2023 ANNUAL REPORT

V2X | TRUSTED WHEREVER THE MISSION LEADS

LETTER TO OUR SHAREHOLDERS

In 2023, we made significant progress advancing V2X as a leader in our market while extending our record of revenue growth and profitability expansion. I'd like to thank our employees who demonstrated agility and excellent performance, delivering 8% pro forma revenue growth for the year. Revenue growth was driven by our continued expansion in the Pacific and Middle East as well as contribution from recent new business awards. I'm also pleased to announce that we demonstrated outstanding performance in all aspects of cash conversion, which drove significant cash generation, enabling net debt reduction of $137.1 million for the year. V2X's ability to generate strong cash flow with low capital expenditures is an important attribute of our business and one that we are extremely focused on as a primary avenue to enhance value for shareholders.

We believe the leading indicators of our business remain strong and provide an excellent foundation and solid visibility moving into 2024. This includes a backlog of approximately $13 billion, $9 billion of bids currently under evaluation, and a robust pipeline of opportunities valued at $15 billion expected to be submitted over the next twelve months.

We continue to focus on harnessing our diversity to positively impact business outcomes. With almost 50% of our workforce made up of veterans, we are a leading participant in the veterans' ecosystem. I'm proud to announce that in 2023, we were once again selected by Military Times for its "Best for Vets: Employers 2023" rankings. Additionally, V2X remained a Top Company for Veterans by DiversityInc. As a team, our employees bring diverse experiences from the military and business worlds that, combined, strongly contribute to our success.

V2X recently released its inaugural Environmental, Social, and Governance or ESG report. This report, which is available on our website, marks a significant milestone for our company, furthering our long-standing commitment to ESG and creating long-term value for our stakeholders. Our ESG journey has always been an integral part of our corporate values, and we continue to make great strides towards a brighter, more sustainable future.

Throughout the year, V2X accomplished significant milestones, such as securing a new $440 million contract with the U.S. Navy to provide critical test and evaluation activities for Naval Test Wing Pacific. We were also awarded our first substantial foreign military sales program valued at approximately $400 million, and secured a new $100 million task order with Department of State to provide international logistics support.

Additionally, V2X was awarded a $190 million contract to continue providing training and range operations services to the U.S. Army. With this important win, V2X will continue to deliver comprehensive global training solutions while shaping the foundation for the modernization of next-generation live, virtual, and constructive training. Our track record in this market has been built over almost 30 years of managing U.S. Combat Training Centers and providing training for any environment, anywhere in the world. Today, we proudly support the training of approximately 120,000 warfighters annually.

Our ability to provide full life cycle solutions from concept to fielding and sustainment is a significant differentiator that is yielding results. During 2023, we demonstrated our capabilities through the fielding of a defense platform that modernized existing systems. This program launched as an engineering development and prototyping effort with a new client and today has yielded a brand-new product that's designed, produced, and sustained by V2X.

Our organic and inorganic growth which improved scale, profitability, diversification, and capabilities, has allowed us to emerge as a leader in the operational segment of the broader federal services marketplace. V2X is advancing how missions are operated by leveraging converged and engineered solutions at the intersection of technology and operations. These improved outcomes yield greater value for clients and shareholders while providing greater opportunities for our people.

I'd once again like to thank our teams for their contributions in 2023 and progress executing our strategic framework: Expand the Base, Capture New Markets, Deliver with Excellence, and Enhance Culture. Looking ahead, V2X continues to transform to deliver enhanced capabilities in an expanding market. We have strong momentum, a robust backlog, a highly aligned pipeline, limited recompetes, and high free cash generation, which collectively provide an excellent fundamental profile to support value creation.

Charles L. Prow

Charles L. Prow
President and Chief Executive Officer

INTEGRITY – RESPECT – RESPONSIBILITY – PROFESSIONALISM

Aligned around a shared purpose, our people work alongside our clients, here and abroad, to tackle their most complex challenges with integrity, respect, responsibility and professionalism. Mission connected. Mission committed.

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, 2023

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

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.)

7901 Jones Branch Drive, Suite 700, McLean, Virginia 22102
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code:
(571) 481-2000

Securities Registered Under Section 12(b) of the Act:

Title of Each Class	Trading symbol(s)	Name of Exchange on Which Registered
Common Stock, Par Value $.01 Per Share	VVX	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) 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 June 30, 2023, the last business day of the registrant’s most recently completed second quarter, was $584,963,767.

As of February 26, 2024, there were 31,325,760 shares of common stock ($0.01 par value per share) outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of V2X, Inc.’s Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

V2X, INC.

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PART I

ITEM 1. *BUSINESS*

Overview

V2X, Inc. (V2X or the Company), an Indiana Corporation, formerly known as Vectrus, Inc. (Vectrus), is a leading provider of critical mission solutions primarily to defense clients in 322 locations and 51 countries and territories worldwide. Our global footprint and ability to deliver full lifecycle converged solutions across the world enables us to support the success of our clients' missions rapidly and with precision. As of December 31, 2023, we had approximately 16,000 employees and 6,200 subcontract personnel. V2X offers clients around the world a broad suite of technology and services capabilities to support readiness and modernization initiatives. The Company delivers 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 clients.

Vectrus was incorporated in the State of Indiana in February 2014. On September 27, 2014, Exelis Inc, an Indiana corporation, spun-off (the Spin-off) Vectrus and Vectrus became an independent, publicly traded company. References herein to "Exelis" or "Former Parent" refer to Exelis Inc. and its consolidated subsidiaries (other than Vectrus). 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. For a description of the Merger, see Note 3, *Merger*. 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.

Our Business Strategies

Our goal is to be a leader in the operational segment of the broader Federal services market. The execution of our strategic framework, which consists of the following business strategies: Expand the Base, Capture New Markets, Deliver with Excellence, and Enhance Culture supports achievement of this goal.

Key components of these strategies include:

- **Expand the 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 our strong foundation in our core capabilities across the mission lifecycle. The expansion of scope on existing business, execution of our solution sell-through model, and client engagement initiatives are key components of this strategy.
- **Capture New Markets.** We are focused on creating a higher-value, technology-enabled and differentiated platform by strengthening our technology competencies and fusing the physical and digital aspects of our clients' missions. This strategy focuses on capturing new markets, organically and inorganically, introducing new clients, new capabilities, and new products / solutions, as well as international client expansion and targeted growth campaigns that leverage our strong foundation in aerospace solutions, advanced technology, and global mission training and 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 virtual reality training solutions to access new business opportunities, funding streams, and markets that are expected to drive incremental growth.
- **Deliver with Excellence.** Our initiatives focused on delivery excellence are designed to improve client relationships and improve business performance. As part of this strategy, 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 further enable global supply chain as a 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 are 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 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 aerospace, technology, operations and logistics, and training markets to national security, defense, civilian and international customers.

Aerospace Solutions: We provide the engineering, facilities, and skilled employees required to sustain systems and platforms. We differentiate ourselves through vertically integrated organic engineering, supply chain management, manufacturing, rapid prototyping and dedicated facilities including FAA Part 145 Repair Stations, and over 900,000 square feet of engineering, lab, manufacturing and repair and overhaul space. Comprehensive in-house testing capabilities including cyber, E^3, 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 approximately 1,200 aircraft deployed around the world that fly more than 300,000 flight hours annually. More than 550 multi-disciplined engineers provide critical development, integration, production, repair and overhaul and 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.

Technology Solutions: Our capabilities include the deployment, integration, and maintenance of 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, and installation of complex, multi-sensor systems for border/perimeter security and critical infrastructure protection in the U.S. and abroad. Our nationwide deployment of transportation security equipment includes airports for the Transportation Security Administration and commercial customers as well. We bring cutting edge technological capabilities that support real time decision making and provide clients with tools that work at the speed of their mission. Our engineering and application work includes spectrum deconfliction, digital integration, Smart X engineering and 5G development.

Operations and Logistics: Our capabilities provide government clients with full spectrum support for logistics, infrastructure sustainment and contingency operations, wherever needed. We differentiate ourselves by providing infrastructure operations and sustainment for fixed facilities worldwide that focuses on preventative, predictive and reliability-centered maintenance to deliver the greatest readiness at the lowest cost. Once deployed, our clients find us in theater to meet them and ensure they are supported logistically with facilities, training ranges, logistical support and materials. Our team of professionals provides worldwide support to the U.S. intelligence community; critical infrastructure & logistics in support of intelligence operations; classified IT; intelligence services; and cyber security.

Training Solutions: We deliver full life cycle innovative training solutions to government clients worldwide. We improve client outcomes through a holistic approach that packages training solutions with our Operations and Logistics Solutions ensuring readiness while at home station or while deployed. At the same facilities where we provide Operations and Logistics Solutions, we provide cutting edge training to prepare the Warfighter for their mission. Whether it is designing synthetic training environments, providing subject matter experts and trainers at the National Training Center in the U.S. or the Joint Multinational Readiness Center in Germany, our team is deployed with our clients and ensures they are ready to execute their mission set when called upon. We also provide commercial training to both large U.S. companies and to foreign governments that leverage state of the art remote learning platforms.

Customers

Our strong relationship with the Department of Defense (DoD) and other government agencies is 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, responsibility and professionalism. We treat sales to our U.S. government customers as sales within the U.S. regardless of where the services are performed.

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

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Army	$ 1,633,525	$ 1,342,406	$ 1,134,849
Navy	1,233,463	713,732	224,407
Air Force	538,698	459,849	266,291
Other	557,440	374,873	158,118
Total revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665

Representative customer services contracts include the following:

- The Logistics Civil Augmentation Program V (LOGCAP V) indefinite delivery and indefinite quantity (IDIQ) contract. LOGCAP V provides each Army Service Component Command 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 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.

  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 deployed U.S. forces.
  - INDOPACOM Task Order – V2X supports base operations, military exercises, and contingency operations in multiple countries throughout the INDOPACOM region.
  - Qatar Task Order – V2X supports all base operations supporting non-DoD U.S. governmental agencies.
- 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 in Alaska.
- Operations, Maintenance and Defense of Army Communications in Southwest Asia and Central Asia (OMDAC-SWACA). We operate the largest Outside the Continental United States (OCONUS) cyber center for the Army.
- 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). We provide maintenance in support of the Navy’s test and evaluation aircraft primarily located at NAS Patuxent River, Maryland.
- Advanced Helicopter Training System. We provide all levels of 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 Liberty Logistics Support Services. We are the primary logistics provider for maintenance, supply and services, and transportation support at the Fort Liberty Logistics Readiness Center.
- Pituffik Space Base Operations Support in Greenland. We provide base operations and maintenance services under extreme weather conditions to the Pituffik Space Base in Greenland.
- 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 at 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.

Competition

Our competition varies depending on our service offerings. Our principal competitors in Aerospace Solutions include Amentum, IAP Worldwide Services, AAR, M-1 Support Services, Jacobs Technology, Marvin Engineering, divisions of Leidos Holdings, divisions of Northrop Grumman Services, and Akima Logistics Services, among others. Our principal competitors in Technology Solutions include divisions of Leidos Holdings, Inc., Science Applications International Corporation (SAIC), Peraton, and General Dynamics (GD) Technologies Segment. Within Operations and Logistics, competitors include KBR, Fluor, Amentum, among others. Our competition in Training Solutions includes many of the aforementioned competitors, in addition to 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 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 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.

We closely monitor costs to foster highly competitive pricing and 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 may 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 may also temporarily affect the performance of our services.

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds.

