.49	8	0.84	27.83	107	
Total options and aggregate intrinsic value	Total options and aggregate intrinsic value	59	3.63	\$ 23.19	\$ 1,323		Total options and aggregate intrinsic value	42	3.87	\$ 22.86	\$ 768	

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on our closing stock price of \$45.77 \$41.29 per share on December 31, 2021 December 31, 2022, which would have been received by the option holders if all option holders had exercised their options as of that date. There were no exercisable options "out of the money" as of December 31, 2021 December 31, 2022. The aggregate intrinsic value of options exercised during the years ended December 31, 2021 December 31, 2022, 2021 and 2020 was \$0.2 million, \$0.4 million and 2019 was \$0.4 million, \$0.1 million and \$2.1 million, respectively.

#### Restricted Stock Units

The fair value of RSUs is determined based on the closing price of **Vectorus V2X** common stock on the date of the grant. In general, under the 2014 Omnibus Plan, for employee RSUs granted in 2014 and after, one-third of the award vests on each of the three anniversary dates following the grant date. Director RSUs are typically granted annually and vest approximately one year after the grant date. 2022 grants for three directors vested over an abbreviated service term which ended on the date of July 5, 2022, the annual meeting and vest the business day immediately prior to the next annual meeting. **Merger Closing Date**. RSUs have no voting rights. If an employee leaves the Company prior to vesting, whether through resignation or termination for cause, the RSUs are forfeited. If an employee retires or is terminated by the Company other than for cause, all or a pro rata portion of the RSUs may vest.

On July 5, 2022, pursuant to the terms of the Merger Agreement, the Company issued an additional 1,346,089 RSUs, with a grant date fair value of \$33.92 per share, to certain employees of Vertex (Replacement Awards). The Replacement Awards will be settled in shares of the Company's common stock, with 517,918 Replacement Awards vesting on the six-month anniversary following the grant date and a quarter of the remaining 828,171 Replacement Awards vesting on each of four six-month anniversary dates following the grant date.

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The table below provides a roll-forward of outstanding RSUs for the years ended December 31, 2021 December 31, 2022, 2020, 2021 and 2019, 2020.

(In thousands, except per share data)	Year Ended December 31,						Year Ended December 31,							
	2021		2020		2019		2022		2021		2020			
	Weighted Average Grant Date Fair Value	Shares	Per Share	Shares	Per Share	Shares	Weighted Average Grant Date Fair Value	Shares	Share	Shares	Per Share	Shares	Share	
Outstanding at January 1,	Outstanding at January 1,	253	\$ 41.67	301	\$ 30.30	257	\$ 28.90	Outstanding at January 1,	245	\$ 51.18	253	\$ 41.67	301	\$ 30.30
Granted	Granted	155	\$ 56.43	130	\$ 51.82	206	\$ 30.03	Granted	236	\$ 35.83	155	\$ 56.43	130	\$ 51.82
Replacement awards								Replacement awards	1,346	\$ 33.92	—	\$ —	—	\$ —
Vested	Vested	(137)	\$ 40.04	(152)	\$ 30.60	(138)	\$ 31.92	Vested	(171)	\$ 44.85	(137)	\$ 40.04	(152)	\$ 30.60
Issued in exchange	Issued in exchange	—	\$ —	16	\$ 52.28	—	\$ —	Issued in exchange	—	\$ —	—	\$ —	16	\$ 52.28
Cancelled in exchange	Cancelled in exchange	—	\$ —	(16)	\$ 29.00	—	\$ —	Cancelled in exchange	—	\$ —	—	\$ —	(16)	\$ 29.00
Forfeited or canceled	Forfeited or canceled	(26)	\$ 48.73	(26)	\$ 45.59	(24)	\$ 35.57	Forfeited or canceled	(28)	\$ 44.12	(26)	\$ 48.73	(26)	\$ 45.59
Outstanding at December 31,	Outstanding at December 31,	245	\$ 51.18	253	\$ 41.67	301	\$ 30.30	Outstanding at December 31,	1,628	\$ 35.47	245	\$ 51.18	253	\$ 41.67

The total grant date fair value of RSUs that vested during the years ended December 31, 2021 December 31, 2022, 2020, 2021 and 2020 and 2019 was \$5.5 million \$7.7 million, \$4.6 million and \$4.1 million \$4.6 million, respectively.

On August 11, 2020, our total outstanding 15,839 CRSUs liability-based cash-settled restricted stock unit compensation awards (CRSUs) were exchanged for 15,839 RSUs. As of the exchange date, both the CRSUs and RSUs had the same vesting conditions, fair value of \$52.28, and unrecognized compensation expense of \$0.4 million.

#### Total Shareholder Return Awards

TSR awards are performance-based cash awards that are subject to a three-year performance period. Any payments earned are made in cash following completion of the performance period according to the achievement of specified performance goals. In concurrence with the Merger, performance achievement fair value was measured at July 4, 2022 at \$4.6 million and the aggregate future award payouts were fixed at that value.

During the years ended December 31, 2021 December 31, 2022, 2020, 2021 and 2019, 2020, we granted TSR awards with aggregate target TSR values of \$2.2 million \$2.8 million, \$3.1 2.2 million, and \$2.5 million \$3.1 million, respectively. The fair value of TSR awards was measured quarterly and is based on the Company's performance relative to the performance of the Aerospace and Defense Companies in the S&P 1500 Index. Depending on the Company's performance during the three-year performance period, payments can range from 0% to 200% of the target value. For the years ended December 31, 2021 December 31, 2022, 2021 and 2020, \$0.8 million, \$1.1 million and 2019, we recorded \$1.1 million, \$3.6 million and \$2.9 million, respectively, was recorded in compensation expense related to selling, general, and administrative expenses for TSR awards. Payments of \$2.91.1 million were made in January 2023 for the 2020 TSR awards, payments of \$2.9 million were made in January 2022 for the 2019 TSR awards, and payments of \$2.5 million were made in January 2021 for the 2018 TSR awards, and payments of \$1.6 million were made in January 2020 for the 2017 TSR awards. Payments, if any, for the 2020 2021 and 2021 2022 TSR awards are expected to be made in January 2023 2024 and January 2024, 2025, respectively. As of December 31, 2021 December 31, 2022 and 2020, 2021, we had \$4.5 2.5 million and \$6.0 million \$4.5 million, respectively, recorded as a liability related to TSR awards in compensation and other employee benefits accrued liabilities and other non-current liabilities on the Consolidated Balance Sheets.

#### NOTE 17

##### SHAREHOLDERS' EQUITY

As of December 31, 2021 December 31, 2022, our authorized capital was comprised of 100.0 million shares of common stock and 10.0 million shares of preferred stock. At December 31, 2021 December 31, 2022, there were 11.7 million 30.5 million shares of common stock issued and outstanding. No preferred stock was issued and outstanding at December 31, 2021 December 31, 2022 and 2020, 2021.

We issue shares of our common stock in connection with our 2014 Omnibus Plan. There are 2.6 million 3.5 million shares of common stock authorized under this plan. At December 31, 2021 December 31, 2022, we had a remaining balance of 0.8 million 1.4 million shares of common stock available for future grants under this plan. Any shares related to awards that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of shares, are settled in cash in lieu of shares or are exchanged with the Committee's permission for awards not involving shares and are available again for grant under the 2014 Omnibus Plan.

#### NOTE 18

##### SUBSEQUENT EVENTS

###### Merger Agreement

On March 7, 2022, the Company, including its subsidiaries Andor Merger Sub LLC ("Merger Sub LLC") and Andor Merger Sub Inc. ("Merger Sub Inc."), and Vertex Aerospace Services Holding Corp. ("Vertex"), entered into an agreement and

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plan of merger NOTE 18

**SUBSEQUENT EVENTS**

**DEBT**

**Senior Secured Credit Facilities**

On February 28, 2023, Vertex Aerospace Services Corp. (the "Merger Agreement") proposing that Merger Sub Inc. merge with and into Vertex (the "First Merger" "Borrower"), and immediately thereafter, Vertex, as the surviving company of the First Merger, merge with and into Merger Sub LLC (the "Second Merger"), with Merger Sub LLC surviving the Second Merger as a direct, an indirect, wholly owned subsidiary of the Company, entered into a credit agreement (the "Proposed Transaction" "Credit Agreement"),

among the lenders identified therein and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and letter of credit issuer. The Proposed Transaction is structured so that Credit Agreement provides for \$750 million in senior secured financing, with a first lien on substantially all the existing stockholders Borrower's assets, consisting of Vertex will own approximately 62% a \$500 million five-year Revolving Credit Facility and a five-year \$250 million Term Loan. The proceeds of these Credit Facilities were used to, among other things, (i) repay a portion of the issued and First Lien Credit Agreement, (ii) repay the entire outstanding Company common shares following the consummation amount of the Proposed Transaction, and the existing shareholders of the Company will own approximately 38%.

The consummation of the Proposed Transaction is subject to the satisfaction of certain conditions, including, among others, the expiration or termination of antitrust waiting periods and receipt of certain other regulatory approvals, absence of injunctions or restraints prohibiting consummation of the Proposed Transaction, the Vectrus shareholder approval being obtained, the shares issued to Vertex being approved for listing on the New York Stock Exchange and the execution and delivery of a shareholder rights and registration rights agreements. The obligation of each party to consummate the Proposed Transaction is also conditioned on the other party's representations and warranties being true and correct, the other party having performed in all material respects its obligations under the Merger Agreement, and the absence of any material adverse effect after the date of the Merger Agreement.

The Merger Agreement provides certain termination rights for both the Company and Vertex, and further provides that upon termination of the Merger Agreement under certain circumstances, the Company will be obligated to pay Vertex a termination fee of \$16.6 million.

**Amended Credit Agreement**

On January 24, 2022, Vectrus Inc. entered into an Amendment No. 2 (the "Amendment Agreement") by and among the Company, Vectrus Systems Corporation, as borrower ("VSC"), certain other wholly-owned domestic subsidiaries of the Company, as guarantors party thereto (collectively, the "Subsidiary Guarantors"), the lenders and issuing banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent ("JPMorgan"), which provides for the amendment of the Credit Agreement dated as of September 17, 2014 (as amended by that certain Amendment No. 1, dated as of April 19, 2016, as further amended and restated by that certain Amendment and Restatement Agreement, dated as of November 15, 2017, as further amended by that certain Amendment No. 1, dated as of December 24, 2020, and as further amended, restated, amended and restated, supplemented or otherwise modified prior to the Closing Date, the "Original Credit Agreement"; the Original Credit Agreement as amended by the Amendment Agreement is referred to herein as the "Amended Credit Agreement"), among the Company, VSC, the lenders and issuing banks party thereto and JPMorgan.