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 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 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 property, 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 usually 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 94%, 93% and 93% of our revenue for the three years ended December 31, 2023, 2022, and 2021, 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 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 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 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 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 contract typically offers higher profit margin potential due to a greater level of risk than a cost-plus contract. On a firm-fixed-price contract, we agree to perform the contractual statement of work for a predetermined contract price. Although a firm-fixed-price 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:

	Year Ended December 31,		
	2023	2022	2021
Cost-plus and cost-reimbursable	56 %	56 %	71 %
Firm-fixed-price	41 %	40 %	25 %
Time-and-materials	3 %	4 %	4 %
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 affect 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 laws and regulations, and the expectations of our customers.

Human Capital Management

We believe our employees are among our most important resources and are critical to our continued success. On December 31, 2023, we employed approximately 16,000 full-time employees. We also utilized approximately 6,200 subcontract workers. As of December 31, 2023, approximately 30% of our employees were represented by 46 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 2024 (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 continue making significant 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 to help understand and resolve barriers to retention.

V2X routinely conducts annual employee engagement surveys. The results of those surveys are anonymized and shared with V2X employees and with management. Additionally, the results of the surveys are scored to form a benchmark against which the results of future surveys will be evaluated. In 2023, 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 2023 employee engagement surveys indicated that V2X employees generally find the company culture to be inclusive, a great place to work, and that managers' behaviors were consistent with the V2X Code of 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.

Our 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.

Our five ERGs developed goals in three focus areas to foster awareness, respect, and 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 DE&I Executive Council, which in turn reports at least annually to our Board of Directors.

We are a leading employer of veterans and veteran spouses with more than 48% 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, including by the National Organization on Disability as a Leading Disability Employer, by the Military Friendly Company as a Top 10 Diversity Supplier and as a Top 10 Military Spouse Employer, and by the Military Times as a Best for Vets Employer.

Learning and Development

We provide learning and development opportunities to our employees to support a successful career at V2X. Our on-line V2X University gives employees access to more than 2,000 virtual courses that address such topics as leadership/ management and information technology skills, along with the standard required compliance courses required for a defense 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 advance within the organization. We also provide training programs to keep our supervisors current on best practices and ensure they focus on the success of their people. Also, we offer additional development opportunities to select employees to attend training and mentoring sessions.

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 has established a specialized program to support the development of our talent pipeline for critical roles. We conduct 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 Chief Human Resource Officer and our executive leadership team.

We periodically hold senior leadership development events to continually develop leadership and management skills. In July 2023, we held our annual Leadership Summit which brought together the top leaders from across our organization to collaborate on the future of V2X.

Health and Safety

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 and continued this reporting in 2023. Our robust EHS program promotes a safe and healthy workplace for all employees and subcontractors.

In response to the COVID-19 pandemic, we implemented public health and safety protocols in compliance with government agencies, health authorities and customer requirements. We continued to educate and keep the workforce informed on how to deploy the infectious disease response plan at the local level. In the third quarter of 2022, we conducted a review of our pandemic response actions, and lessons learned during the first two years of the COVID-19 pandemic and changes in workplace standards and regulations and are working toward updating our Infectious Disease Preparedness and Response Action processes.

Ethics and Compliance

All employees must adhere to the 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. The V2X Code of Conduct, and the standards of business conduct and ethics incorporated in the Code, apply to all employees, officers, and directors of V2X. V2X requires each employee to complete Code of Conduct training annually. In 2023, we sponsored our Annual Corporate Compliance Ethics Week, 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 OCN Compliance

V2X recognizes the risks of child labor, human trafficking and 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 and the laws and regulations of the countries in which it conducts business. This commitment is codified in our COC and our Supplier Code of Conduct.

V2X monitors its subcontractors to verify that they are maintaining compliance with CTIP and other provisions in their contracts. Additionally, V2X maintains an active CTIP awareness campaign at each program location, to reinforce our protection of human rights and to empower all employees to confidently report suspected violations without fear of retaliation. V2X quickly investigates reported or suspected CTIP violations, which if verified, are reported immediately to our Senior Vice President, General Counsel, Chief Legal Officer and Secretary and the appropriate United States Government (USG) and program authorities.

V2X requires that corrective actions (CA) be put in place by subcontractors or employees for confirmed CTIP violations. If CTIP violations warrant, a subcontractor or employee unable to promptly execute or comply with approved CAs will be removed from the 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 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 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	64	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 30 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. Previously, Mr. Prow served in multiple roles with IBM Corporation, including from 2014 to 2015 as General Manager, Global Government Industry and from 2007 to 2013 as General Manager, Global Business Services. 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). Mr. Prow graduated from Northwest Missouri State University where he received a Bachelor of Science degree in Management and Data Processing.
Shawn Mural	53	Senior Vice President and Chief Financial Officer (CFO)	Mr. Mural has served as Senior Vice President and Chief Financial Officer since October 2023. He is responsible for all finance and accounting functions, including controllership, finance operations, planning, tax, treasury, investor relations, and corporate development. Prior to joining the Company, Mr. Mural worked in various capacities at RTX Corporation and its subsidiaries (“RTX”), including as Vice President of Finance and Chief Financial Officer of Raytheon. Mr. Mural was with Raytheon and RTX for 24 years, has more than two decades of executive experience in the aerospace and defense industry, and has served in a number of financial and policy leadership roles. Mr. Mural graduated from Canisius University where he received a Bachelor’s degree and from the University of Texas at Dallas with a Masters of Business Administration.
Jo Ann Bjornson	48	Senior Vice President and Chief Human Resources Officer	Ms. Bjornson has served as Senior Vice President and Chief Human Resources Officer since June 2023. She is responsible for the Company’s global human resources strategy and operations including talent management, recruitment, leadership development, and compensation and benefits. Prior to joining the Company, Ms. Bjornson served as the Senior Vice President of Human Resources at Leidos from 2018 to 2023 and as Vice President of Human Resources in Leidos’ corporate organization from 2013 to 2018. Ms. Bjornson graduated from the University of Virginia where she received a Bachelor's degree, from Marymount University with a Master’s degree in HR Management, and from the Robert H. Smith School of Business at the University of Maryland with an Executive MBA.

Name	Age	Current Title(s)	Business Experience
Kevin T. Boyle	54	Senior Vice President, Chief Legal Officer, General Counsel and Corporate Secretary	Mr. Boyle has served as Senior Vice President, Chief Legal Officer, General Counsel and Corporate Secretary since October 2018. He is responsible for all legal, contracts, ethics and corporate compliance matters, and government relations. Prior to joining the Company, he served as Senior Vice President, General Counsel and Secretary of Vencore, Inc. from 2017 to 2018 and as Senior Vice President, General Counsel and Secretary of Alion Science and Technology Corporation from 2014 to 2016. Earlier in his career, Mr. Boyle held senior executive positions with public and private technology services and solutions 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 Wolf Trap Foundation.
Corinne L. Minton-Package	51	Senior Vice President, Operational Technology and Engineering	Ms. Minton-Package has served as Senior Vice President, Operational Technology and Engineering for V2X since January 2024. Ms. Minton-Package served as Senior Vice President, Advanced Technology from January 2023 to January 2024, served as the Senior Vice President of Systems and Technology from January 2021 to January 2023, and as Senior Vice President, Operational Technology and Enterprise from October 2020 to January 2021. She is responsible for leading the engineering service line, focused on bringing Engineering services to V2X customers as well as building and delivering a portfolio of products and solutions to the Federal marketplace. Ms. Minton-Package served the Company as Vice President of Operational Technology from 2018 to 2020 and as Vice President of Solutions and Alliances from 2017 to 2018. Prior to joining the Company, Ms. Minton-Package held various positions at IBM Global Business Services, most recently as a partner in the commercial healthcare practice.
Kenneth W. Shreves	61	Senior Vice President, Global Mission Solutions	Mr. Shreves has served as the Senior Vice President, Global Mission Solutions since January 2024. He is responsible for base operations; logistics; high consequence training; aerospace and defense; modernization and sustainment and the national security program businesses as well as top and bottom line organic growth, strategy, and operational efficiency. Mr. Shreves served the Company as Senior Vice President, Global Mission Training & Sustainment from July 2022 to January 2024, as Senior Vice President, Organic Growth, Operational Enablement and Supply Chain from November 2021 to July 2022 and as Vice President of Business Development/Capture from October 2017 to November 2021. Prior to joining the Company in 2017, he served as Vice President of Business Development at SOSi and held multiple leadership positions in the fields of national security and business development at DynCorp International. Prior to his commercial career, Mr. Shreves 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 graduated from the University of Florida where he received a Bachelor of Science degree in Business Administration – Finance, from Central Michigan University with a Master of Science in Administration, and from the National War College, Fort McNair, Washington DC with a Master of Science in National Security Studies.

Name	Age	Current Title(s)	Business Experience
Michael J. Smith	43	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. He is responsible for the Company's inorganic activities, including merger & acquisition strategy and execution, global treasury and capital markets operations, and investor relations. Prior to joining the Company, 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. 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. Mr. Smith is a CFA® charterholder and graduated from the University of South Florida where he received a Bachelor’s degree with a major in finance and a minor in economics.

Available Information

Our principal executive offices are located at 7901 Jones Branch Drive, McLean, Virginia, 22102. Our telephone number is (571) 481-2000 and our website address is 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 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.

We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

ITEM 1A. *RISK FACTORS*

In evaluating our Company and business, you should carefully consider the risks and uncertainties described below, together with information disclosed elsewhere in this 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 condition and markets, and our securities. Also, the risks and uncertainties 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.

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.

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 multiple award task 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.

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 termination, expiration or non-renewal of our existing U.S. government contracts could result in a loss of anticipated future revenue attributable to that program, which could have an adverse impact on our operations.

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, 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 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.

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.

Aggregate revenue from our three largest contracts amounted to approximately $1.1 billion, or 27.5% of our revenue for the year ended December 31, 2023. As of December 31, 2023, our three largest contracts were the Kuwait and Iraq Task Orders under the LOGCAP V contract vehicle and T-45 Contractor Logistics Support. 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 $1.5 billion and $1.7 billion, respectively, with estimated period of performance completion in December 2026. T-45 Contractor Logistics Support was acquired through the Merger. The award is approximately $2.5 billion with estimated period of performance completion in January 2028.

The Kuwait Task Order under LOGCAP V accounted for more than 10% of our revenue for the year ended December 31, 2023, and we expect this contract will continue to have a significant contribution to our revenue. 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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Contracts" in this Annual Report on Form 10-K.

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 staff, as well as companies with a competitive advantage due to a small business designation. Within our 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 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), firm-fixed-price and time-and-materials. 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.

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. For example, global hostilities could change the total mix of our contracts. The Company's earnings and profitability may vary materially depending on significant changes to the total mix of 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. To varying degrees, each of our contract types involves risk that we could underestimate the costs and resources necessary to fulfill the contract.

In addition, our failure 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. 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.

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.

While firm-fixed-price contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns.

Because many fixed-price contracts are long-term and may also involve new technologies, unforeseen events, such as significant inflation, technological difficulties, cost fluctuations, 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 41% of our total revenue for the year ended December 31, 2023. We monitor the impact of rising costs on our active and future government contracts given the current pace of inflation and other geopolitical factors. To date, the Company has not experienced broad-based material increases from inflation or geopolitical hostilities in the costs of its firm-fixed-price, cost-plus and time-and-materials contracts. However, if the geopolitical conditions worsen or if the Company experiences greater than expected inflation in its supply chain and labor costs, then profit margins, and in particular, the profit margin from firm-fixed-price, cost-plus and time-and-materials contracts, which represent a substantial portion of its contracts, could be adversely affected.

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 could result in reduced profits or 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 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 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 additional costs, including legal fees and expenses, and there is no guarantee that such actions would ultimately be successful.

Uncertainties in the U.S. government defense budget, changes in spending or budgetary priorities or delays in contract awards or collection of our receivables may significantly and adversely affect our financial performance 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. Impacts on DoD budgets are a function of many 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. The 2024 United States presidential election may introduce further uncertainties to congressional spending and budgetary priorities that may materially affect our business. 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 a 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.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget or changes in spending levels or budgetary priorities, which may materially and adversely affect our future revenue and limit our growth prospects.

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 a substantial majority 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, 2023, we generated approximately 41% 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 if we are suspended or debarred from contracting with government agencies or any branch of the DoD, our revenue and growth prospects could be adversely impacted.

Business disruptions caused by natural disasters, global hostilities, pandemics, 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 national or international crises or hostilities and pandemics, such as COVID-19. 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 rely on our information and communications systems in our operations. Security breaches, cybersecurity attacks, 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, confidential, and controlled unclassified information from disclosure both for us and others. Cybersecurity risks continue to increase as various threat actors including nation states and hackers, focus efforts to compromise our operational and developmental information technology infrastructure. These threat actors attempt to gain access to sensitive, confidential, proprietary or controlled unclassified information, and may pose threats to physical security.

We and our suppliers face a continual risk associated with security events or disruptions, cybersecurity attacks and cyber intrusions by computer hackers, foreign governments, and cyber terrorists as attack vectors and technologies advance in sophistication, including from emerging technologies. 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 event or other significant disruption of our information technology systems and related systems that we develop, install, operate and maintain for our customers, which may involve managing and protecting controlled unclassified information relating to national security and other sensitive government functions or personally identifiable or protected health information.

Cybersecurity risks are significant and continue to evolve. They include, among others, phishing attempts, ransomware, malware and zero-day attacks attempting to gain unauthorized access to systems or data. Other electronic security events could lead to disruptions in mission critical systems, unauthorized release of personal identifiable information, confidential or otherwise protected unclassified information and corruption of data. In addition to security risks listed, 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 reside within cloud service environments which presents various risks, including platform and software as a service providers' inability to identify or quantify, in a timely manner, specific problems that affect the business functions which impact V2X.

Integration and sustainment of existing or new information technology systems, carry a high risk of delays or integration failures. Such delays, failures, or impacts from security events or disruptions described above, could result in loss of revenues, product development delays, compromise, corruption or loss of confidential, proprietary or sensitive information (including personal information or controlled unclassified 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 and adversely affect our business, financial condition or operations, and our insurance and other risk mitigation mechanisms may not be sufficient to recover the costs.

Our contract sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment or effectively respond to the impacts of pandemics in our workplaces could result in employee deaths or injuries, environmental disasters, 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, global pandemics, such as COVID-19, could introduce additional risks to our worksites requiring 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 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 employee deaths or injuries, environmental disasters, reduced profitability, or the loss of projects or customers, any of which could have a material adverse impact on our business, financial condition, results of operations and 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 the Middle East and certain parts of Africa, where the country, region or surrounding areas may have unstable governments, or in areas of military conflict, or hostile and unstable environments, including war zones, or at military installations. Political or economic instability, international security concerns and geopolitical conflict or global hostilities in countries where we provide services and products may increase the risk of an incident resulting in damage or destruction to our work or living sites or our inability to meet contractual obligations or resulting in injury or loss of life to our employees, subcontractors or other third parties. 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.

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.

As of December 31, 2023, approximately 4,700 of our employees, or approximately 30% of our employee base were unionized. We have 46 collective bargaining agreements with labor unions. We cannot predict how stable our union relationships will be or whether we will be able to successfully renew or negotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. In addition, the presence of unions may limit our flexibility in managing our workforce. Labor actions, work stoppages or the threat of work stoppages by our union employees or implementation of a work stoppage contingency plan, and our failure to obtain favorable labor contract terms during negotiations, may disrupt our operations, negatively impact our ability to provide services to our customers on a timely basis, and result in higher labor costs, which could in turn negatively impact our reputation, results of operations and financial condition.

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

Our U.S. government contracts operating internationally represented approximately 42% of total revenue for the year ended December 31, 2023. 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.

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 continue to integrate our business with Vertex's. We may not realize the various anticipated financial and strategic benefits of the Merger.

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:

- managing a larger combined company;
- the creation of a new executive management team;
- the possibility of faulty assumptions underlying expectations regarding the integration process including unforeseen expenses;
- 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; and
- unanticipated issues in integrating information technology, communications and other systems.

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. Management recently concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were not effective due to a material weakness in internal control over financial reporting at a subsidiary within Vertex. For details, please reference "Item 9A. Controls and Procedures - Management's Report on Internal Control over Financial Reporting" in this Annual Report on Form 10-K.

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.

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 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. Although our joint venture operations are currently not significant, we are exposed to risks and uncertainties from them. 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 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.

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 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, 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 success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.

We design and develop technologically advanced and innovative products and services applied by our customers in various environments. The needs of our customers change and evolve regularly and in particular by complex and rapidly evolving technologies, such as advanced forms of artificial intelligence. Our success depends upon our ability to identify emerging technological trends, develop technologically advanced, innovative and cost-effective products and services and market these products and services to our customers. Our success also depends on our continued access to suppliers of important technologies and components. If we are unable to develop and implement these initiatives in a cost-effective, timely manner or at all, it could damage our relationships with our customers and negatively impact our financial condition and results of operations. There can be no assurance that others will not acquire similar or superior technologies sooner than we do or that we will acquire technologies on an exclusive basis or at a significant price advantage. If we do not accurately predict, prepare and respond to new technology innovations, market developments and changing customer needs, our revenues, profitability and long-term competitiveness could be materially adversely affected.

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, including using a managed service provider (MSP) to administer our systems and servers. We also contract with Software-as-a-Service (SaaS) providers to provide core company services such as for enterprise resource planning, human capital management, and contract lifecycle management. 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 protections of controlled unclassified information on related systems could be called into question. The occurrence of such events could result in a material adverse impact on our business, financial condition, results of operations and cash flows.

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 risks and 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.

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, 2023, we contributed $12.9 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 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 if 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 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: climate change; 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. Past business practices at companies that we have acquired may also expose us to future unknown environmental, health and safety liabilities.

We are subject to laws and regulations related to climate change. The State of California has enacted new climate change disclosure requirements, including emissions requirements. In addition, the European Union Corporate Sustainability Reporting Directive became effective in 2023 and requires expansive disclosures on various sustainability topics, and the SEC has issued proposed climate change rules. We are currently assessing our obligations under these laws and regulations, but we expect that compliance with these laws and regulations could result in substantial compliance costs, including monitoring and reporting costs. Noncompliance with these laws or regulations may result in potential cost increases, litigation, fines, penalties, brand or reputational damage, and higher investor activism activities. We cannot predict how future laws and regulations, or future interpretations of current laws and regulations related to climate change will affect our business, financial condition and results of operations.

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 CTIP Act, which ensures that government contractors and others are fully trained to combat human trafficking pursuant to the National Security Presidential Directive 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.

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, have 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 clearance eligibility and access in compliance with U.S. government requirements. Obtaining and maintaining security clearance eligibility involves a lengthy process and it can be difficult to identify, recruit and retain employees who already hold or meet security clearance eligibility. If our employees are unable to obtain or maintain security clearance eligibility or if our employees who hold security clearance eligibility 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 and perform require us to maintain a facility security clearance that is in compliance with U.S. government Code of Federal Regulations. 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.

As a U.S. defense contractor, we are subject to security restrictions, which may limit investor insight into portions of our business.

Our federal government contracts may be subject to security restrictions, which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities and programs requires the appropriate need to know and personnel security access. These types of contracts are subject to strict government oversight and require specialized infrastructure and the appropriate facility clearances. As we are limited in our ability to provide information about these contracts and services, such as the scope of work, associated risks and any disputes or claims, our investors may have limited insight into a portion of our business which may hinder their ability to fully evaluate the risks related to that portion of our business.

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.

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

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. The collection and use of personal data is subject to various U.S. federal and state privacy and data security laws and regulations. Outside of the U.S., many countries have privacy and data security laws and regulations concerning the collection and use of personal data, including but not limited to, the EU's GDPR. These laws and regulations are complex, constantly evolving, and may be subject to significant change in the future. In addition, enforcement of such laws and regulations is increasing and the application, interpretation and enforcement of these laws and regulations are often uncertain, particularly in new and rapidly evolving areas of technology all of which can make compliance challenging and costly, may expose us to related risks and liabilities and could negatively impact our business and financial condition.

As a U.S. government contractor, we are also subject to regulatory compliance requirements under DFARS and other federal regulations that require our IT systems to comply with the security and privacy controls such as the 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.

RISKS RELATED TO OUR INDEBTEDNESS, FINANCIAL CONDITION AND MARKETS

In connection with the 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.

As of December 31, 2023, we had approximately $1,154.2 million of aggregate debt outstanding, which consists of the First Lien Term Facility and the 2023 Revolver and Term Loan (See Note 10, *Debt,* in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K).

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 greater than the amount of cash flows required to service our indebtedness prior to the Merger. The increased levels of indebtedness also reduced funds available for working capital, capital expenditures, acquisitions, and the repayment or refinancing of our indebtedness as it becomes due. If we 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 service our 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 cannot assure you that we will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

Our variable rate indebtedness may expose us to interest rate risks, which could 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, 2023, we had approximately $1,154.2 million of aggregate debt outstanding under our secured credit facility. Given the unpredictable interest rate environment, if interest rates continue to increase, our debt service obligations on our 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.

To reduce interest expense volatility, we entered into $350.0 million of interest rate swaps during 2023. We may in the future enter into additional 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 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 agreements that govern the indebtedness incurred in connection with the Merger contain various affirmative and negative covenants that may, subject to certain significant exceptions, restrict our and certain of our subsidiaries' ability to incur debt and 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; redeem or repurchase certain debt; and enter into certain restrictive agreements. Our and our subsidiaries' ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations and could result in a default and acceleration under other agreements containing cross-default provisions. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations.

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

As of December 31, 2023, our goodwill was approximately $1.7 billion, which represented approximately 53.7% 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 Policie*s, in the Notes to 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.

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 global 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, 2023, our total backlog was $12.8 billion, which included $2.8 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.

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 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.

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.

As of December 31, 2023, 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 59.3% of the issued and outstanding 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, uncertainty related to major contract awards, the budgetary and political climate, and overall trading liquidity. The trading price of our stock varied from a low of $37.71 to a high of $54.76 in 2023. 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, or other equity securities may materially and adversely affect us or our shareholders, including the per share trading price of our common stock.

We may issue, from time to time, additional securities, including common stock, preferred stock, depository shares, warrants, rights and debt 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 stock, or securities that are exchangeable or exercisable or for or convertible into any of the foregoing. Holders of debt and holders of preferred stock may be entitled to receive payments of interest, dividends or otherwise prior to holders of shares of our common stock receiving dividends or any other payments and, in addition, upon liquidation, holders of debt and holders of shares of preferred stock 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. 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 59.1% 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, do not permit shareholders to convene special meetings or to remove our directors other than for 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 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 restrictions on mergers and other business combinations between any beneficial holder of 10% or more of our outstanding common stock and us.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 1C. *CYBERSECURITY*

The Company's Board of Directors (the "Board") through its audit committee (Audit Committee) is responsible for overseeing the Company's risk management program. The Company integrates cybersecurity risk management into its broader risk management framework to ensure that cybersecurity considerations form an integral part of our risk management program. Our Information Technology (IT) department works closely with the risk management team to evaluate and address cybersecurity risks. The Company's cybersecurity strategy and risk management processes align with the National Institute of Standards and Technology (NIST) governance requirements and cybersecurity framework.