Among other things, the Amended Credit Agreement (i) extends the maturity date of the revolving credit commitments and term loans under Amended Credit Agreement to November 15, 2023, (ii) changes the rate under the Amended Credit Agreement for borrowings denominated in U.S. Dollars from a LIBOR-based rate to forward-looking term SOFR (Secured Overnight Financing Rate) subject to certain adjustments specified in the Amended Credit Agreement, (iii) changes the rate under the Amended Credit Agreement for borrowings denominated in Pounds Sterling from a LIBOR-based rate to SONIA (Sterling Overnight Index Average) subject to certain adjustments specified in the Amended Credit Agreement, (iv) changes the rate under the Amended Credit Agreement for borrowings denominated in Euro from a LIBOR-based rate to a EURIBOR-based rate subject to certain adjustments specified in the Amended Second Lien Credit Agreement, and (v) updates certain other provisions regarding successor interest rates to LIBOR.

(iii) repay the entire outstanding ABL Credit Facility.

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**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VECTRUS, V2X, INC.

/s/ William B. Noon

By: William B. Noon

Corporate Vice President and Chief Accounting Officer

(Principal Accounting Officer)

Date: **March 7, 2022** **March 2, 2023**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Charles L. Prow</u> Charles L. Prow	President and Chief Executive Officer, Director	March 7, 2022, 2023
<u>/s/ Susan D. Lynch</u> Susan D. Lynch	Senior Vice President and Chief Financial Officer	March 7, 2022, 2023
<u>/s/ William B. Noon</u> William B. Noon	Corporate Vice President and Chief Accounting Officer	March 7, 2022
<u>/s/ Louis J. Giuliano</u> Louis J. Giuliano	Director	March 7, 2022
<u>/s/ Bradford J. Boston</u> Bradford J. Boston	Director	March 7, 2022, 2023
<u>/s/ Mary L. Howell</u> Mary L. Howell	Chair and Director	March 7, 2022, 2023
<u>/s/ William F. Murdy</u> <u>John Edward Boyington Jr.</u> William F. Murdy John "Ed" Boyington Jr.	Director	March 7, 2022, 2023
<u>/s/ Dino M. Cusumano</u> Dino M. Cusumano	Director	March 2, 2023
<u>/s/ Lee E. Evangelakos</u> Lee E. Evangelakos	Director	March 2, 2023
<u>/s/ Melvin F. Parker</u> Melvin F. Parker	Director	March 7, 2022, 2023
<u>/s/ Eric M. Pillmore</u> Eric M. Pillmore	Director	March 7, 2022, 2023
<u>/s/ Joel M. Rotroff</u> Joel M. Rotroff	Director	March 2, 2023
<u>/s/ Neil D. Snyder</u> Neil D. Snyder	Director	March 2, 2023
<u>/s/ Stephen L. Waechter</u> Stephen L. Waechter	Director	March 7, 2022, 2023
<u>/s/ Phillip C. Widman</u> Phillip C. Widman	Director	March 7, 2022, 2023

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**Exhibit 4.3**

#### DESCRIPTION OF VECTRUS, V2X, INC.'S SECURITIES

The following summary of the material terms of the common stock of **Vectrus, V2X, Inc.** (the "Company," "we," "us," or "our") does not purport to be complete. For a complete description, we refer you to our amended and restated articles of incorporation (the "Articles"), our amended and restated by-laws (the "By-laws") and the Indiana Business Corporation Law ("IBCL"). For a more complete understanding of our common stock, we encourage you to read carefully our Articles and By-laws, both of which are filed as exhibits to this Annual Report on Form 10-K.

##### General

Our Articles authorize us to issue 100 million shares of common stock, par value \$0.01 per share, and 10 million shares of preferred stock, which, solely for the purpose of any statute or regulation imposing any fee or tax based upon the Company's capitalization, have a par value of \$0.01 per share. Under Indiana law, shareholders generally are not liable for a corporation's debts or obligations solely as a result of their status as shareholders.

## Common Stock

*Dividend Rights.* Under our Articles, holders of our common stock are entitled to receive any dividends our Board of Directors may declare on the common stock, subject to the prior rights of any outstanding preferred stock. The Board of Directors may declare dividends from funds legally available for this purpose.

*Voting Rights.* Our common stock has one vote per share on all matters on which holders of our common stock are entitled to vote. Our Articles do not provide for cumulative voting. Our Board of Directors is divided into three classes, with the term of office of one class expiring each year. Subject to the rights, if any, of any holders of preferred stock, each director shall be elected at a meeting of shareholders by the vote of the majority of the votes cast with respect to the director, provided that directors shall be elected by a plurality of the votes cast if the number of director nominees exceeds the number of directors to be elected.

*Liquidation Rights.* After provision for payment of creditors and after payment of any liquidation preferences to holders of the outstanding preferred stock, if any, if we liquidate, dissolve or are wound up, whether voluntary or not, the holders of our common stock will be entitled to receive on a pro rata basis all assets remaining.

*Other Rights.* Our common stock is not liable for further calls or assessment. The holders of our common stock are not currently entitled to subscribe for or purchase additional shares of our capital stock. Our common stock is not subject to redemption and does not have any conversion or sinking fund provisions.

*Listing.* Our common stock is traded on the New York Stock Exchange under the trading symbol "VEC," "VX."

## Preferred Stock

Our Board of Directors has the authority, without other action by shareholders, to issue preferred stock in one or more series. The holders of our preferred stock do not have the right to vote, except as our Board of Directors establishes, or as provided in our Articles or as determined by the IBCL. The Board of Directors has the authority to determine the terms of each series of preferred stock, within the limits of our Articles, our By-laws and the laws of the state of Indiana. These terms include the number of shares in a series, the consideration, dividend rights, liquidation preferences, terms of redemption, conversion rights and voting rights, if any. Such determinations are to be accomplished by an amendment to our Articles, which amendment may, except as otherwise provided by law, be made solely by action of our Board of Directors.

## Provisions of Our Articles and By-laws That Could Delay or Prevent a Change in Control

Certain provisions of our Articles and By-laws may delay or make more difficult unsolicited acquisitions or changes of control of our Company. Such provisions could have the effect of discouraging third parties from making

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proposals involving an unsolicited acquisition or change of control of our Company, although a majority of our shareholders might consider such proposals, if made, desirable. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our Board of Directors.

*Classified Board of Directors.* Our Board of Directors is divided into three classes that are as nearly equal in number as possible. One class of directors is elected at each annual meeting to serve a term of three years. The effect of a classified board of directors may be to make it more difficult to acquire control of the Company.

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*Authorized but Unissued Capital Stock.* The authorized but unissued shares of our common stock and preferred stock are available for future issuance without shareholder approval. Indiana law does not require shareholder approval for any issuance of authorized shares. However, the listing requirements of the New York Stock Exchange, which apply to us so long as our common stock remains listed on the New York Stock Exchange, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of our common stock. We may issue additional shares for a variety of corporate purposes, including future public offerings to raise additional capital or to facilitate corporate acquisitions.

Our Board of Directors may be able to issue shares of unissued and unreserved common or preferred stock to persons friendly to current management. This issuance may render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management. This could possibly deprive our shareholders of opportunities to sell their shares of our stock at prices higher than prevailing market prices. Our Board of Directors could also use these shares to dilute the ownership of persons seeking to obtain control of our company.

*Blank Check Preferred Stock.* Our Board of Directors, without shareholder approval, has the authority under our Articles to issue preferred stock with rights superior to the rights of the holders of common stock. As a result, preferred stock could be issued quickly and easily, could impair the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult.

*Number of Directors; Removal; Filling Vacancies.* Our Articles provide that (i) the number of directors shall be not more than 25 and not less than three, the exact number to be determined by resolution of our Board of Directors from time to time and (ii) directors may only be removed for cause and upon the affirmative vote of at least a majority of the shares then entitled to vote at a meeting called in accordance with the IBCL, our Articles and our By-laws. Our Articles provide that vacancies on the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled by our Board of Directors. These provisions may make it more difficult for shareholders to remove a director or fill a director vacancy.

*Special Meetings of Shareholders.* Our Articles provide that special meetings of shareholders may only be called by the Chairman of the Board or by a majority vote of the entire Board of Directors. This provision may prevent shareholders from taking action outside of an annual meeting.

*Requirements for Advance Notification of Shareholder Nominations and Proposals.* The Company's By-laws provide that a shareholder seeking to bring business before an annual meeting of shareholders, or to nominate candidates for election as directors at an annual meeting of shareholders, must provide timely notice of this intention in writing. To be timely, a shareholder must deliver the notice in writing to the Secretary at the Company's principal executive offices not less than 90 days and not more than 120 days prior to the first anniversary of the date that we released our proxy statement to shareholders in connection with the previous year's annual meeting. The By-laws also specify requirements as to the form and content of the shareholder's notice. These provisions could delay shareholder actions that are favored by the holders of a majority of our outstanding shares until the next annual shareholders' meeting.

#### Certain Provisions of the Indiana Business Corporation Law

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As an Indiana corporation, we are governed by the IBCL. Under specified circumstances, the following provisions of the IBCL may delay, prevent or make more difficult certain unsolicited acquisitions or changes of control of us. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders may otherwise deem to be in their best interest.

*Action by Unanimous Written Consent.* Under Chapter 29 of the IBCL, any action required or permitted to be taken by the holders of common stock may be effected only at an annual meeting or special meeting of such holders, and shareholders may act in lieu of such meetings only by unanimous written consent.

*Control Share Acquisitions.* Under Chapter 42 of the IBCL, an acquiring person or group who makes a "control share acquisition" in an "issuing public corporation" may not exercise voting rights on any "control shares" unless these voting rights are conferred by a majority vote of the disinterested shareholders of the issuing public corporation at a special meeting of those shareholders held upon the request and at the expense of the acquiring person. If control shares acquired in a control share acquisition are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of all voting power, all shareholders of the issuing public

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corporation have dissenters' rights to receive the fair value of their shares pursuant to Chapter 44 of the IBCL. Our Articles and By-laws do not currently exclude us from Chapter 42 of the IBCL.

Under the IBCL, "control shares" means shares acquired by a person that, when added to all other shares of the issuing public corporation owned by that person or in respect to which that person may exercise or direct the exercise of voting power, would otherwise entitle that person to exercise voting power of the issuing public corporation in the election of directors within any of the following ranges:

- one-fifth or more but less than one-third;
- one-fifth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more.

- one-third or more but less than a majority; or
- a majority or more.