Cybersecurity Risk Management Strategy

Identification, Response and Reporting: The Company has adopted a cyber incident response procedure to primarily:

- assess, identify and manage material cybersecurity threats and incidents;
- comply with our contractual obligation to safeguard covered defense information; and
- report on cyber incidents in accordance with the relevant DFARS.

The Company has established and maintains comprehensive incident response, business continuity, and disaster recovery plans designed to address the Company's response to a cybersecurity incident. We have an established incident response team (IRT) comprised of cross-functional leaders from Finance, Human Resources, Legal, Security and IT groups, to identify, assess and address cyber incidents. The IRT coordinates closely with the risk management team on cybersecurity risks and threats facing the Company. The Company conducts regular exercises to test these plans and ensure personnel are familiar with their roles in a response scenario.

Technical Safeguards: The Company implements technical safeguards that are designed to protect the Company's information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality, and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence, as well as through external audits and certifications.

Third-party Engagements: The Company maintains a comprehensive, risk-based approach to identifying and overseeing material cybersecurity threats presented by our use of third-party vendors, service providers, and other external users of the Company's systems. We also monitor our use of systems of third parties that could adversely impact our business in the event of a material cybersecurity incident affecting those third-party systems, including any outside auditors or consultants who advise on the Company's cybersecurity systems.

Recognizing the complexity and evolving nature of cybersecurity threats, we engage external experts, including managed security service provider (MSSP) and consultants, to evaluate our cyber governance and monitor our risks. These partnerships enable us to leverage their specialized knowledge to help ensure that our cybersecurity strategies and processes reflect industry best practices.

Education and Awareness: The Company provides regular, mandatory training for employees on safeguarding against cybersecurity threats, and communicates the Company's evolving information security policies, standards, processes, and practices.

Governance

Board of Directors Oversight: The Audit Committee oversees cybersecurity risks. The Audit Committee reviews the Company's cybersecurity program, including the review of reports on cyber incident response processes, emerging cybersecurity developments and threats, and cyber risk assessment. The Audit Committee meets regularly with management to discuss our cybersecurity program.

Management's Role: Our Chief Information Security Officer (CISO) is primarily responsible for assessing, monitoring and managing our cybersecurity risks. With over 23 years of experience in the field of information technology and cybersecurity, the CISO brings a wealth of expertise to his role. His background includes experience as a military cybersecurity officer and system security engineer, resulting in extensive knowledge and experience in developing and executing cybersecurity strategies. The CISO holds a graduate degree in Information Resource Management from the Air Force Institute of Technology, Wright-Patterson, Air Force Base, Ohio and holds a Certified Information Systems Security Professional certification, awarded and maintained since 2010.

The CISO coordinates with senior management, including members of the IRT, to implement a program designed to protect the Company's information systems from cybersecurity threats and to promptly respond to any material cybersecurity incidents or threats in accordance with the Company's incident response procedure. Through ongoing communications between the CISO, IRT and other members of senior management (including the CEO), senior management stays informed about and monitors the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and reports significant threats and incidents to the Audit Committee, when appropriate.

Management provides comprehensive briefings to the Audit Committee on a regular basis. These briefings may include topics such as the current cybersecurity landscape and emerging threats, reports on significant incidents and breaches, and compliance with new regulatory requirements.

Risks from Cybersecurity Threats

Our top cybersecurity threats include phishing, smishing, business email compromise, ransomware, system & human errors, and malware. These types of attacks could have a material impact on the Company. To date, we have not encountered cybersecurity challenges that have materially impacted our operations or results of operations.

ITEM 2. *PROPERTIES*

We have 322 locations in 51 countries and territories on 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 and operations offices located at: 2424 Garden of the Gods Road, Colorado Springs, Colorado; 555 Industrial Drive, Madison, Mississippi; and 6125 East 21st Street, Indianapolis, Indiana. These properties are used by our sole operating segment. Our McLean, Colorado Springs, Madison and Indianapolis locations are leased and have approximately 24,400, 65,000 164,000, and 900,000 square feet, respectively. The leases for our McLean, Colorado Springs, Madison, and Indianapolis locations expire in 2032, 2028, 2030 and 2026, 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 party to various investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings 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 government contractor, we are also subject to U.S. government audits and investigations relating to our operations, including claims for fines, penalties, and repayments, compensatory or treble damages. We believe the outcome of such ongoing government audits and investigations will not have a material impact on our results of 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 results of operations, financial condition or 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 NYSE under the symbol “VVX". Our common stock started trading on the NYSE in September 2014. As of February 26, 2024, there were approximately 3,629 stockholders of record and 31.3 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 2024 Annual Meeting of Shareholders.

RECENT SALES OF UNREGISTERED SECURITIES

None.

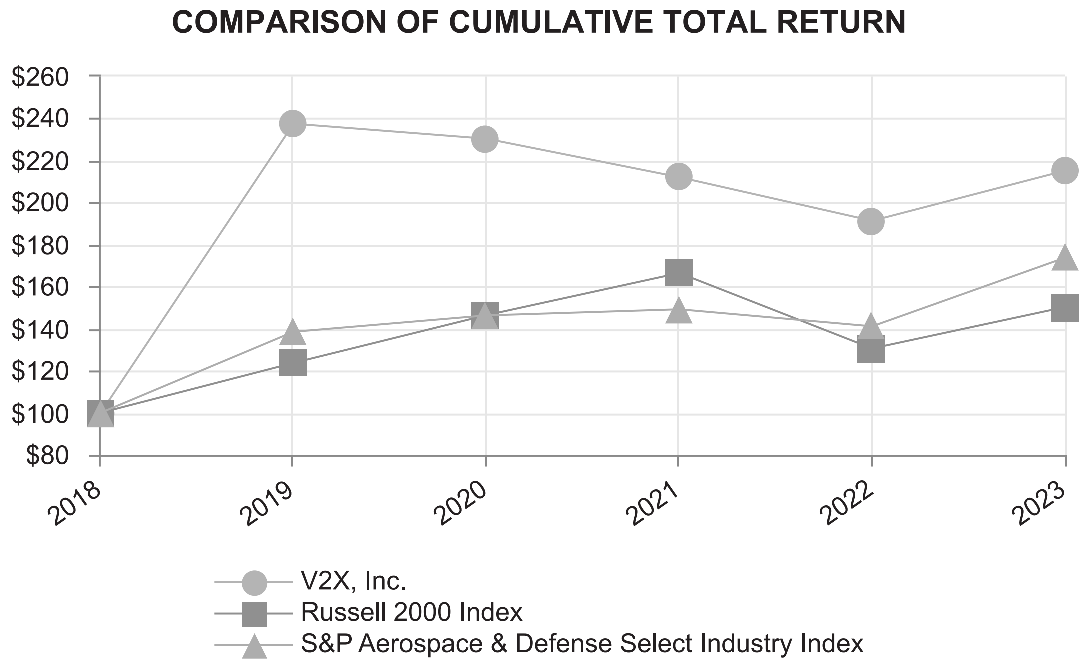
ISSUER PURCHASES OF EQUITY SECURITIES

We did not repurchase any of our equity securities for the year ended December 31, 2023.

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, 2018 through December 31, 2023 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 V2X common stock, the Russell 2000 Index and the S&P Aerospace & Defense Select Industry Index on December 31, 2018 and that all dividends were reinvested.



ITEM 6. *SELECTED FINANCIAL DATA*

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. 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,” “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: 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, cyber-attacks or cyber intrusions, and other disruptions to our information technology and operation; our mix of cost-plus, cost-reimbursable, firm-fixed-price and time-and-materials contracts; maintaining our reputation and relationship with the U.S. government; protests of new awards; 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; our ability to protect our intellectual property rights; 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 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; terms of our credit agreement; inflation and interest rate risk; geopolitical risk, including as a result of recent global hostilities; our subcontractors' performance; economic and capital markets conditions; our ability to maintain safe work sites and equipment; our ability to retain and recruit qualified 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 post-Merger integration efforts; 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 is a leading provider of critical mission solutions primarily to defense clients globally. The Company operates as one segment and provides a comprehensive suite of integrated solutions and critical service offerings across the operations and logistics, aerospace, training and technology markets to national security, defense, civilian and international clients.

Our primary customer is the U.S. DoD. For the years ended December 31, 2023, 2022 and 2021, we had total revenue of $4.0 billion, $2.9 billion and $1.8 billion, respectively, the substantial majority of which was derived from U.S. government customers. For the years ended December 31, 2023, 2022 and 2021, we generated approximately 41%, 46% and 64%, respectively, of our total revenue from the U.S. Army.

Executive Summary

Our revenue increased by $1.1 billion, or 37.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Revenue increased $877.7 million due to the Merger and the remaining increase was from organic growth of our legacy programs. Revenue from programs in the U.S, Middle East, Asia, and Europe increased by $791.8 million, $168.9 million, $96.7 million, and $14.8 million, respectively.

Operating income for the year ended December 31, 2023 was $124.4 million, an increase of $68.6 million or 123.1%, compared to the year ended December 31, 2022. Operating income increased $34.8 million due to the Merger and the remaining increase was from organic growth for legacy programs, partially offset by acquisition-related costs incurred during 2022.

During the performance of long-term contracts, estimated final contract prices and costs are reviewed periodically, and revisions are made 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. These incentive fees 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 a 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 benefit of $1.9 million and an income tax expense of $8.2 million for the years ended December 31, 2023 and 2022, respectively, which represent effective income tax rates of 7.9% and (134.6)%, respectively. See Note 13, *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, 2023, compared to the year ended December 31, 2022, are contained in the "Discussion of Financial Results" below. Details related to our financial performance for the year ended December 31, 2022, compared to the year ended December 31, 2021 are contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Discussion of Financial Results" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, electronically filed with the SEC on EDGAR on March 2, 2023.

Merger with Vertex

For a discussion of our Merger and related debt and stock-based compensation obligations, see Note 3, *Merger*, 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.

Significant Contracts

The following table reflects contracts that accounted for more than 10% of total revenue:

	% of Total Revenue		
	Years Ended December 31,		
Contract Name	2023	2022	2021
LOGCAP V - Kuwait Task Order	12.0%	16.4%	11.8%
LOGCAP V - Iraq Task Order	7.5%	9.8%	11.7%
K-BOSSS	—%	0.7%	15.8%

Revenue associated with a contract will fluctuate based on increases or decreases in the work being performed on the contract, award fee payment assumptions, 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 LOGCAP V - Kuwait Task Order is currently exercised through June 30, 2024, with two 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 $474.3 million and $472.9 million of revenue for the years ended December 31, 2023 and 2022, respectively.

The LOGCAP V - Iraq Task Order is currently exercised through June 21, 2024, with two 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 $296.9 million and $282.5 million of revenue for the years ended December 31, 2023 and 2022, respectively.

The K-BOSSS contract ended on August 28, 2023. Components of the K-BOSSS contract were re-competed as a task order under the LOGCAP V contract vehicle and were awarded to us in 2019. The K-BOSSS contract contributed $1.9 million and $18.9 million of revenue for the years ended December 31, 2023 and 2022, 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 U.S. Government Accountability Office (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 increased by $0.5 billion in the year ended December 31, 2023, as compared to the year ended December 31, 2022, primarily due to new business awards offset by recognition of revenue. The following is a summary of funded and unfunded backlog:

	As of December 31,	
(in millions)	2023	2022
Funded backlog	$ 2,778	$ 2,567
Unfunded backlog	10,011	9,695
Total backlog	$ 12,789	$ 12,262

Funded orders (different from funded backlog) represent orders for which funding was received during the period. We received funded orders of $4.2 billion during the year ended December 31, 2023, which was an increase of $1.6 billion compared to the year ended December 31, 2022. The increase was due to timing of awards.

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 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, the Company expects the U.S. government will continue to place a high priority on national security and will continue to invest in affordable solutions. V2X believes that its capabilities, particularly in operations and logistics, aerospace, training and technology, should help its clients increase efficiency, reduce costs, improve readiness, and strengthen national security and, as a result, continue to allow for long-term profitable growth in the business. Further, the DoD budget remains the largest in the world and management believes the Company's addressable portion of the DoD budget offers substantial opportunity for growth.

The U.S. government's Fiscal Year (FY) begins on October 1 and ends on September 30. The Fiscal 2024 budget request was submitted to the U.S. Congress on March 9, 2023, and requested $886 billion for National Defense, with $842 billion of the total allocated to the Department of Defense.

In January 2023, the statutory debt ceiling limit of $31.4 trillion was reached and on June 3, 2023, the President signed "The Fiscal Responsibility Act" (FRA) into law, which suspends the debt ceiling until January 1, 2025. The FRA places caps on defense and non-defense discretionary spending in FY 2024 and FY 2025. The FRA cap on discretionary spending for National Defense in FY 2024 and FY 2025 is $886 billion and $895 billion, respectively. Additionally, the FRA mandates cuts in FY 2024 by one percent from FY 2023 enacted levels if Congress does not pass all twelve defense and non-defense discretionary appropriations bills by April 30, 2024.

In December 2023, the President signed the FY 2024 National Defense Authorization Act into law, which matched the original request of $886 billion for National Defense, with $842 billion being allocated to the Department of Defense. However, annual appropriations to fund the federal government for FY 2024 have not been enacted. Recently, the President signed a continuing resolution (CR) that extends funding of six appropriations bills to March 8, 2024 and the remaining six to March 22, 2024. Under a CR, funding is generally consistent with FY 2023 appropriated levels, however, new program and contract starts are not authorized. If FY 2024 appropriations or an additional CR is not passed before the CR's expiration, the U.S. government is expected to enter a shutdown and cease certain non-essential operations. Depending on the length and nature of a potential shutdown, companies that are reliant on U.S. government funding, could be significantly impacted.

While it is difficult to predict the specific course of future defense budgets, V2X believes the core functions the Company performs are mission-essential and spending to maintain readiness, improve performance, increase service life, lower cost, and modernize digital and physical environments will continue to be a U.S. government priority. The Company's focus is on providing integrated solutions across the mission lifecycle that encompass (i) high consequence training; (ii) readiness/logistics/deployment; (iii) mission and infrastructure support, including rapid response contingency efforts; (iv) battlefield connectivity and communications; (v) maintenance, modification, repair, and overhaul of assets and aircraft; (vi) and upgrades and modernization across digital and physical environments. The Company develops and inserts operational technologies across its solutions to improve efficiency and the outcomes of its clients' missions. The Company believes this aligns with its clients' intent to utilize and harden existing equipment, infrastructure, and assets rather than executing new purchases. While customers may reduce the level of services required from us, the Company does not currently anticipate the complete elimination of these services, and the Company continues to focus on contract expansion and capturing new business opportunities.

However, business conditions have become more challenging and uncertain due to macroeconomic conditions, including inflation and rising interest rates, as well as recent international events. For example, global hostilities could create additional demand for our products and services, however, any such demand, and the timing and extent of any incremental contract activity resulting from that demand, remains uncertain. Further, given the current level of inflation and geopolitical factors, the Company is monitoring the impact of rising costs on its active and future contracts and its financial results, and actively evaluating opportunities for cost reductions and deleveraging. In recent quarters of 2023, the Company’s cost-plus and cost-reimbursable contracts have been increasing sequentially as a percentage of total contract mix and revenue. The Company’s earnings and profitability may vary materially depending on the total mix of contracts. To date, the Company has not experienced broad-based increases from inflation or geopolitical hostilities in the costs of its fixed-price and time and materials contracts that are material to the business. However, if the geopolitical conditions worsen or if the Company experiences greater than expected inflation in its supply chain and labor costs, then profit margins, and in particular, the profit margin from fixed-price and time and materials contracts, which represent a substantial portion of its contracts, could be adversely affected.

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 the Company does not currently anticipate any impact on its business, evaluation of the Inflation Reduction Act of 2022 and its requirements continues, as well as any potential impact on its business in the 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, 2023 and the matters identified under the caption “Forward-Looking Statement Information" herein.

DISCUSSION OF FINANCIAL RESULTS

Selected financial highlights are presented in the table below:

	Year Ended December 31,		Change	
(In thousands)	2023	2022	$	%
Revenue	$3,963,126	$2,890,860	$ 1,072,266	37.1 %
Cost of revenue	3,628,271	2,595,848	1,032,423	39.8 %
% of revenue	91.6 %	89.8 %		
Selling, general and administrative expenses	210,439	239,241	(28,802)	(12.0)%
% of revenue	5.3 %	8.3 %		
Operating income	124,416	55,771	68,645	123.1 %
Operating margin	3.1 %	1.9 %		
Loss on extinguishment of debt	(22,298)	—	(22,298)	*
Interest expense, net	(122,442)	(61,879)	(60,563)	97.9 %
Other expense, net	(4,194)	—	(4,194)	*
Loss before taxes	(24,518)	(6,108)	(18,410)	301.4 %
% of revenue	(0.6)%	(0.2)%		
Income tax (benefit) expense	(1,945)	8,222	(10,167)	(123.7)%
Effective income tax rate	7.9 %	(134.6)%		
Net loss	$ (22,573)	$ (14,330)	$ (8,243)	57.5 %

*Percentage change is not meaningful.

Revenue

Revenue increased by $1.1 billion, or 37.1%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Revenue increased $877.7 million due to the Merger and the remaining increase was from organic growth for legacy programs. Revenue from programs in the U.S, Middle East, Asia, and Europe increased by $791.8 million, $168.9 million, $96.7 million, and $14.8 million, respectively.

Cost of Revenue

Cost of revenue increased by $1.0 billion, or 39.8%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to increased revenue from the Merger and increased amortization of intangible assets.

Selling, General & Administrative (SG&A) Expenses

SG&A expenses decreased by $28.8 million, or 12.0%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to $39.9 million of acquisition-related costs that were incurred during 2022.

Operating Income

Operating income increased by $68.6 million, or 123.1%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Operating margin (income as a percentage of revenue) was 3.1% for the year ended December 31, 2023, compared to 1.9% for the year ended December 31, 2022. The increase in operating income was due to the Merger and organic growth for legacy programs, partially offset by acquisition-related costs incurred during 2022.

For the years ended December 31, 2023 and 2022, aggregate cumulative adjustments increased operating income by $22.7 million and $13.3 million, respectively. The aggregate cumulative adjustments for the years ended December 31, 2023 and 2022 related to changes in contract terms, program performance, customer changes in scope of work and changes to estimates in the reported period. Operating income was also impacted by labor mix and other direct cost purchases.

Loss on Extinguishment of Debt

The Company recorded a $22.3 million loss on extinguishment of debt for the year ended December 31, 2023. For a discussion of the loss on extinguishment see Note 10, *Debt,* in the Notes to Consolidated Financial Statements.

Interest (Expense) Income, Net

Interest (expense) income, net was as follows:

	Year Ended December 31,		Change	
(In thousands)	2023	2022	$	%
Interest income	$ 966	$ 165	$ 801	485.5 %
Interest expense	(123,408)	(62,044)	(61,364)	98.9 %
Interest expense, net	$ (122,442)	$ (61,879)	$ (60,563)	97.9 %

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 $61.4 million for the year ended December 31, 2023 compared to the year ended December 31, 2022 was due to increased debt assumed with the Merger.

Other Expense, Net

During the year ended December 31, 2023, the Company incurred purchase discount fees and other expenses of $4.0 million related to the sale of accounts receivable through the Master Accounts Receivable Purchase Agreement (MARPA Facility). For a discussion of the MARPA Facility, see Note 18, *Sale of Receivables,* in the Notes to Consolidated Financial Statements.

Income Tax (Benefit) Expense

We recorded income tax benefit of $1.9 million and income tax expense of $8.2 million for the years ended December 31, 2023 and 2022, respectively, which represented effective income tax expense rates of 7.9% and (134.6)%, for the respective years. The effective income tax rate for the year ended December 31, 2023 was due to increased non-deductible compensation, foreign tax expenses, and state income tax expense which were partially offset by the release of prior year uncertain tax position and credits. The effective income tax rate for the year ended December 31, 2022 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 release of prior year uncertain tax position and current year Foreign Derived Intangible Income (FDII) deduction.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, a material decrease in our liquidity. In addition, other than items discussed, there are no known material trends, favorable or unfavorable, in our capital resources and no expected material changes in the mix of such resources.

Our major sources of funding will be our operating cash flow, our existing balances of cash and cash equivalents and proceeds from any issuances of debt. We believe we have sufficient liquidity to fund operations, acquisitions, capital expenditures and scheduled debt repayments. The Company expects to fund its 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, its credit facilities, and access to capital markets. When necessary, our revolving credit facility and MARPA Facility are available to satisfy short-term working capital requirements.

If cash flows from operations are less than expected, the Company may need to access the long-term or short-term capital markets. Although the Company believes its current financing arrangements will permit financing of its operations on acceptable terms and conditions, access to and the availability of financing on acceptable terms and conditions in the future will be impacted by many factors, including but not limited to: (i) its credit ratings, (ii) the liquidity of the overall capital markets, and (iii) the current state of the economy. The Company cannot provide assurance that such financing will be available on acceptable terms or that such financing will be available at all.

During the first quarter of 2023, we entered into a credit agreement (the 2023 Credit Agreement) that provided for $750.0 million in senior secured financing, consisting of a $500.0 million five-year revolving credit facility (2023 Revolver) and a five-year $250.0 million term loan (Term Loan). The proceeds were used to repay certain existing debt balances. See Note 10, *Debt,* in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

During the fourth quarter of 2023, we amended our senior secured first lien term loans (Vertex First Lien Credit Agreement). The amendment provided for a new tranche of term loans under the Vertex First Lien Credit Agreement in an aggregate original principal amount of $911.1 million (the New Term Loans), in which the New Term Loans replaced or refinanced in full all the existing term loans outstanding under the Vertex First Lien Credit Agreement.

As of December 31, 2023, the carrying value of the New Term Loans was $908.8 million, excluding deferred discount and unamortized deferred financing costs of $36.4 million. The estimated fair value of the New Term Loans as of December 31, 2023 was $908.8 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).

As of December 31, 2023, under the 2023 Revolver there were no outstanding borrowings and $17.5 million of outstanding letters of credit. Unamortized deferred financing costs related to the 2023 Revolver of $4.2 million are included in other non-current assets in the Consolidated Balance Sheets. As of December 31, 2023, the fair value of the 2023 Revolver approximated the carrying value because the debt bears a floating interest rate.

As of December 31, 2023, the carrying value of the Term Loan portion of the 2023 Credit Agreement was $245.3 million, excluding unamortized deferred financing costs of $2.1 million. The estimated fair value of the Term Loan portion of the 2023 Credit Agreement as of December 31, 2023 was $245.6 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 (Level 2). For additional discussion of the Company's indebtedness, see Note 10, *Debt*, in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

The cash presented on our Consolidated Balance Sheets consists of U.S. and international cash from wholly-owned subsidiaries. As of December 31, 2023, the Company held cash, cash equivalents and restricted cash of $72.7 million, which included $43.6 million held by foreign subsidiaries. We do not currently expect that we will be required to 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.