"Control share acquisition" means, subject to specified exceptions, the acquisition, directly or indirectly, by any person of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares. For the purposes of determining whether an acquisition constitutes a control share acquisition, shares acquired within 90 days or under a plan to make a control share acquisition are considered to have been acquired in the same acquisition. "Issuing public corporation" means a corporation which has (i) 100 or more shareholders, (ii) its principal place of business or its principal office in Indiana, or that owns or controls assets within Indiana having a fair market value of greater than \$1,000,000, and (iii) (A) more than 10% of its shareholders resident in Indiana, (B) more than 10% of its shares owned of record or owned beneficially by Indiana residents, or (C) 1,000 shareholders resident in Indiana. The above provisions do not apply if, before a control share acquisition is made, the corporation's articles of incorporation or by-laws, including a by-law adopted by the corporation's board of directors, provide that they do not apply.

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*Certain Business Combinations.* Chapter 43 of the IBCL restricts the ability of a "resident domestic corporation" to engage in any combinations with an "interested shareholder" for five years after the date the interested shareholder became such, unless the combination or the purchase of shares by the interested shareholder on the interested shareholder's date of acquiring shares is approved by the board of directors of the resident domestic corporation before that date. If the combination was not previously approved, the interested shareholder may effect a combination after the five-year period only if that shareholder receives approval from a majority of the disinterested shareholders or the offer meets specified fair price criteria. For purposes of the above provisions, "resident domestic corporation" means an Indiana corporation that has 100 or more shareholders. "Interested shareholder" means any person, other than the resident domestic corporation or its subsidiaries, who is (1) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the resident domestic corporation or (2) an affiliate or associate of the resident domestic corporation, which at any time within the five-year period immediately before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the resident domestic corporation.

The definition of "beneficial owner" for purposes of Chapter 43, means a person who, directly or indirectly, has the right to acquire or vote the subject shares (excluding voting rights under revocable proxies made in accordance with federal law), has any agreement, arrangement or understanding for the purpose of acquiring, holding or voting or disposing of the subject shares, or holds any "derivative instrument" that includes the opportunity to profit or share in any profit derived from any increase in the value of the subject shares.

The above provisions do not apply to corporations that elect not to be subject to Chapter 43 in an amendment to their articles of incorporation approved by a majority of the disinterested shareholders. That amendment, however, cannot become effective until 18 months after its passage and would apply only to share acquisitions occurring after its effective date. Our Articles do not exclude us from Chapter 43.

The overall effect of the above provisions may be to render more difficult or to discourage a merger, tender offer, proxy contest, the assumption of control of us by a holder of a large block of our stock or other person, or the removal of incumbent management, even if such actions may be beneficial to our shareholders generally.

*Mandatory Classified Board of Directors.* Under Chapter 33 of the IBCL, a corporation with a class of voting shares registered with the SEC under Section 12 of the Exchange Act must have a classified board of directors unless the corporation adopts a by-law expressly electing not to be governed by this provision by the later of July 31, 2009 or 30 days after the corporation's voting shares are registered under Section 12 of the Exchange Act. While we currently have a classified Board of Directors, our Articles have opted out of Chapter 33 as a mandatory requirement for our Board of Directors.

VECTRUS, INC. October 3, 2018  
 SPECIAL SENIOR EXECUTIVE SEVERANCE PAY PLAN  
 (amended and restated as Mr. Kevin T. Boyle  
 [Redacted]

Dear Kevin:

I am pleased to confirm our offer of February 24, 2021)

### 1. Purpose

The purpose of this employment with Vectrus, Inc. as Chief Legal Officer & General Counsel. This is a salaried, exempt position reporting to Charles L. Prow, President & Chief Executive Officer, Vectrus, Inc. Your hours in this position may fluctuate, and each weekly portion of your annual salary will compensate you for work during that week. Your annual salary will be \$365,019.20, which equates to \$175.49 per hour. You will be based in Northern Virginia and your date of hire will be a mutually agreeable date.

You will be nominated for election by the Vectrus Board of Directors as a Senior Vice President of Vectrus, Inc. As a Senior Vice President, you will be a Section 16 filer, subject to share ownership guidelines and an insider for purposes of trading in Vectrus stock.

In addition to your salary, as an executive of Vectrus, Inc., you will be eligible for participation in the Vectrus, Inc. Annual Incentive Plan (bonus) with a target award of 55% of your annual base salary. Bonus awards are discretionary, ranging from zero to 200% of target and are based on company and individual performance. For 2018, you will be eligible for pro-rata bonus consideration based on the number of months you work during 2018. Awards are generally paid during the first quarter following the end of the applicable performance year.

You will also be eligible to participate in the company's Long-Term Incentive Award Program. These awards are generally recommended for approval by the Compensation and Personnel Committee of the Vectrus Board of Directors during the first of each calendar year. For 2018, you will be recommended for a total award of \$250,000 to be granted following your start date. Your award will be granted fifty percent (50%) in the form of a cash target related to relative total shareholder return over a three-year performance period and fifty percent (50%) in the form of restricted stock units that will vest in one-third installments on the first, second and third anniversaries of the grant date. The terms and conditions of your 2018 awards will be consistent with the terms and conditions approved for the 2018 Long-Term Incentive Award Program.

You will be eligible to participate in the company's Senior Executive Severance Pay Plan and the Special Senior Executive Severance Pay Plan ("Plan") Plan. You will be eligible for 21 days of Paid Time Off (PTO) annually. PTO is accrued on each bi-weekly pay date.

Benefits Program: A summary of our current benefits program is attached. If you are applying for family coverage under the Management Benefitted Medical, Dental and Vision Plans, it is required that, on your start date, you furnish a marriage certificate (if applicable), and the birth certificate of each dependent being covered.

- Vectrus 401(k) Plan
- Medical Plan/ Dental Plan/ Vision Plan
- Tele-Health Plan
- Health Savings Account
- Basic Life & Accidental Death and Dismemberment Insurance Plans
- Short-Term & Long-Term Disability
- Flexible Spending Accounts
- Voluntary Life & Accidental Death and Dismemberment Insurance Plans

For questions regarding all benefits, you may contact Ms. Tracy Hanavan at 719-637-5828. She will be glad to discuss any questions you might have regarding employee benefits. I am also available to meet with you to review all of the benefits materials in detail.

This offer is contingent upon your meeting all of the following requirements:

**Pre-Employment Drug Screen:** You must successfully pass the drug screening test prior to employment. Failure to complete the screening within three business days will result in withdrawal of this offer. You will be contacted with further information.

**Background Check and Employment Verification:** As part of your pre-employment requirements, you are required to pass a criminal background check and employment verification. We have contracted a third-party vendor, Hire Right, to conduct these requirements. Shortly after acceptance, you will receive an email from Hire Right inviting you to log into the Hire Right system and complete the information required. In addition, you will be asked to sign a disclosure form authorizing Hire Right to conduct the investigation. We also ask that you provide the information required to complete the pre-employment process.

**Security Clearance:** You are required to obtain a minimum Secret Clearance and maintain such Clearance during your employment with Vectrus.

In accordance with the Immigration Reform Control Act of 1986, all employees are required to produce documents that establish identity and employment eligibility in the United States. A list of acceptable documents which establish such identity is available on page 9 of the I-9 Form. You will be required to supply sufficient documents from this list to establish identity and employment eligibility within your first three days of employment, along with the completed I-9 Form.

We look forward to having you join Vectrus. However, we recognize that you retain the option, as amended does Vectrus, of ending your employment with Vectrus at any time, with or without notice and restated, with or without cause. As such, your employment with Vectrus is at will and neither this letter nor any other oral or written representation may be considered a contract for any specific period of time.

Kevin, we are very pleased to assist in occupational transition extend this offer to you. Please acknowledge your acceptance of our offer by providing Severance Benefits, signing one copy of this letter and returning it to my attention. You may retain the additional copy for your personal files. We look forward to welcoming you to Vectrus, Inc. and to working with you.

Very truly yours,

/s/ Frank A. Peloso

Frank A. Peloso  
Senior Vice President &  
Chief Human Resources Officer

Enclosures

I accept the offer as defined herein, for employees covered by the Plan whose employment is terminated under conditions set forth in this letter.

/s/ Kevin T. Boyle

Kevin T. Boyle

10-3-2018

Date

**Exhibit 10.15**

September 29, 2017

Mr. Kenneth W. Shreves  
[Redacted]  
Dear Ken:

I am pleased to confirm our offer of employment with Vectrus, Inc. for the Plan. The definitions position of Vice President, Business Development for certain capitalized terms used herein are set forth Facilities at Vectrus, Inc. based in Section 3. Colorado Springs. This is a salaried, exempt position reporting to Susan L. Deagle, Senior Vice President & Chief Growth Officer at Vectrus, Inc. Your hours in this position may fluctuate, and each weekly portion of your annual salary will compensate you for work during that week. Your weekly salary will be \$4,808 which can equate to annual salary will be \$250,016. Your date of hire will be a mutually agreeable date.

## 2. Covered Employees

The Plan covers individuals (referred In addition to herein your salary, as "Special Severance Executives") who are, immediately prior to an Acceleration Event or a Potential Acceleration Event, active full-time, regular salaried employees executive of Vectrus, or any Vectrus Subsidiary and who are either (i) the Company's Chief Executive Officer, (ii) executives in Band A or designated by the Committee Inc., you will be eligible for participation in Band A or (iii) Other Designated Covered Employees. Individuals who the Vectrus, Inc. Annual Incentive Plan (bonus) with a target award of 40% of your annual base salary. Bonus awards are otherwise discretionary, ranging from zero to 200% of target and are based on company and individual performance. For performance year 2017, you will be eligible for pro-rata bonus consideration based upon the number of full months of your employment during 2017. Awards are generally paid during the first quarter following the end of the applicable performance year.

Beginning with 2018, you will also be eligible to participate in the Plan but who Vectrus Long-Term Incentive (LTI) Award Program. These awards are on short term disability (within generally recommended for approval by the meaning Compensation and Personnel Committee of the Company's short-term disability plan) as Vectrus Board of an applicable date shall retain their status as Special Severance Executives notwithstanding such short-term disability. Changes by Directors during the Company first quarter of each calendar year. For 2018, you will be recommended for a total award commensurate with the approved guidelines for the 2018 program, subject to approval of the position Committee. While the 2018 LTI structure and guidelines have not yet been approved, you can reasonably expect the target value of this award to be \$145,000 delivered via two primary vehicles: 1) a Special Severance Executive upon or following an Acceleration Event or Potential Acceleration Event which would have the effect of removing cash target related to relative total shareholder return over a Special Severance Executive from participation three-year performance period and 2) equity in the Plan form of restricted stock units and/or reducing his or her eligibility for payments or benefits under nonqualified stock options that vest in one-third cumulative installments on the Plan shall not be given effect for purposes of eligibility for, or the amount of payments first, second and benefits payable under, the Plan.

## 3. Definitions

An "Acceleration Event" shall occur if (i) any person (within the meaning of Section 13(d) third anniversaries of the Securities Exchange Act grant date.

You will be eligible for 21 days of 1934 (the "Act")), other than Paid Time Off (PTO) annually. PTO is accrued on each bi-weekly pay date.

Relocation Benefits: You will be provided relocation assistance to get you settled into the Colorado Springs area, pursuant to company practice. You will be requested to sign and return a "Reimbursement Agreement for Relocation Expenses" form which stipulates that you must remain with Vectrus or any Vectrus Subsidiary or any employee benefit plan (or related trust) sponsored by Vectrus or a Vectrus Subsidiary becomes for one (1) full year, from the Beneficial Owner date of thirty percent (30%) or more your relocation, to avoid repayment of the outstanding Common Stock \$0.01 par value, Vectrus relocation costs.

Your relocation benefits will include:

- Settling In Allowance: The settling in allowance is intended to defray one-time costs for such things as replacement of Vectrus (the "Stock"), but excluding any person who becomes such curtains or carpet in your new residence, utility hook ups, vehicle registration and the like. This allowance can be delivered in one of two ways.
  1. One-half of one month's gross pay as an owner allowance upon which you can draw reimbursement based upon receipts for settling in connection with a transaction described in the following clause (ii) under circumstances which do not result in an Acceleration Event; (ii) the consummation expenses. OR
  2. A lump-sum payment of (A) any consolidation, business combination or merger involving Vectrus or a Vectrus Subsidiary, other than a consolidation, business combination or merger involving Vectrus or a Vectrus Subsidiary in which holders \$5,000 net of the Stock immediately prior taxes - no receipts required.
- House Hunting Trip: One house hunting trip for you and your dependents to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of Vectrus (or the corporation resulting from the transaction or the parent of such corporation) after the merger include economy round trip airfare, hotel, rental car and (y) have the same proportionate ownership of common stock of Vectrus (or the corporation resulting from the transaction or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or per diem.

consolidation, immediately

- Temporary Accommodations: Temporary accommodations (lodging) for up to 90 days including rental car and per diem.
- Household Goods Shipment: Reimbursement of reasonable costs associated with packing, shipping and unpacking of your household goods for your move to Colorado.
- Initial Move to Colorado: Economy airfare for you and your dependents from Virginia to Colorado. If you choose to drive to Colorado, you will be reimbursed for associated mileage, hotel, per diem. Receipts are required for reimbursement.
- Closing Costs:
  - o Reimbursement for reasonable and customary closing costs and brokerage fees (limited to 6% of the sale price) on the sale of your home, tax protected.
  - o Reimbursement for reasonable and customary closing costs (excluding points) on the purchase of a home in Colorado, tax protected.

Benefits Program: A summary of our current benefits program is attached. If you are applying for family coverage under the Management Benefitted Medical, Dental and Vision Plans, it is required that, on your start date, you furnish a marriage certificate (if applicable), and the birth certificate of each dependent being covered.

- Vectrus 401(k) Plan
- Medical Plan/ Dental Plan/ Vision Plan
- Tele-Health Plan
- Health Savings Account
- Basic Life & Accidental Death and Dismemberment Insurance Plans
- Short-Term & Long-Term Disability
- Flexible Spending Accounts
- Voluntary Life & Accidental Death and Dismemberment Insurance Plans

For questions regarding all benefits, you may contact Ms. Tracy Hanavan at 719-637-5828. She will be glad to discuss any questions you might have regarding employee benefits. I will also be available to meet with you to review all of the benefits materials in detail.

In order to comply with the Immigration Control Reform Act of 1986, all employees must complete the enclosed I-9 Form verifying employment eligibility. You should bring with you on the first day of work an original birth certificate or other document as specified in the enclosed information sheet as proof of U.S. citizenship. This offer of employment is contingent upon completion of the I-9 Form and providing required documentation.

The terms and conditions of your employment will be governed by standard Company policy. This offer is also contingent upon successful completion of a drug screening test prior to employment. Failure to complete the screening within three days will result in withdrawal of this offer. Please contact Mr. Josh Saye at (719) 637-6319 for assistance in scheduling an exam.

Please acknowledge your acceptance of our offer by signing one copy of this letter and returning it to my attention. You may retain the additional copy for your personal files.

Ken, on behalf of Sue and our team, we are very pleased to extend you this offer. We look forward to welcoming you to Vectrus and to working with you.

Very truly yours,

/s/ Frank A. Peloso

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Frank A. Peloso  
Senior Vice President &  
Chief Human Resources Officer

Enclosures

I accept the offer as set forth in this letter.

/s/ Kenneth W. Shreves  
Kenneth W. Shreves

1 OCT 2017  
Date

Exhibit 10.16

ACKNOWLEDGMENT OF RECEIPT

I acknowledge receiving a copy of this Separation Agreement and Complete Release of Liability on January 6, 2023. I have been advised of the following:

- 1) I have forty-five (45) days to consider the Agreement.
- 2) I have the opportunity to discuss with V2X Inc. any questions or concerns I may have over the terms or language of the Agreement.
- 3) I have been advised to see an attorney of my choosing to review the Agreement.
- 4) I should not sign the Agreement unless I fully understand its terms and enter into the Agreement of my own free will.
- 5) I have seven (7) days after signing the Agreement to revoke the Agreement.
- 6) No other promises have been made to me beyond the terms of the Separation Agreement.

/s/ John E. Boyington  
John E. Boyington

## SEPARATION AGREEMENT AND COMPLETE RELEASE OF LIABILITY

John E. Boyington and V2X, Inc. have reached the following Agreement. In this Agreement, "Employee" refers to John E. Boyington and "Company" refers to V2X, Inc. and its subsidiaries.

### 1. Benefits. The Company agrees with Employee as follows:

- A. Employee's active employment with the Company will cease on January 6, 2023(also referred to as the "Last Day Worked").
- B. No provisions within this Separation Agreement are intended or implied for separation payments unless otherwise stated. Except as otherwise specifically set forth in this Agreement, for purposes of the various benefit and incentive plans discussed in this Agreement (other than the Qualified Plans) Employee's termination date will be deemed to be January 6, 2023.
- C. Employee understands that the Company will deduct from any pay provided for in this Agreement, federal, state and local withholding taxes and other deductions the Company is required by law to make from payments to employees. After the Last Day Worked, Employee understands that he is not entitled to any compensation or benefits or any other payment from the Company, including but not limited to any severance pay, commissions, termination allowance, or allowance, other than as specifically provided in this Agreement.
- D. In consideration of Employee waiving his right to receive benefits pursuant to the Consolidated Omnibus Budget Reconciliation Act (COBRA) as a result of his termination of employment, Employee will be eligible for one final Company-paid executive physical scheduled at the Cooper Clinic in March 2023.
- E. Employee will receive a lump sum payment for any accrued, unused Paid Time Off (PTO) on the payroll date occurring on January 27, 2023 even if this

/s/ JEB (Initial)

Agreement is not executed by Employee. Payment for PTO, if any, will not count for any purpose under any employee benefit plan.

F. Except as expressly stated in this Agreement, the Company will not be responsible for any other business expenses incurred by Employee after the merger Employee's Last Day Worked, except as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or stated in paragraph 1(D).

G. Employee will be eligible to receive a series cash bonus under the Annual Incentive Plan (AIP) in respect of related transactions) of all or substantially all the assets of Vectrus; or (iii) there shall have been a change in a majority 2022 performance. The amount of the members AIP bonus will be determined by the Company and the bonus will be paid in accordance with the regular AIP cycle in March 2023.

H. The parties acknowledge and agree that the 517,918 restricted stock units relating to shares of V2X common stock that were granted to Employee on July 5, 2022, pursuant to the Restricted Stock Unit Agreement by and between Vectrus, Inc. and the Employee ("RSU Agreement") became fully vested as of January 5, 2023. The RSU Agreement, including applicable restrictive covenants, is incorporated herein by reference. Employee must seek written approval from the Company prior to entering into any transaction involving V2X securities, including the purchase or sale of any V2X stock. Employee is also subject to the securities laws and V2X "insider trading" policies in respect of any transaction Employee effects while in possession of material non-public information regarding V2X.

I. The provisions in this Agreement do not impact Employee's status as a member of the Board of Directors of Vectrus within V2X, Inc. (the "Board") and notwithstanding anything in this Agreement to the contrary, Employee will remain subject to all applicable policies and procedures that apply to members of the Board while serving thereon.

**2. Complete Release.** Employee understands that all or part of his job duties may be assigned to another person or persons who are less than forty years old or younger than Employee. Employee agrees to release the Company, any company that is or was directly or indirectly the parent or subsidiary of, related to or affiliated with the Company, any Company benefit plans and the

/s/ JEB (Initial)

employees, administrators, fiduciaries, agents, officers and directors of any of them, and any predecessors, successors or assigns, from all claims or demands Employee may have arising out of or relating to Employee's employment with the Company or the termination of that employment. This includes, but is not limited to, a 12-month period unless release of any rights or claims Employee may have under the election Age Discrimination in Employment Act of 1967, which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, national origin, religion or nomination sex; the Equal Pay Act, which prohibits paying men and women unequal pay for election equal work; the Employee Retirement Income Security Act of 1974 or any other federal, state or local laws, regulations or orders. This release also includes, but is not limited to, a release by Vectrus' stockholders Employee of each new director (other than a director whose initial assumption of office is in connection with an actual any contractual or threatened election contest, tort claims or other claims arising under common law including, but not limited to, any claims for wrongful discharge. This release covers both claims that Employee knows about and those he may not know about. This release, however, does not preclude Employee from enforcing the terms of this Agreement. This release does not include a consent solicitation, release of any pension or any other benefits for which Employee may be eligible under the terms of applicable Company benefit plans.

**3. Special Release Notification.** Paragraph 2 includes a release of all claims under the Age Discrimination in Employment Act ("ADEA") and, therefore, pursuant to the requirements of the ADEA, Employee acknowledges and understands the following: (a) Employee has been advised that this release includes, but is not limited to, all claims under the ADEA arising up to and including the date of execution of this release; (b) that Employee has been advised to consult with an attorney and/or other advisor of your choosing concerning Employee's rights and obligations under this release; (c) that Employee has been advised to consider fully this release before executing it and that Employee's release and waiver of any claim under the ADEA is knowing and voluntary; (d) that Employee has been offered ample time and opportunity, forty-five (45)days, to do so; (e) that Employee may revoke this release within the

/s/ JEB (Initial)

seven (7) calendar day period following Employee's execution of the Agreement, if Employee delivers written notice of revocation to: Rick Mendoza, Chief People Officer, V2X, Inc., 2424 Garden of the Gods Road, Colorado Springs, Colorado 80919; and (f) that this release shall become effective and enforceable on the eighth calendar day following execution of it, so long as it has not been revoked.