Sources and Uses of Liquidity

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

Accounts receivable balances can vary significantly over time and are impacted by revenue levels and the timing of payments received from 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. DSO was 58 and 68 as of December 31, 2023 and 2022, respectively.

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

	Year Ended December 31,		
(in thousands)	2023	2022	2021
Operating activities	$ 187,968	$ 93,495	$ 61,339
Investing activities	(22,649)	175,958	(12,643)
Financing activities	(211,023)	(193,236)	(75,585)
Foreign exchange[1]	2,288	1,337	(3,325)
Net change in cash, cash equivalents and restricted cash	$ (43,416)	$ 77,554	$ (30,214)

[1] Impact on cash balances due to changes in foreign exchange rates.

Net cash provided by operating activities for the year ended December 31, 2023 consisted of cash inflows from non-cash income items of $169.8 million and cash inflows from the sale of receivables through the MARPA Facility of $72.7 million, partially offset by a net loss of $22.6 million, cash outflows for other non-current assets and liabilities of $25.8 million, and cash outflows for working capital requirements of $6.1 million.

Net cash provided by operating activities for the year ended December 31, 2022 consisted of cash inflows from non-cash income items of $100.6 million and a decrease in 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 used in investing activities for the year ended December 31, 2023 consisted of $25.0 million of net capital expenditures for the purchase of computer hardware and software and equipment related to ongoing operations, partially offset by $1.3 million of cash received in a business disposition and $1.0 million of cash received in joint venture distributions.

Net cash provided by investing activities for the year ended December 31, 2022 consisted of $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 financing activities during the year ended December 31, 2023 consisted of repayments of long-term debt of $432.6 million, payment of debt issuance costs of $8.8 million, prepayment penalty of $1.6 million, and payments of $18.0 million for employee withholding taxes on share-based compensation, partially offset by proceeds from long-term debt of $250.0 million.

Net cash used in 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.

Capital Resources

As of December 31, 2023, we held cash, cash equivalents and restricted cash of $72.7 million, which included $43.6 million held by foreign subsidiaries and had $482.5 million of available borrowing capacity under the 2023 Revolver, which expires on February 25, 2028. We believe that our cash, cash equivalents and restricted cash as of December 31, 2023, as supplemented by cash flows from operations, the 2023 Revolver, and the MARPA Facility will be sufficient to fund our anticipated operating costs, capital expenditures and current debt repayment obligations for at least the next 12 months.

Contractual Obligations

As of December 31, 2023, commitments to make future payments under long-term contractual obligations were as follows:

	Payments Due in Period				
(In thousands)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating leases	$ 54,341	$ 15,489	$ 19,478	$ 11,309	$ 8,065
Principal payments on Vertex First Lien Credit Agreement[1]	908,847	9,111	18,223	881,513	—
Principal payments on 2023 Credit Agreement[1]	245,313	6,250	23,438	215,625	—
Interest on Vertex First Lien and 2023 Credit Agreements	475,197	102,787	200,358	172,052	—
Total	$1,683,698	$ 133,637	$ 261,497	$1,280,499	$ 8,065

[1] Includes unused funds fee and is based on the December 31, 2023 interest rate and outstanding 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 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, 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. We discuss below significant critical accounting 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, the substantial majority 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 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 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 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 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 2023 and 2022, we used the qualitative approach to assess goodwill for impairment. No impairment charges related to goodwill were recorded during 2023 and 2022.

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 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 Accounting Standards 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 as of December 31, 2023.

Interest Rate Risk

Each one percentage point change associated with the variable rate Vertex First Lien Credit Agreement would result in an $8.2 million change in our related annual cash interest expenses.

Assuming the 2023 Revolver was fully drawn to a principal amount equal to $500.0 million, each one percentage point change in interest rates would result in a $5.1 million change in our annual cash interest expense.

As of December 31, 2023, the notional value of the Company's interest rate swap agreements totaled $345.3 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued 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 cash flows. For additional information regarding our derivative instruments, see Note 11, *Derivative Instruments*, in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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. As a result, our earnings may experience volatility related to movements in foreign currency exchange rates. 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. The impact of the 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 such contracts are outstanding as of December 31, 2023.

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 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, 2023. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, the Company’s disclosure controls and procedures were not effective due to a material weakness in internal control over financial reporting at a subsidiary within Vertex Aerospace Services Holding Corp (Vertex) which we acquired on July 5, 2022 as part of the Merger. Fiscal year 2023 was the initial year that this subsidiary was included in management’s assessment of internal control over financial reporting. Notwithstanding the identified material weakness, the Company’s management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has concluded the Company’s consolidated financial statements included in this Form 10-K present fairly, in all material respects, the Company’s financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. generally accepted accounting principles.

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 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 a material weakness exists in our internal control over financial reporting as of December 31, 2023. A material weakness is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements could occur but will not be prevented or detected on a timely basis.

The material weakness in internal control over financial reporting relates to a subsidiary within Vertex which was acquired on July 5, 2022 and generated approximately 25% of our total revenue for the year ended December 31, 2023. Prior to 2023, this subsidiary was not included in assessments of the effectiveness of our internal controls over financial reporting. During the year ended December 31, 2023, we performed our first comprehensive assessment of the design and effectiveness of internal controls at this subsidiary. Based on this assessment, we determined the internal control over financial reporting was ineffective as of December 31, 2023. Specifically, the subsidiary did not design and operate the information technology general controls (ITGCs) over user access for certain information technology systems that support their financial reporting processes. There were no material errors in the financial results or balances identified as a result of the control deficiencies, and there was no restatement of prior period financial statements and no change in previously released financial results were required as the result of these control deficiencies.

Our independent registered public accounting firm has issued a report expressing an adverse opinion on the effectiveness of our internal control over financial reporting, which is included in this Form 10-K.

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.

Remediation Efforts to Address the Material Weakness

The Company has implemented a plan to address the material weakness. Management has and will continue to enhance the risk assessment process and design of internal control over financial reporting at this subsidiary. This includes enhancement and revision of the design of existing IT General Controls over user access, applications and procedures at this subsidiary. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed prior to end of fiscal year 2024.

Changes in Internal Control over Financial Reporting

Other than with respect to the matter described above, there were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Internal Control Over Financial Reporting

We have audited V2X, Inc.'s (the Company) internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework issued by 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 sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of loss, comprehensive loss, shareholders' equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes to the consolidated financial statements of the Company and our report dated March 5, 2024, expressed an unqualified opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

There were deficiencies in the design and operation of information technology general controls (ITGCs) over user access for certain information technology (IT) systems that support the Company's financial reporting processes at a subsidiary within Vertex Aerospace Services Holding Corp (Vertex). Fiscal year 2023 was the initial year that this subsidiary was included in management's assessment of internal control over financial reporting. The business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they may have been adversely impacted by the ITGC deficiencies. Accordingly, we have considered these deficiencies to be a material weakness in internal controls over financial reporting as of December 31, 2023.

This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 financial statements, and this report does not affect our report dated March 5, 2024 on those financial statements.

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 in the accompanying Management's Report on Internal Control 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 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. 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 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/ RSM US LLP

McLean, Virginia
March 5, 2024

ITEM 9B. ***OTHER INFORMATION***

None.

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 2024 Annual Meeting of Shareholders (the 2024 Proxy Statement) to be filed within 120 days after the Company's fiscal year ended December 31, 2023 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.

ITEM 11. ***EXECUTIVE COMPENSATION***

The information called for by Item 11 is incorporated herein by reference to the 2024 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 2024 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 2024 Proxy Statement.

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

The information called for by Item 14 is incorporated herein by reference to the 2024 Proxy Statement.

PART IV

ITEM 15. *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	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) †
3.1	Second Amended and Restated Articles of Incorporation of V2X, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 5, 2022)
3.2	Second Amended and Restated Bylaws of V2X, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on 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 (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on March 2, 2023)
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)
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)
10.6	First Lien Credit Agreement, dated as of the December 6, 2021 (as amended by Amendment No 1., dated as of July 5, 2022), 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 10.3 to the Company's Current Report on Form 8-K filed on July 5, 2022)
10.7	Amendment No. 3 to First Lien Credit Agreement, dated as of October 3, 2023, by and among Vertex Aerospace Services Corp., a Delaware Corporation, Vertex Aerospace Intermediate LLC, a Delaware limited liability company, the other Loan Parties hereto, the Additional Lender and Royal Bank of Canada as Administrative Agent (incorporated by reference to Exhibit 10.1 to V2X Inc.'s Current Report on Form 8-K filed on October 4, 2023).
10.8	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)
10.9	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)

10.10 Credit Agreement, Dated as of February 28, 2023, among Vertex Aerospace Services Corp., as the Borrower, Vertex Aerospace Intermediate LLC, as Holdings, the Lenders Party Hereto, and Bank of America, N.A., as Administrative Agent, Swingline Lender, Collateral Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to V2X, Inc.'s Current Report on Form 8-K filed March 2, 2023)

10.11 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) *

10.12 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) *

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

10.14 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)*

10.15 Separation Agreement and Release of Claims, dated October 27, 2023, by and between Susan D. Lynch and V2X, Inc.*+

10.16 Offer Letter, dated September 28, 2023, between Shawn Mural and the Company (incorporated by reference to Exhibit 10.1 to V2X Inc.'s Current Report on Form 8-K filed on October 2, 2023). *

10.17 Vectrus Systems Corporation Excess Savings Plan (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on March 16, 2015)*

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)*

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)*

10.20 Amendment No. 1 to Vectrus, Inc. Senior Executive Severance Pay Plan (incorporated by reference to Exhibit 10.1 to Vectrus, Inc.'s Current Report on Form 8-K filed on November 4, 2020)*

10.21 V2X, Inc. Second Amended and Restated 2014 Omnibus Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on September 13, 2022)*

10.22 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)*

10.23 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)*

10.24 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)*

10.25 Form of V2X, Inc. Second Amendment and Restatement of 2014 Omnibus Incentive Plan – Restricted Stock Unit Award Agreement (Stock Settled) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023)*

10.26 Form of V2X, Inc. Second Amendment and Restatement of the V2X, Inc. 2014 Omnibus Incentive Plan – Restricted Stock Unit Award Agreement (Non-employee Director) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2023)*

10.27 Form of V2X, Inc. Second Amendment and Restatement of 2014 Omnibus Incentive Plan – Special Performance Stock Unit – 2023 Stock Price Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023)*

10.28 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)*

10.29 Form of V2X, Inc. Second Amendment and Restatement of 2014 Omnibus Incentive Plan – Performance Stock Unit – 2023 TSR Award Agreement (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023)*

10.30 Description of Non-Employee Director Annual Compensation*+

10.31 Form of replacement Restricted Unit Agreement under the Vectrus, Inc. 2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed on March 2, 2023)*

21 Subsidiaries of the Company+

23.1 Consent of RSM US LLP+

23.2 Consent of Deloitte & Touche LLP+

31.1 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+

31.2 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+

32.1 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.++

32.2 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.++

97 Policy relating to recovery of erroneously awarded compensation+

101 The following materials from V2X, Inc.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023, formatted in Inline Extensible Business Reporting 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 in Inline XBRL and contained in Exhibit 101) #

† Certain schedules to this exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K.
* Indicates management contract or compensatory plan or arrangement.
\+ Indicates this document is filed as an exhibit herewith.
++ Indicates this document is furnished 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***

V2X, INC.