**4. Reporting.** Employee agrees that he has disclosed to the Company all known issues, concerns, or complaints regarding any legal, regulatory or compliance requirement of the Company.

**5. Confidentiality.** Employee promises not to disclose the contents of this Agreement to anyone other than his immediate family, governmental agencies or courts or to attorneys, counselors or agents retained by Employee for the purpose of assisting or counseling him/her with respect to this Agreement. If Employee discloses the contents of this Agreement to any person as permitted above, he shall also use his best efforts to prevent all such persons from disclosing the contents of this Agreement.

**6. Non-Admission of Liability.** This Agreement is made solely to facilitate an arrangement reached by the Company with the Employee. This Agreement is not and should not be construed as an admission by the Company of any wrongdoing.

**7. Exclusions from Employee's Release.** This Agreement does not waive or release claims with respect to any rights Employee may have to file a claim or charge with any government administrative agency, to claims that cannot lawfully be released, or to any future rights or claims that Employee may have that arise after the date the Employee signs this Agreement.

**8. Encouragement to Consult with Attorney.** Employee is advised to consult with an attorney before signing this Agreement. Fees associated with such legal consultation are the responsibility of the Employee.

**9. Assistance in the Defense of Claims.** Employee agrees, upon reasonable notice from the Company, to assist the Company in the defense of any legal or administrative action or proceeding now pending or which later may be filed by or against the Company or by or against any affiliated or related companies or any of their officers, directors or employees. Company will provide reimbursement for expenses incurred in accordance with the existing Company policy.

**10. Company Property.** Employee shall return to the Company, any and all Company property within his possession or control other than any such property relating to his service on the **election** Board.

**11. Notification to the Company.** If any claim or demand is made to legally compel the Employee to disclose the terms and conditions of **directors** this Agreement, the Employee will promptly notify Rick Mendoza, Chief People Officer, and Kevin Boyle, Chief Legal Officer, of such claim or demand so that the Company may take such action as it deems appropriate.

**12. Non-Disparagement.** Employee agrees that he will not (i) make or engage in any disparaging remarks about Company, its employees, and/or its customers or (ii) have any communications of any type with any of Company's current or former customers concerning Company, its employees, its work for the government or any aspect of Company's relationship with the government, subject in each case to the policies of the **Company** during such 12-month period **was approved** Company as they are applicable to Employee's service on the Board.

**13. Assignment.** The rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the heirs,

executors, successors and assigns of the Company. Employee's rights and obligations are personal and may not be assigned or delegated without the Company's written consent.

**14. Choice of Law/Venue.** This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Virginia. All disputes arising under or relating to this Agreement shall be brought and resolved solely and exclusively in the Commonwealth of Virginia.

**15. Restrictive Covenants.** Employee agrees to be bound by the **vote** terms of **two-thirds** Exhibit A.

**16. Entire Agreement.** The Company has used its best efforts to compose this Agreement in a manner calculated to be readily understood by the Employee. This Agreement, including Exhibit A, is the complete, entire and final agreement between Employee and the Company concerning the subject matter expressed herein and supersedes any other prior agreement in writing or otherwise. This Agreement may not be modified or terminated except by a writing signed by both parties. The Company has made no promises to Employee other than those in this Agreement. Should any portion of this Agreement be ruled void or unenforceable, such ruling will not affect the enforceability and effect of the **directors** then still in office who (x) were directors at the beginning **remaining** provisions of **such 12-month period** or (y) whose nomination for election or election as directors was recommended or approved by a majority **this Agreement**.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, UNDERSTANDS IT AND IS VOLUNTARILY ENTERING INTO IT.

PLEASE READ THIS AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

WITNESS EMPLOYEE / DATE

/s/ Wendy Dixon \_\_\_\_\_ John E. Boyington /1/6/23

John E. Boyington

V2X, Inc.

By: /s/ Richard Mendoza

Title: Chief People Officer

Dated: 1/11/2023

/s/ JEB (Initial)

#### EXHIBIT A

#### NON-SOLICITATION, NON-COMPETITION, CONFIDENTIALITY, AND ASSIGNMENT AGREEMENT

In consideration of the directors promises made by V2X (the "Company") to John E. Boyington (the "Employee"), Employee agrees to the following additional post-employment covenants:

**1. Anti-Solicitation of Employees.** During the 12 months following termination of employment, Employee will not, directly, or indirectly, or by action in concert with others, solicit or induce or attempt to solicit or induce, any person who were directors at the beginning of such 12-month period. After the occurrence of an Acceleration Event, the terms "Vectrus," "Vectrus Subsidiary" and "Company" as used herein shall also include, respectively and as the context requires, any successor company to Vectrus or any successor company to any Vectrus Subsidiary and any affiliate of any such successor company as the context requires.

"**Band A**" shall have the meaning given such term under the executive classification system of the Vectrus Human Resources Department as in effect immediately preceding an Acceleration Event. Band A shall include each of the Company's Senior Vice Presidents unless otherwise determined by the Committee prior to an Acceleration Event and a Potential Acceleration Event. Changes is employed by the Company to this definition or to the position of a Special Severance Executive upon or following an Acceleration Event or Potential Acceleration Event which would have the effect of removing a Special Severance Executive from participation in the Plan or reducing leave his or her eligibility for payments or benefits under the Plan shall not be given effect for purposes of the Plan.

"**Beneficial Owner**" shall have the meaning set forth in Rule 13d-3 promulgated under the Act.

"**Cause**" shall mean the Executive's (i) willful and continued failure to substantially perform the Executive's duties his employment with the Company and/or to substantially follow perform services of any kind for any other person, firm, or corporation.

**2. Anti-Solicitation of Customers and comply Clients.** During the 12 months following termination of employment, Employee will not, directly or indirectly, either on Employee's own behalf or on behalf of any other person, firm, or corporation, divert or take away, or call on or solicit or attempt to call on or solicit, any of the Company's current customers or clients, including those on whom Employee called on or who Employee solicited or with whom Employee became acquainted while engaged as an employee of the Company.

**3. Non-Competition.** During the 24 months following termination of employment, Employee will not accept an employment or consulting relationship (or own or have any financial interest in), directly or indirectly, with any entity engaged in competing with the reasonable, specific Company on recompetes of its contracts or opportunities identified in its pipeline as of the date of termination of employment.

**4. Covenant Against Disclosure.** Employee will not, at any time, disclose information identified as confidential or which, from the circumstances, in good faith, and lawful directives good conscience ought to be treated as confidential, relating to the products, services, inventions, discoveries, trade secrets, secret processes, price lists, business plans, or any other information of the business or affairs of the Company or any other person, firm, or corporation, which Employee acquired or developed in connection with or as a result of Employee's employment with the Vectrus Board of Directors Company. This prohibition does not extend to lawful disclosures made to any government administrative agency.

I ACKNOWLEDGE THAT I HAVE READ AND UNDERSTAND THIS EXHIBIT A AND HAVE BEEN GIVEN THE OPPORTUNITY TO DISCUSS IT WITH INDEPENDENT LEGAL COUNSEL.

/s/ John E. Boyington 1/6/23

John E. Boyington Date

/s/ JEB (Initial)

Exhibit 10.28

VECTRUS, INC. 2014 OMNIBUS INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
(Stock Settled)

THIS AGREEMENT (the "Board" "Agreement"), (other than any such failure resulting effective as of July 5, 2022, by and between Vectrus, Inc. (the "Company") and [ ] (the "Grantee"),

WITNESSETH:

WHEREAS, the Grantee originally received an award of an option (the "Option") to purchase a certain number of shares of common stock of Vertex Aerospace Services Holding Corp. ("Vertex") pursuant to an award agreement with Vertex (the "Option Agreement") granted under the Vertex Aerospace Services Holding Corp. 2018 Equity Incentive Plan, as amended from time to time (the "Vertex Plan").

WHEREAS, in connection with the Executive's incapacity due to consummation of the transactions contemplated by that Agreement and Plan of Merger by and among the Company, Vertex and the other parties thereto, dated as of March 7, 2022 (the "Merger Agreement"), the Option was cancelled as of the First Effective Time (as defined in the Merger Agreement) and in exchange therefor, the Grantee will receive in consideration Restricted Stock Units pursuant to physical or mental illness) after a written demand for substantial performance that specifically identifies this Agreement.

WHEREAS, the manner in which the Board believes that the Executive has not substantially performed his duties Grantee is delivered to the Executive now employed by the Board; (ii) willful commission Company or an Affiliate (as defined in the Company's 2014 Omnibus Incentive Plan, as amended and restated, (the "Plan")) as an employee, and in recognition of an act of fraud or dishonesty resulting in material economic or financial injury to the Company; (iii) willful engagement in illegal conduct or gross misconduct, in either case which is materially and demonstrably injurious to Grantee's valued services, the Company, (iv) material breach of the terms of any confidentiality, trade secret, non-solicitation, non-competition or similar Company agreement or policy; or (v) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude.

"Committee" shall mean through the Compensation and Personnel Committee of the Company's its Board of Directors. Directors (the "Committee"), desires to provide an inducement to remain in service of the Company and as an incentive for increased efforts during such service pursuant to the provisions of the Plan.

**"Company"** shall mean Vectrus, Inc. The Company NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement and the provisions of the Plan, a copy of which is sometimes referred to attached hereto and incorporated herein as Vectrus, part of this Agreement, and any administrative rules and regulations related to the Plan as may be adopted by the Committee, the parties hereto hereby agree as follows:

1. **Grant of Restricted Stock Units.** In accordance with, and subject to, the terms and conditions of the Plan and this Agreement, the Company hereby confirms the grant on July 5, 2022 (the "Grant Date") to the Grantee of [ ] Restricted Stock Units. The Restricted Stock Units are notional units of measurement denominated in Shares of common stock of the Company (i.e., one Restricted Stock Unit is equivalent in value to one share of common stock of the Company (a "Share").

The Restricted Stock Units represent an unfunded, unsecured right to receive Shares in the future if the conditions set forth in the Plan and this Agreement are satisfied.