Index to Consolidated Financial Statements

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. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of loss, comprehensive loss, shareholders' equity and cash flows, for the years then ended, and the related notes (collectively, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended 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, 2023, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated March 5, 2024 expressed an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

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 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 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 the financial statements are free of material misstatement, whether due to error or fraud. Our 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 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 audit provide 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: (1) 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

As described in Notes 1, 4 and 5 of the financial statements, the Company recognizes revenue derived from contracts over time. For the year ended December 31, 2023, revenue was $3,963.1 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 that profit over the life of the contract. Contract estimates are based on 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.

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 management makes in determining the costs and revenues related to the performance obligations. 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 the assumptions related to total revenue and costs.

Our audit procedures related to management’s estimates of total revenue and 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, including management’s controls over the estimation of total contract costs to be incurred to complete uncompleted contracts.

- We selected a sample of contracts and performed the following for each contract:
    - Evaluated whether the contract was properly included in management’s calculation based on the terms and conditions, 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 under the contract, including all executed contract modifications that were agreed upon with the customers.
    - Evaluated the estimates of total revenue and costs for the performance obligations as follows:
        - Tested the mathematical accuracy of management’s calculation of revenue for the performance obligation.
        - Evaluated performance obligations and the associated estimate of profitability at completion as prepared by management and compared it to the recorded cost and revenue.
        - 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.
        - 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 to evaluate the amount of revenue recorded to date and related contract balance, by comparing changes in the estimated costs at completion, including changes in transaction price when relevant, for a sample of contracts throughout the period.

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

/s/ RSM US LLP

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

McLean, Virginia
March 5, 2024

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 consolidated statements of income, comprehensive income, shareholders' equity, and cash flows of V2X, Inc. (formerly Vectrus, Inc.) for the year 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 results of its operations and its cash flows for the year 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 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 the financial statements are free of material misstatement, whether due to error or fraud. Our 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 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 audit provides 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.

V2X, INC.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(In thousands, except per share data)	Year Ended December 31, 2023	2022	2021
Revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665
Cost of revenue	3,628,271	2,595,848	1,623,245
Selling, general and administrative expenses	210,439	239,241	98,400
Operating income	124,416	55,771	62,020
Loss on extinguishment of debt	(22,298)	—	—
Interest expense, net	(122,442)	(61,879)	(7,985)
Other expense, net	(4,194)	—	—
(Loss) income from operations before income taxes	(24,518)	(6,108)	54,035
Income tax (benefit) expense	(1,945)	8,222	8,307
Net (loss) income	$ (22,573)	$ (14,330)	$ 45,728
(Loss) earnings per share			
Basic	$ (0.73)	$ (0.68)	$ 3.91
Diluted	$ (0.73)	$ (0.68)	$ 3.86
Weighted average common shares outstanding – basic	31,084	20,996	11,705
Weighted average common shares outstanding – diluted	31,084	20,996	11,836

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

V2X, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)	Year Ended December 31, 2023	2022	2021
Net (loss) income	$ (22,573)	$ (14,330)	$ 45,728
Other comprehensive income (loss), net of tax			
Changes in derivative instrument:			
Net change in fair value of interest rate swaps	375	666	1,099
Net change in fair value of foreign currency forwards	—	31	(434)
Tax (expense) benefit	(235)	272	121
Net change in derivative instrument	140	969	786
Foreign currency translation adjustments	2,700	(596)	(6,659)
Other comprehensive income (loss), net of tax	2,840	373	(5,873)
Total comprehensive (loss) income	$ (19,733)	$ (13,957)	$ 39,855

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

V2X, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except shares and per share data)	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash, cash equivalents and restricted cash	$ 72,651	$ 116,067
Receivables	705,995	728,582
Inventory, net	46,981	44,974
Prepaid expenses and other current assets	49,242	42,309
Total current assets	874,869	931,932
Property, plant, and equipment, net	85,429	78,715
Goodwill	1,656,926	1,653,822
Intangible assets, net	407,530	497,951
Right-of-use assets	41,215	52,825
Other non-current assets	15,931	17,858
Total non-current assets	2,207,031	2,301,171
Total Assets	$ 3,081,900	$ 3,233,103
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 453,052	$ 406,706
Compensation and other employee benefits	158,088	168,038
Short-term debt	15,361	11,850
Other accrued liabilities	213,700	196,538
Total current liabilities	840,201	783,132
Long-term debt, net	1,100,269	1,262,811
Deferred tax liabilities	11,763	15,813
Operating lease liabilities	34,691	41,083
Other non-current liabilities	104,176	133,185
Total non-current liabilities	1,250,899	1,452,892
Total liabilities	2,091,100	2,236,024
Commitments and contingencies (Note 15)		
Shareholders' Equity		
Preferred stock; $0.01 par value; 10,000,000 shares authorized; No shares issued and outstanding	—	—
Common stock; $0.01 par value; 100,000,000 shares authorized; 31,191,628 and 30,470,475 shares issued and outstanding as of December 31, 2023 and 2022, respectively	312	305
Additional paid in capital	762,324	748,877
Retained earnings	230,851	253,424
Accumulated other comprehensive loss	(2,687)	(5,527)
Total shareholders' equity	990,800	997,079
Total Liabilities and Shareholders' Equity	$ 3,081,900	$ 3,233,103

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

V2X, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31, 2023	2022	2021
Operating activities			
Net (loss) income	$ (22,573)	$ (14,330)	$ 45,728
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation expense	22,408	13,472	6,526
Amortization of intangible assets	90,423	48,643	10,028
Loss on disposal of property, plant, and equipment	683	59	65
Stock-based compensation	32,843	32,736	8,331
Deferred taxes	(7,509)	(15,554)	(7,280)
Amortization of debt issuance costs	9,067	7,805	912
Loss on extinguishment of debt	22,298	—	—
Gain on disposition of business	(450)	(2,082)	—
Changes in assets and liabilities:			
Receivables	19,064	(52,311)	(36,376)
Inventory, net	(311)	(3,600)	(5,232)
Other assets	12,076	14,962	(7,613)
Accounts payable	43,153	71,837	56,985
Compensation and other employee benefits	(9,901)	42,878	1,133
Other liabilities	(23,303)	(51,020)	(11,868)
Net cash provided by operating activities	187,968	93,495	61,339
Investing activities			
Purchases of capital assets and intangibles	(25,021)	(12,425)	(9,776)
Proceeds from the disposition of assets	16	9	16
Acquisition of business, net of cash acquired	—	193,677	262
Disposition of business	1,349	(5,303)	—
Distributions from (contributions to) joint venture	1,007	—	(3,145)
Net cash (used in) provided by investing activities	(22,649)	175,958	(12,643)
Financing activities			
Proceeds from issuance of long-term debt	250,000	—	—
Repayments of long-term debt	(432,603)	(108,400)	(8,600)
Proceeds from revolver	922,750	392,000	529,000
Repayments of revolver	(922,750)	(472,925)	(594,000)
Proceeds from exercise of stock options	34	408	379
Payment of debt issuance costs	(8,818)	(2,325)	(17)
Prepayment premium on early redemption of debt	(1,600)	—	—
Payments of employee withholding taxes on share-based compensation	(18,036)	(1,994)	(2,347)
Net cash used in financing activities	(211,023)	(193,236)	(75,585)
Exchange rate effect on cash	2,288	1,337	(3,325)
Net change in cash, cash equivalents and restricted cash	(43,416)	77,554	(30,214)
Cash, cash equivalents and restricted cash – beginning of year	116,067	38,513	68,727
Cash, cash equivalents and restricted cash – end of year	$ 72,651	$ 116,067	$ 38,513
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 117,482	$ 54,267	$ 5,801
Income taxes paid	$ 8,356	$ 13,416	$ 9,703
Non-cash investing activities:			
Purchase of capital assets on account	$ 3,043	$ 2,716	$ 277
Common stock issued for business acquisition	$ —	$ 630,636	$ —

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

V2X, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2020	11,625	$ 116	$ 82,823	$ 222,026	$ (27)	$ 304,938
Net income	—	—	—	45,728	—	45,728
Foreign currency translation adjustments	—	—	—	—	(6,659)	(6,659)
Unrealized loss on cash flow hedge	—	—	—	—	786	786
Employee stock awards and stock options	113	1	377	—	—	378
Taxes withheld on stock compensation awards	—	—	(2,345)	—	—	(2,345)
Stock-based compensation	—	—	7,261	—	—	7,261
Balance at December 31, 2021	11,738	$ 117	$ 88,116	$ 267,754	$ (5,900)	$ 350,087
Net loss	—	—	—	(14,330)	—	(14,330)
Foreign currency translation adjustments	—	—	—	—	(596)	(596)
Unrealized loss on cash flow hedge	—	—	—	—	969	969
Employee stock awards and stock options	140	2	406	—	—	408
Issuance of common stock in connection with a business combination	18,592	186	630,450	—	—	630,636
Taxes withheld on stock compensation awards	—	—	(1,994)	—	—	(1,994)
Stock-based compensation	—	—	31,899	—	—	31,899
Balance at December 31, 2022	30,470	$ 305	$ 748,877	$ 253,424	$ (5,527)	$ 997,079
Net loss	—	—	—	(22,573)	—	(22,573)
Foreign currency translation adjustments	—	—	—	—	2,700	2,700
Unrealized gain on cash flow hedge	—	—	—	—	140	140
Employee stock awards and stock options	722	7	27	—	—	34
Taxes withheld on stock compensation awards	—	—	(18,036)	—	—	(18,036)
Stock-based compensation	—	—	31,456	—	—	31,456
Balance at December 31, 2023	31,192	$ 312	$ 762,324	$ 230,851	$ (2,687)	$ 990,800

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

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 critical mission solutions and support to defense clients globally. The Company operates as one segment and delivers a comprehensive suite of integrated solutions and critical service offerings across the operations and logistics, aerospace, training and technology markets to national security, defense, civilian and international clients.

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 (Merger Sub Inc.) and Andor Merger Sub LLC, a Delaware limited liability company (Merger Sub LLC). 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*.

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 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 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. The carrying value of our investments 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, 2023 and December 31, 2022, our combined investment balance was $5.4 million and $7.0 million, respectively. Our proportionate share of income from equity method investments was $4.0 million, $2.8 million, and $1.9 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Summary of Significant Accounting Policies

Principles of Consolidation

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. 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; income taxes; fair value and impairment of goodwill and intangible assets; valuation of assets and certain contingent liabilities. Actual results could differ from these estimates.

Segment Information

Management has concluded that the Company operates as one segment based upon the information used by the chief operating decision maker (CODM) in evaluating the performance of the Company's business and allocating resources and capital. Although we perform services worldwide, the substantial majority of our revenue for the years ended December 31, 2023, 2022 and 2021 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, 2022 to conform to the current year presentation. Specifically, inventory, net was reclassified from prepaid expenses and presented separately on our Consolidated Balance Sheets, and prepaid expenses were combined with other current assets on our Consolidated Balance Sheets. Changes in inventory, net were reclassified from changes in prepaid expenses and presented separately on our Consolidated Statements of Cash Flows, and changes in prepaid expenses were combined with changes in other assets on our Consolidated Statements of Cash Flows.

Revenue Recognition

As a defense contractor engaging in long-term contracts, the substantial majority of our revenue is derived from long-term service contracts. The unit of account for revenue in 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 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 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.

Restricted Cash

As of December 31, 2023 the Company had total cash, cash equivalents and restricted cash of $72.7 million which included $2.0 million of restricted cash. The Company's restricted cash was not material as of December 31, 2022.

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, Net

Inventory, net is substantially comprised of finished goods 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 is 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.

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.

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

In accordance with ASC Topic 842, Leases (ASC Topic 842), 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 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.

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.