The Grantee and the Company hereby acknowledge and agree that, pursuant to Section 4.3 of the Plan and Section 11.1(a) of the Vertex Plan, the Company has, in connection with the consummation of the transactions contemplated by the Merger Agreement (which transactions constitute a Covered Transaction (as defined in the Vertex Plan)) assumed all outstanding awards under the Vertex Plan, and that in exchange for the Restricted Stock Units granted pursuant to this Agreement and other good and valuable consideration, the Grantee has forfeited the Option and any other right to purchase shares of common stock of Vertex, and that the Option and the Option Agreement have terminated and are of no further force or effect. The Grantee hereby (a) consents to the termination of the Option Agreement and any rights the Grantee may have with respect to the Option or the shares of common stock of Vertex underlying the Option and (b) releases the Company, Vertex and each of their subsidiaries and affiliates and their respective successors or assigns, and each partner, officer, director and employee of each of them, from any claim, liability or obligation arising out of or relating to the Option, the shares of common stock of Vertex underlying the Option, or the Option Agreement. The Grantee acknowledges and

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Exhibit 10.28

agrees that this Agreement shall supersede and replace in its entirety the Option Agreement. Notwithstanding the foregoing, the Company and the Grantee acknowledge and agree that the Restrictive Covenant Agreement attached as Exhibit A to the Option Agreement shall remain in full force and effect in accordance with its terms.

"Disability" 1. **Terms and Conditions.** It is understood and agreed that the Restricted Stock Units are subject to the following terms and conditions:

- a. **Restrictions.** Except as otherwise provided in the Plan and this Agreement, neither this Award nor any Restricted Stock Units subject to this Award may be sold, assigned, pledged, exchanged, transferred, hypothecated or encumbered, other than to the Company as a result of forfeiture of the Restricted Stock Units.
- b. **Stockholder Rights.** The Grantee shall not have any privileges of a stockholder of the Company with respect to the Restricted Stock Units or any Shares that may be delivered hereunder, including without limitation any right to vote such Shares or to receive dividends or dividend equivalents, unless and until such Shares are delivered upon vesting of the Restricted Stock Units.
- c. **Vesting of Restricted Stock Units and Payment.** Subject to subsection 2(d) below, the Restricted Stock Units shall vest (meaning the Period of Restriction shall lapse and the Restricted Stock Units shall become free of the forfeiture provisions in this Agreement) as follows:
  - i. 1/4 of the Restricted Stock Units shall vest on the date that occurs six months after the Grant Date,
  - ii. 1/4 of the Restricted Stock Units shall vest on the first anniversary of the Grant Date, and
  - iii. 1/4 of the Restricted Stock Units shall vest on the date that occurs eighteen months after the Grant Date, and
  - iv. 1/4 of the Restricted Stock Units shall vest on the second anniversary of the Grant Date.

Except as provided in subsection 2(i)(i) below, upon vesting of the Restricted Stock Units (including vesting pursuant to subsection 2(d) below), the Company will deliver to the Grantee one Share for each vested Restricted Stock Unit; provided that the number of Restricted Stock Units that vest on each of the first three vesting dates shall be rounded to the nearest whole Share (with 0.5 to be rounded up), with any whole Shares resulting from such fractional Shares remaining eligible to vest on the fourth and final vesting date.

a. **Effect of Certain Terminations.**

- i. Notwithstanding anything in this Agreement to the contrary, the Restricted Stock Units shall, to the extent outstanding and unvested, immediately become 100% vested if the Grantee's employment is terminated by the Company (or an Affiliate or any successor, as the case may be), without Cause (as defined below) or by the Grantee for Good Reason (as defined below) or the Grantee's employment terminates as a result of the Grantee's death or Disability (as defined below).

1. For purposes of this Agreement, the term "Cause" shall mean (i) the complete and permanent inability of the Grantee's material misconduct, (ii) the Grantee's material violation of Company policies, rules or Code of Conduct or any other terms or conditions relating to the Grantee's employment or any agreement with the Grantee or (iii) any other conduct of the Special Severance Executive that the Committee in its sole discretion unanimously determines in good faith constitutes Cause for purposes of this Agreement.

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2. For purposes of this Agreement, the term "Good Reason" shall mean, without the Grantee's express written consent and excluding for this purpose any action which is remedied by the Company (or an Affiliate or any successor, as the case may be) within thirty (30) days after receipt of notice thereof given by the Grantee, a reduction in the Grantee's annual base compensation (whether or not deferred) or annual bonus opportunity; provided that "Good Reason" shall cease to exist for an event on the 90th day following the later of its occurrence or the Grantee's knowledge thereof, unless the Grantee has given the Company (or an Affiliate or any successor, as the case may be) notice thereof prior to such date, and the date of the Grantee's termination of employment for Good Reason must occur, if at all, within one hundred and eighty (180) days following the later of the occurrence of the Good Reason event or the Grantee's knowledge thereof.
3. For purposes of this Agreement, the Grantee shall be deemed to be "Disabled" only when the Company determines that the Grantee is completely and permanently unable to perform all of his or her duties under the terms of his or her employment, as determined by the Company upon the basis of such evidence, including independent medical reports and data, as the Company deems appropriate or necessary; provided however, that with respect to any portion of the Award that constitutes deferred compensation for purposes of Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder ("Section 409A"), the Grantee shall not be deemed to be Disabled unless and until the date the Grantee becomes "disabled" as that term is used in Section 409A.

"Good Reason" ii. shall mean without Termination for Any Other Reason. If the Special Severance Executive's express written consent and excluding for this purpose any action which is remedied by Grantee's employment with the Company or and its affiliates within thirty (30) days after receipt of notice thereof given by Affiliates is terminated for any reason not described in subsection 2(d)(i), and the Special Severance Executive, (i) a reduction in the Special Severance Executive's annual base compensation, annual bonus opportunity, and/or reduction in the target value of the Special Severance Executive's long term incentive opportunity; (ii) the assignment termination is not due to the Special Severance Executive Grantee's death or Disability, any unvested Restricted Stock Units shall be immediately forfeited as of any duties inconsistent in any material respect with the Special Severance Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect immediately prior to the Acceleration Event or Potential Acceleration Event, as the case may be; (iii) any other action by the Company or its affiliates which results in a material diminution in such position, authority, duties or responsibilities; or (iv) the Company's (or an affiliate or any successor, as the case may be) requiring the Special Severance Executive's work location to be other than within thirty-five (35) miles of the location where such Special Severance Executive was principally working immediately prior to the Acceleration Event or Potential Acceleration Event, as the case may be; provided that "Good Reason" shall cease to exist for an event on the 90th day following the later of its occurrence or the Special Severance Executive's knowledge thereof, unless the Special Severance Executive has given the Company notice thereof prior to such date, and the date of the Special Severance Executive's termination of employment for Good Reason must occur, if at all, within one hundred and eighty (180) days following the later such termination.

- b. **Tax Withholding.** In accordance with Article 15 of the occurrence Plan, the Company may make such provisions and take such actions as it may deem necessary for the withholding of all applicable taxes attributable to the Restricted Stock Units. Unless the Committee determines otherwise, the minimum statutory tax withholding required to be withheld upon delivery of the Good Reason event or the Special Severance Executive's knowledge thereof. A determination by a Special Severance Executive that he or she has "Good Reason" hereunder Shares shall be final and binding on satisfied by withholding a number of Shares having an aggregate Fair Market Value equal to the parties hereto unless the Company can establish by a preponderance of the evidence that "Good Reason" does not exist.

The "Multiple" shall mean (i) for the Chief Executive Officer, two and one-half (2.5); (ii) for the Chief Financial Officer, the Chief Legal Officer, the Chief Human Resources Officer, the Chief Growth Officer, and the Senior Vice President, Programs, two (2.0), (iii) for other Executives in Band A or designated as a covered employee in Band A pursuant to minimum statutory tax required to Section 2 hereof, one and one-half (1.5) and (iv) for the Chief Accounting Officer, the Treasurer and Other Designated Covered Employees, one (1.0), provided that, at any time prior to an Acceleration Event and Potential Acceleration Event, the Committee may determine that different Multiples apply to any Special Severance Executive.

"Other Designated Covered Employees" are be withheld. If such other employees of the Company who shall be designated as covered employees for participation in this Plan by the Committee.

"Potential Acceleration Event" shall mean the execution of an agreement, the commencement of a tender offer or the public announcement by a third party to take actions, in any such case, in respect of a transaction or event that if consummated withholding would result in an Acceleration Event. The Potential Acceleration Event a fractional Share being withheld, the number of Shares so withheld shall be rounded up to the nearest whole Share. Notwithstanding the foregoing, the Grantee may be deemed elect to satisfy such tax withholding requirements by timely remittance of such amount by cash or check or such other method that is acceptable to the Committee to no longer be Company, rather than by withholding of Shares, provided such election is made in effect at accordance with such time conditions and restrictions as the Committee may determine in its good faith discretion.

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Company may establish. If FICA taxes are required to be withheld while the Award is outstanding, such withholding shall be made in a manner determined by the Company.

c. "Qualifying Termination Grantee Bound by Plan and Rules" shall mean a termination. The Grantee hereby acknowledges receipt of a Special Severance Executive's employment with copy of the Plan and this Agreement and agrees to be bound by the terms and provisions thereof. The Grantee agrees to be bound by any rules and regulations for administering the Plan as may be adopted by the Committee prior to the date the Restricted Stock Units vest. Terms used herein and not otherwise defined shall be as defined in the Plan.

d. **Restrictive Covenant Violation.** Grantee acknowledges and recognizes the highly competitive nature of the businesses of the Company either and its Affiliates and accordingly agrees to the provisions of Appendix A. If the Grantee breaches such restrictions in Appendix A to this Agreement, the Grantee hereby agrees that, in addition to any other remedy available to the Company in respect of such activity or breach, (i) the Grantee's Restricted Stock Units will be forfeited, (ii) upon demand by the Company, without Cause or by a Special Severance Executive for Good Reason which is either (A) within the two (2) year period commencing on Grantee shall return to the date Company any Shares issued upon vesting of any of the occurrence Restricted Stock Units, and (iii) if the Grantee has sold or otherwise disposed of an Acceleration Event all or (B) at any portion of such time as a Potential Acceleration Event is in effect.

"Vectrus Subsidiary" Shares, the Grantee shall mean any direct or indirect wholly-owned subsidiary of repay to the Company.

#### 4. Severance Benefits Upon Termination of Employment

If a Special Severance Executive's employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof ("Severance Benefits").

#### 5. Severance Benefits

The Severance Benefits for a Special Severance Executive who experiences a Qualifying Termination are as follows:

(a) Severance pay in an amount equal to the sum aggregate after-tax proceeds (taking into account all amounts of (x) tax that would be recoverable upon a claim of loss for payment of such proceeds in the applicable Multiple times year of repayment) the current annual base salary rate paid Grantee received upon the sale or other disposition of, or distributions in effect (whether or not deferred) with respect to, such Shares.

e. **Governing Law.** This Agreement is issued, and the Special Severance Executive at the time of the Special Severance Executive's termination of employment (without giving effect to any reduction following an Acceleration Event or Potential Acceleration Event), Restricted Stock Units evidenced hereby are granted, in Colorado Springs, Colorado, and (y) the applicable Multiple times the target annual bonus with respect to the Special Severance Executive at the time of the Special Severance Executive's termination of employment (without giving effect to any reduction following an Acceleration Event or Potential Acceleration Event). Such amount shall be paid in manner and at the time described in Section 6.

(b)

- (i) The Special Severance Executive shall be entitled, for a number of years or partial years equal to the applicable Multiple, to continued participation in those Company employee benefit plans that are COBRA eligible, provided that such coverage will not extend beyond the applicable COBRA period. The Company shall pay the full monthly premium expense during such period. The Special Severance Executive will not be eligible to participate in any other Company benefits plans, policies, programs and arrangements following termination of employment, including without limitation, any Company tax qualified retirement plans, non-qualified retirement plans, and deferred compensation plans.
- (ii) If, for any reason at any time, the Company during the period described in paragraph (i) above (1) is unable to treat the Special Severance Executive as being eligible for ongoing participation in any Company benefit plans

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or policies in existence immediately prior to the termination of employment of the Special Severance Executive, and if, as a result thereof, the Special Severance Executive does not receive a benefit or receives a reduced benefit, or (2) determines that ongoing participation in any such Company benefit plans or policies would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code of 1986, as amended (the "Code") or any other Code section, statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), the Company shall provide such benefits by making available equivalent benefits from other sources in a manner consistent with Section 15 below.

In connection with any termination of employment, a Special Severance Executive shall be entitled to payment of the Special Severance Executive's base salary through the date of termination of employment, payment of any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused paid time off under the Company's paid time off policy.

Payments hereunder shall be subject to all required tax withholding.

## 6. Form of Payment of Severance Pay

Severance Pay shall be paid in cash, in a lump-sum (subject to Section 15) within the thirty-day period immediately following the Qualifying Termination.

## 7. Termination of Employment — Other

The Severance Benefits shall only be payable upon a Special Severance Executive's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, a Special Severance Executive is terminated due to the Special Severance Executive's death or Disability (as defined below) and, at the time of such termination, the Special Severance Executive had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

## 8. Administration of Plan; Claims and Appeals Procedures

The Plan shall be administered by the Committee, which shall have the exclusive right to interpret the Plan, adopt any rules and regulations for carrying out the Plan as may be appropriate and decide any and all matters arising under the Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by Vectrus shall be final, conclusive and binding on all parties affected thereby.

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Any employee or other person who believes he or she is entitled to any payment under the Plan may submit a claim in writing to the Plan's administrator (in accordance with Section 16) within ninety (90) days after the earlier of (i) the date the claimant learned the amount of their severance benefits under the Plan or (ii) the date the claimant learned that he or she will not be entitled to any benefits under the Plan. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice will also describe any material or information necessary for the claimant to perfect the claim, and an explanation of why such material or information is necessary, and an explanation of the Plan's procedures (and time limits) for appealing the denial, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal. The denial notice will be provided within ninety (90) days after the claim is received. If special circumstances require an extension of time (up to ninety (90) days), written notice of the extension will be given within the initial ninety (90) day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the administrator expects to render its decision on the claim.

If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the administrator for a review of the decision denying the claim. Review must be requested within sixty (60) days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments (as well as documents, records and other information related to the claim) in writing. The administrator will provide written notice of its decision on review within sixty (60) days after it receives a review request. If additional time (up to sixty (60) days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the administrator expects to render its decision.

If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice will also include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

If the claims procedures set forth above have been exhausted and a claimant wishes to challenge a final determination by the Plan administrator, such claim shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Special Severance Executive. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Special Severance Executive as a result of the Company's refusal to provide any of the Severance Benefits to which the

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Special Severance Executive becomes entitled under the Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of the Plan, or as a result of any conflict between the Special Severance Executive and the Company pertaining to the Plan. The Company shall pay such fees and expenses from the general assets of the Company.

## 9. Termination or Amendment

Vectrus may terminate or amend the Plan ("Plan Change") at any time except, that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Special Severance Executive may be made without the prior written consent of such Special Severance Executive affected thereby; provided, however, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

## 10. Offset

Any Severance Benefits provided to a Special Severance Executive under the Plan shall be in lieu of, and not in addition to, any severance pay or benefits the Special Severance Executive would otherwise be entitled to receive (i) pursuant to any other Company policy, practice program or arrangement, (ii) pursuant to any Company employment agreement or other agreement with the Company, or (iii) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States.

## 11. Excise Tax

In the event that it shall be determined that any Payments (as defined below) would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the aggregate of all Payments shall be reduced so that the Present Value of the aggregate of all Payments does not exceed the Safe Harbor Amount (as defined below); provided, however, that no such reduction shall be effected, if the Net After-tax Benefit (as defined below) to Special Severance Executive of receiving all of the Payments exceeds the Net After-tax Benefit to Special Severance Executive resulting from having such Payments so reduced. In the event a reduction is required pursuant hereto, the order of reduction shall be first all cash payments on a pro rata basis, then any equity compensation on a pro rata basis (beginning with performance vesting awards and then with service based vesting awards with the greatest remaining amount of time prior to vesting), and lastly medical and dental coverage.

For purposes of this Section 11, the following terms have the following meanings:

(i) "Net After-tax Benefit" shall mean the Present Value of a Payment net of all federal state and local income, employment and excise taxes imposed on Special Severance Executive with respect thereto, determined by applying the highest marginal rate(s) applicable to an individual for Special Severance Executive's taxable year in which the Qualifying Termination occurs.

(ii) "Payment" means any payment or distribution or provision of benefits by the Company to or for the benefit of Special Severance Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any reductions required by this Section 11.

(iii) "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code.

(iv) "Safe Harbor Amount" shall be an amount expressed in Present Value which maximizes the aggregate Present Value of Payments without causing any Payment to be subject to excise tax under Section 4999 of the Code or the deduction limitation of Section 280G of the Code.

All determinations required to be made under this Section 11, including whether and when a reduction is required and the amount of such reduction and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Special Severance Executive and the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Special Severance Executive within ten (10) business days of the receipt of notice from the Special Severance Executive that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of

determining the amount of any reduction, the Special Severance Executive shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such payment is required to be made.

All fees and expenses of the Accounting Firm shall be borne solely by the Company. If the Accounting Firm determines that no excise tax is payable by the Special Severance Executive, it shall so indicate to the Special Severance Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Special Severance Executive.

## 12. **Miscellaneous**

The Special Severance Executive shall not be entitled to any notice of termination or pay in lieu thereof.

Severance Benefits under the Plan are paid entirely by the Company from its general assets.

The Plan is not a contract of employment, does not guarantee the Special Severance Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Special Severance Executive at any time.

If a Special Severance Executive should die while any amount is still payable to the Special Severance Executive hereunder had the Special Severance Executive continued to live, all such amounts shall be paid in accordance with the Plan to the Special Severance Executive's

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designated heirs or, in the absence of such designation, to the Special Severance Executive's estate.

The numbered section headings contained in the Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of the Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in the Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of the Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York, without regard to any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

## 13. **Notices**

Any notice and all other communication provided for in the Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

Vectrus, Inc.  
2424 Garden of the Gods Road  
Colorado Springs, CO 80919  
Attention: Chief Legal Officer

If to Special Severance Executive:

To the most recent address of Special Severance Executive set forth in the personnel records of the Company.

#### 14. Adoption Date

The Plan was initially adopted by Vectrus on September 27, 2014 ("Adoption Date") and does not apply to any termination of employment which occurred or which was communicated to the Special Severance Executive prior to the Adoption Date. The Plan was amended and restated on October 6, 2015 and February 24, 2021.

#### 15. f. Section 409A Compliance

The Plan is intended to comply with Section 409A of the Code (or an applicable exemption therefrom) and will be interpreted in a manner consistent with such intent. Notwithstanding anything herein to the contrary, (i) if at the time of the Special Severance Executive's termination of employment with the Company the Special Severance Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Special Severance Executive) until the date that is six months following the Special Severance Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Special Severance Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under applicable, it is intended that the Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv), the terms of which shall be deemed incorporated herein by reference. Notwithstanding anything herein to the contrary, if (A) the event constituting an Acceleration Event is not an event described in Treas. Reg. Section 1.409A-3(i)(5) and (B) the Special Severance Executive is a participant in the Vectrus, Inc. Senior Executive Severance Pay Plan, then to the extent necessary to this Agreement comply with the requirements of Section 409A, and the Plan and this Agreement shall be interpreted accordingly.

- i. If it is determined that all or a portion of the Award constitutes deferred compensation for purposes of Section 409A, and if the Grantee is a "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code, at the payments described in time of the Grantee's separation from service, then, to the extent required under Section 5(a) 409A, any Shares that would otherwise be distributed upon the Grantee's separation from service, shall instead be made in accordance with delivered on the timing provisions set forth in date determined by the Vectrus, Inc. Senior Executive Severance Pay Plan, rather than in Company within the thirty (30) day period following the earlier of (x) the first business day of the seventh (7<sup>th</sup>) month following the date of the Grantee's separation from service or (y) the date of the Grantee's death.
- ii. Each portion of this Award that could vest pursuant to subsection 2(c) and/or 2(d) is intended to constitute a lump sum. All payments separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).

IN WITNESS WHEREOF, the Company has caused this instrument to be made upon a termination of employment that constitute deferred compensation under the Plan may only be made upon a "separation from service" (as that term is used in Section 409A). Each payment made under the Plan shall be designated executed by its President and Chief Executive Officer as a "separate payment" within the meaning of Section 409A of the Code. The Company shall consult with Special Severance Executives in good faith regarding the implementation day of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Special Severance Executives with respect thereto.

#### 16. Additional Information \_\_\_\_\_, 2022.

Agreed to:	VECTRUS, INC.
Plan Name:	Vectrus, Inc. Special Senior Executive Severance Pay Plan
Plan Sponsor:	Vectrus, Inc. 2424 Garden of the Gods Road Colorado Springs, CO 80919
Grantee (Online acceptance constitutes agreement)	Charles L. Prow, President and Chief Executive Officer
Employer Identification Number: Date:	38-3924636
Plan Year:	Vectrus' Fiscal Year
Plan Administrator	Vectrus, Inc. Attention: Administrator of the Vectrus, Inc. Special Senior Executive Pay Plan 2424 Garden of the Gods Road Colorado Springs, CO 80919 (719) 591-3600
Agent for Service of Legal Process:	Vectrus, Inc. Attention: SVP, Chief Legal Officer and General Counsel 2424 Garden of the Gods Road Colorado Springs, CO 80919 (719) 591-3600
Service of process may also be made upon the Plan administrator.	
Type of Plan:	Employee Welfare Benefit Plan - Severance Pay Plan.
Plan Costs:	The cost of the Plan is paid by Vectrus, Inc.
Enclosures	Date:

#### **17. Appendix A Statement of ERISA Rights Restrictive Covenants**

As participants in 1. Non-Solicit.

(a) Grantee acknowledges and recognizes the Plan, Special Senior Executives have the following rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"):

- Special Senior Executives may examine, without charge, at the Plan administrator's office and at other specified locations, such as worksites, all documents governing the plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the Company and its affiliates and accordingly agrees as follows:

(i) Grantee will not, within twelve months following the termination of his employment with the U.S. Department of Labor and available at the Company for any reason (the "Post-Termination Period") or during Grantee's employment (collectively with the Public Disclosure Room Post-Termination Period, the "Restricted Period"), influence or attempt to influence customers of the Employee Benefits Security Administration; Company or its subsidiaries or any of its present or future subsidiaries or affiliates, either directly or indirectly, to divert their

business to any individual, partnership, firm, corporation or other entity then in competition with the business of the Company or any subsidiary or affiliate of the Company.

(ii) During the Restricted Period, Grantee will not, and

- Special Senior Executives may obtain, upon written request will not, directly or indirectly, cause any other person to, initiate or respond to communications with or from, any employee of the Company or its subsidiaries during the twelve-month period prior to the Plan administrator, copies termination of documents governing such employee's employment with the operation of the Plan, including insurance

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contracts and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan administrator may make a reasonable charge Company, for the copies, purpose of soliciting such employee, or facilitating the hiring of any such employee, to work for any other business, individual, partnership, firm, corporation, or other entity; and

In addition(b) It is expressly understood and agreed that although Grantee and the Company consider the restrictions contained in this Appendix A to creating rights for participants, ERISA imposes duties upon be reasonable, if a final judicial determination is made by a court of competent jurisdiction, that the people who are responsible for the operation of the Plan. The people who operate the Plan (called "fiduciaries") have a duty to do so prudently and in the interests of Plan participants. No one, including Vectrus time or territory or any other person, restriction contained in this Agreement is an unenforceable restriction against Grantee, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may fire a Plan participant judicially determine or otherwise discriminate against a Plan participant indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in any way this Agreement is unenforceable, and such restriction cannot be amended so as to prevent make it enforceable, such finding shall not affect the participant from obtaining a benefit under the Plan or exercising rights under ERISA. If a claim for a severance benefit is denied, in whole or in part, the person seeking benefits must receive a written explanation enforceability of any of the reason for other restrictions contained herein.

(c) The period of time during which the denial. Plan participants have provisions of this Appendix A shall be in effect shall be extended by the right to have the denial length of time during which Grantee is in breach of the claim reviewed. (The claim review procedure is explained in Section 8 above.) terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

Under ERISA, there are steps Plan participants can take to enforce2. Survival.

(a) The provisions of this Appendix A shall survive the above rights. For instance, if a Plan participant requests materials and does not receive them within thirty (30) days, the Participant may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay the Plan participant up to \$110 a day until the participant receives the materials, unless the materials were not sent because termination of reasons beyond the control of the Administrator. If a Plan participant has a claim which is denied or ignored, in whole or in part, the participant may file suit in a federal court. If it should happen that the participant is discriminated against Grantee's employment for asserting his or her rights, the participant may seek assistance from the U.S. Department of Labor, or the participant may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If the Plan participant is successful, the court may order the person the Plan participant sued to pay these costs and fees. If the Plan participant loses, unless the Plan requires Vectrus to pay the costs, the court may order the Plan participant to pay these costs and fees, for example, if it finds that the Participant's claim is frivolous.

If the Plan participant has any questions regarding the Plan, the participant should contact the Plan administrator (see Section 16 for the contact information). If the Plan participant has any questions about this statement or about his or her rights under ERISA, the Plan participant may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in his or her telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. The Plan participant may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

reason.

**EXHIBIT Exhibit 21**

**SUBSIDIARIES OF THE REGISTRANT AND RELATED COMPANIES**

Set forth below are the names of subsidiaries and related organizations of Vectrus, V2X, Inc. and the respective jurisdiction in which each was organized (in the case of subsidiaries) and the name under which each does business (if other than the names of the entity itself), organized.

NAME	JURISDICTION IN WHICH ORGANIZED UNDER WHICH DOING BUSINESS
Andor Merger Sub, Inc.	Delaware
Andor Merger Sub, LLC	Delaware OF ORGANIZATION
Advantor Systems Corporation	Florida
Advantor Systems, LLC	Delaware
Al-Shabaka for Protection Products Marketing and General Support Services LLC	Luxembourg
Andor Merger Sub LLC	Delaware
Army Sustainment LLC	Delaware
Delex Systems, Incorporated	Virginia
Facility and Digital Integration Services (Private) Limited Flight International Aviation LLC	Pakistan Delaware
Higgins, Hermansen, Banikas, Banikus, LLC (d/b/a HHB Systems)	Nevada
High Desert Support Services, LLC	Delaware
Inuksuk A/S	Denmark
ITT Federal Services Arabia, Ltd.	Saudi Arabia
KGlobal, LLC	Virginia
ServCore Resources and Services Solutions Ltd. MARCOS Vermogensverwaltung GmbH	Abu Dhabi Germany
SynTrus Professional Training Services de Mexico S. de R.L. de C.V.	Mexico
Vertex Professional Services Company S.A.	Spain
Vertex Professional Services GmbH	Germany
Raytheon Professional Services GmbH	Italy
VPS Filial Sverige	Sweden
Raytheon Professional Services GmbH	Switzerland
Raytheon Professional Services GmbH	Czech Republic
Raytheon Professional Services GmbH	Hungary
Vertex Professional Services GmbH	Norway
Vertex Professional Services GmbH	France
Vertex Professional Services GmbH	Portugal
Vertex Professional Services GmbH	Finland
V2X Asia Global Pte.	Singapore
Vector International Aviation LLC	Virginia Delaware
Vectrus Facility Services GmbH	Germany
Vectrus Federal Services GmbH	Germany
Vectrus Federal Services International, Ltd.	Cayman Islands
Vectrus Global Support Services LLP	India
Vectrus International LLC	Colorado
Vectrus Maintenance Services L.L.C.	Qatar
Vectrus Mission Systems Ltd.	United Kingdom
Vectrus Overseas Ventures LLC	Virginia
Vectrus Saudi Arabia for Commercial Services	Saudi Arabia
Vectrus Services (Thailand) Co., LTD	Thailand
Vectrus Services A/S	Denmark
Vectrus Services Australia Pty. Ltd.	Australia
Vectrus Services Greenland ApS	Greenland
Vectrus Services Korea Kenya Limited	Korea Kenya
Vectrus Services Kuwait General Trading Company W.L.L. Korea Limited	Kuwait Korea
Vectrus Services Muscat LLC	Oman
Vectrus Services Niger S.A.R.L.U.	Niger

Exhibit 21

Vectrus Services Philippines, OPC Inc.	Philippines
Vectrus Services PTE. LTD	Singapore
Vectrus Services PTY, LTD	Australia
Vectrus Subic Corporation	Philippines
Vectrus Systems Corporation	Delaware
Vectrus Systems Corporation (Jordan)	Jordan
Vectrus, Inc. Political Action Committee	Virginia
Vertex Aerospace Intermediate LLC	Delaware
Vertex-J&J Facilities Support, Vertex Aerospace LLC	Delaware
Vertex Aerospace Services Corp.	Delaware
Vertex Aircraft Integration and Sustainment LLC	Delaware
Vertex Company Germany GmbH	Germany
Vertex Company UK 1 Limited	United Kingdom
Vertex Modernization and Sustainment LLC	Delaware
Vertex Professional Services LLC	Delaware
Vertex Systems Israel Company	Delaware
Vertex Technical Services International Company	Delaware
Vertex Technologies Canada Inc.	Canada
VMSC Afghanistan LLC	Delaware

Set forth below is our significant joint venture and the respective jurisdiction in which it was organized.

Zenetex, Virginia  
LLC

NAME	JURISDICTION OF ORGANIZATION
ServCore Resources & Services Solutions Ltd.	Abu Dhabi

Exhibit 23

#### Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement No. 333-267223 on Form S-3 and Registration Statements No. 333-198895, No. 333-266022 and No. 333-268173 on Forms S-8 of V2X, Inc. of our reports dated March 2, 2023, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of V2X, Inc., appearing in this Annual Report on Form 10-K of V2X, Inc. for the year ended December 31, 2022.

/s/ RSM US LLP

McLean, Virginia  
March 2, 2023

#### EXHIBIT 23

#### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-235774 333-267223 on Form S-3 and Registration Statement No. Nos. 333-268173, 333-266022, and 333-198895 on Form S-8 of our reports report dated March 7, 2022, relating to the financial statements of V2X, Inc. (formerly Vectrus, Inc.) and effectiveness of Vectrus, Inc.'s internal control over financial reporting subsidiaries appearing in this Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022.

/s/ DELOITTE Deloitte & TOUCHE Touche LLP

Denver, Colorado

March 7, 2022 2, 2023

EXHIBIT Exhibit 31.1

**CERTIFICATIONS** CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Charles L. Prow, certify that:

1. I have reviewed this annual report on Form 10-K of Vectrus, V2X, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **March 7, 2022** **March 2, 2023**

/s/ Charles L. Prow  
Charles L. Prow  
President and Chief Executive Officer

**EXHIBIT** **Exhibit 31.2**

**CERTIFICATIONS** **CERTIFICATION** PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Susan D. Lynch, certify that:

1. I have reviewed this annual report on Form 10-K of **Vectrus, Inc.**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **March 7, 2022** **March 2, 2023**

/s/ Susan D. Lynch

Susan D. Lynch

Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification of President and Chief Executive Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Annual Report on Form 10-K of **Vectrus, V2X, Inc.** (the "Company") for the **year** **period** ended **December 31, 2021** **December 31, 2022** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **March 7, 2022** **March 2, 2023**

/s/ Charles L. Prow

Charles L. Prow

President and Chief Executive Officer

Exhibit 32.2

Certification of Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Annual Report on Form 10-K of **Vectrus, V2X, Inc.** (the "Company") for the **year** **period** ended **December 31, 2021** **December 31, 2022** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **March 7, 2022** **March 2, 2023**

/s/ Susan D. Lynch

Susan D. Lynch

Senior Vice President and Chief Financial Officer

## DISCLAIMER

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