NOTE 2

RECENT ACCOUNTING STANDARDS UPDATES

Accounting Standards Updates Issued but Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, Segment Reporting (Topic 280), to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Amongst other amendments, the standard requires annual and interim disclosures of significant segment expenses that are regularly provided to the CODM, and interim disclosures about a reportable segment’s profit or loss and assets that are currently required annually. This standard does not change how an entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this standard on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740) to improve income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this ASU are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this standard on its consolidated financial statements.

NOTE 3

MERGER

In accordance with ASC Topic 805, *Business Combinations*, we accounted for the below transaction 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 acquisition. 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.

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.

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 final fair values of the assets acquired and liabilities assumed in the Merger as of the Closing Date.

(In thousands)		Fair Value
Cash and cash equivalents	$	196,993
Receivables		331,300
Inventory		34,735
Prepaid expenses and other current assets		16,103
Property, plant, and equipment		55,678
Intangible assets		480,000
Other non-current assets		17,104
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		(334,469)
Total identifiable net assets		(701,280)
Goodwill		1,335,231
Total purchase consideration	$	633,951

As a result of the Merger, the Company recognized $1.3 billion 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 $331.3 million represent fair value and are considered fully collectible as of December 31, 2023.

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, 2023, the Company recorded $2.8 million of income related to the TSA with Crestview, which was recorded as a reduction in cost of sales. As of December 31, 2023, AIP held approximately 59.3% 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 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.

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

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) 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 as of December 31, 2023 and December 31, 2022 are presented in the following table:

	Year Ended December 31,	
(In millions)	2023	2022
Performance Obligations	$ 3,629	$ 2,997

We expect to recognize approximately 76% of the remaining performance obligations as of December 31, 2023 as revenue in 2024.

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 years ended December 31, 2023 and 2022 were favorable by $22.7 million and $13.3 million, respectively, and for the year ended December 31, 2021 were unfavorable by $1.3 million.

For the years ended December 31, 2023, 2022, and 2021 the net adjustments to operating income increased revenue by $38.1 million, $7.5 million, and $0.4 million, respectively.

Revenue by Category

Generally, the sales price elements for our contracts are cost-plus, cost-reimbursable, time-and-materials and firm-fixed-price. We commonly have elements of cost-plus, cost-reimbursable, time-and-materials and firm-fixed-price contracts on a single contract. On a cost-plus 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 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 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 firm-fixed-price contract, we agree to perform the contractual statement of work for a predetermined contract price. A firm-fixed-price contract typically offers higher profit margin potential than a cost-plus contract, which is commensurate with the greater levels of risk we assume on a firm-fixed-price contract. Although a firm-fixed-price 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.

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.

The following tables present our revenue disaggregated by different categories.

Revenue by contract type is as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Cost-plus and cost-reimbursable	$ 2,209,241	$ 1,625,196	$ 1,271,167
Firm-fixed-price	1,626,262	1,159,743	452,112
Time-and-materials	127,623	105,921	60,386
Total revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665

Revenue by geographic region in which the contract is performed is as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
United States	$ 2,286,052	$ 1,494,255	$ 578,255
Middle East	1,193,598	1,024,674	1,000,877
Asia	264,346	167,629	61,927
Europe	219,130	204,302	142,606
Total revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665

Revenue by contract relationship is as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Prime contractor	$ 3,726,199	$ 2,695,067	$ 1,663,828
Subcontractor	236,927	195,793	119,837
Total revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665

Revenue by customer is as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Army	$ 1,633,525	$ 1,342,406	$ 1,134,849
Navy	1,233,463	713,732	224,407
Air Force	538,698	459,849	266,291
Other	557,440	374,873	158,118
Total revenue	$ 3,963,126	$ 2,890,860	$ 1,783,665

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 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 January 1, 2022, we had contract assets of $240.0 million. As of December 31, 2023 and 2022, we had contract assets of $561.9 million and $487.8 million, respectively. 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 January 1, 2022, we had contract liabilities of $5.5 million. As of December 31, 2023 and 2022, we had contract liabilities of $109.6 million and $76.4 million, respectively, included in other accrued liabilities in the Consolidated Balance Sheets.

NOTE 5

RECEIVABLES

Receivables were comprised of the following:

	December 31,	
(In thousands)	2023	2022
Billed receivables	$ 109,318	$ 227,718
Unbilled receivables (contract assets)	561,862	487,758
Other	34,815	13,106
Total receivables	$ 705,995	$ 728,582

As of December 31, 2023 and 2022, 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, 2023 contract assets during 2024. Changes in the balance of receivables are primarily due to the timing differences between our performance and customer payments.

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 that are convertible to 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.

	Year Ended December 31,		
(In thousands, except per share data)	2023	2022	2021
Net (loss) income	$ (22,573)	$ (14,330)	$ 45,728
Weighted average common shares outstanding	31,084	20,996	11,705
Add: Dilutive impact of stock options	—	—	37
Add: Dilutive impact of restricted stock units	—	—	94
Diluted weighted average common shares outstanding	31,084	20,996	11,836
(Loss) earnings per share			
Basic	$ (0.73)	$ (0.68)	$ 3.91
Diluted	$ (0.73)	$ (0.68)	$ 3.86

The following table summarizes the weighted average of anti-dilutive securities excluded from the diluted EPS calculation.

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Anti-dilutive restricted stock units	4	—	1

NOTE 7

PROPERTY, PLANT AND EQUIPMENT, NET

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

(In thousands)	2023	2022
Buildings and improvements	$ 26,962	$ 23,941
Machinery, equipment and vehicles	48,009	42,874
Office furniture and equipment, computers and software	64,504	44,150
Property, plant and equipment, gross	139,475	110,965
Less: accumulated depreciation and amortization	(54,046)	(32,250)
Property, plant and equipment, net	$ 85,429	$ 78,715

Depreciation expense of property, plant and equipment was $22.4 million, $13.5 million and $6.5 million in 2023, 2022, and 2021, 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, 2023 indicated there was no goodwill impairment.

The change in the net carrying amount of goodwill for 2022 and 2023 is as follows (in thousands):

Balance at December 31, 2021	$	321,734
Acquisition of Vertex		1,332,088
Balance at December 31, 2022		1,653,822
Adjustments to preliminary purchase price allocation of Vertex and other		3,104
Balance at December 31, 2023	$	1,656,926

Other identifiable intangible assets consist of the following:

	December 31, 2023			December 31, 2022		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Contract backlogs and recompetes	$ 393,300	$ (133,235)	$ 260,065	$ 393,300	$ (56,210)	$ 337,090
Customer contracts	171,200	(23,902)	147,298	171,200	(10,748)	160,452
Trade names and other	1,260	(1,093)	167	1,260	(851)	409
Total intangible assets	$ 565,760	$ (158,230)	$ 407,530	$ 565,760	$ (67,809)	$ 497,951

Intangible amortization expense was approximately $90.4 million, $48.6 million, and $10.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, the weighted-average intangible asset amortization period was 7.1 years.

The estimated future annual amortization expense for intangible assets is as follows:

(In thousands)		Amortization
2024	$	89,316
2025	$	88,518
2026	$	88,048
2027	$	18,666
2028	$	17,120
After 2028	$	105,862

NOTE 9

COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

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

Prepaid expenses and other current assets

Prepaid expenses and other current assets were comprised of the following at December 31:

(In thousands)	2023	2022
Prepaid expenses	$ 30,664	$ 29,260
Prepaid taxes	10,715	8,926
Other	7,863	4,123
Total	$ 49,242	$ 42,309

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)	2023	2022
Accrued salaries and wages	$ 25,417	$ 37,795
Accrued bonus	27,135	23,484
Accrued employee benefits	105,536	106,759
Total	$ 158,088	$ 168,038

Other accrued liabilities

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

(In thousands)	2023	2022
Contract liabilities	$ 109,583	$ 76,431
Contract and other reserves	57,599	74,915
Current operating lease liabilities	13,644	17,564
Workers' compensation, auto and general liability reserve	5,717	2,799
Accrued non-payroll taxes	3,728	4,145
Other	23,429	20,684
Total	$ 213,700	$ 196,538

Other non-current liabilities

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

(In thousands)	2023	2022
Long-term contract-related reserves	$ 77,228	$ 111,534
Income taxes payable	7,894	9,202
Other	19,054	12,449
Total	$ 104,176	$ 133,185

NOTE 10

DEBT

Senior Secured Credit Facilities

Term Loan and Revolver

In September 2014, we and our wholly-owned subsidiary, Vectrus Systems Corporation (VSC), entered into a credit agreement. The credit agreement was subsequently amended on December 24, 2020 and January 24, 2022 (collectively, the Prior Credit Agreement). The credit agreement consisted of a term loan (Amended Term Loan) and a $270.0 million revolving credit facility (Amended Revolver).

In connection with the Merger described in Note 3, *Merger*, on the Closing Date, the outstanding debt from the Amended Term Loan and the Amended Revolver, $50.2 million and $40.0 million, respectively, was repaid and related guarantees and liens were discharged and released. Repayment was made using proceeds from the Vertex First Lien Credit Agreement described below.

On the Closing Date, certain of the Company's 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 wholly-owned indirect subsidiary of Vertex (Vertex Borrower), have provided guarantees of the indebtedness under each of:

i. the First Lien Credit Agreement, dated as of December 6, 2021 (as amended by the Amendment No. 1 to First Lien Credit Agreement, dated as of the Closing Date, as further amended by Amendment No. 2 to First Lien Credit Agreement, dated as of May 31, 2023, as further amended by Amendment No. 3 to First Lien Credit Agreement, dated as of October 3, 2023, 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;

ii. the Second Lien Credit Agreement, dated as of December 6, 2021 (as amended, restated, amended and restated, supplemented and otherwise modified from time to time, the Vertex Second Lien Credit Agreement), Vertex Borrower, as borrower, Vertex Holdings, the lenders from time to time party thereto and Royal Bank of Canada, as administrative agent; and

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, 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 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).

On February 28, 2023, Vertex Borrower entered into a credit agreement (the 2023 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 2023 Credit Agreement provides for $750.0 million in senior secured financing, with a first lien on substantially all the Borrower's assets, consisting of a $500.0 million five-year Revolving Credit Facility (2023 Revolver) and a five-year $250.0 million Term Loan. The proceeds of these Credit Facilities were used to, among other things, (i) repay the First Lien Incremental Term Tranche (as defined below), (ii) repay the entire outstanding amount of the Second Lien Credit Agreement, and (iii) repay the entire outstanding ABL Credit Facility.

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 Prior Credit Agreement, and other transaction costs. Approximately $54.0 million of cash remained after funding the preferred stock redemption, repayment of the Prior Credit Agreement and other transaction costs.

On February 28, 2023, the outstanding balance of the First Incremental Term Tranche of $258.7 million was repaid. The balance of unamortized deferred financing costs related to the First Incremental Term Tranche of $11.9 million was recorded as a loss on extinguishment of debt in the Consolidated Statements of (Loss) Income for the year ended December 31, 2023.

On October 3, 2023, the Vertex First Lien Credit Agreement was amended to provide a new tranche of term loans under the First Lien Initial Term Tranche in an aggregate original principal amount of $911.1 million (the New Term Loans), in which the New Term Loans replace or refinance in full all the existing term loans outstanding under the First Lien Initial Term Tranche (the Existing Term Loans) and these loans mature on December 6, 2028. The amendment also reduced the interest rate applicable to the New Term Loans by 0.25%. The replacement of the Existing Term Loans with the New Term Loans resulted in a loss on extinguishment of debt of $0.2 million in the Consolidated Statement of (Loss) Income for the year ended December 31, 2023.

The remaining loans under the First Lien Term Facility (consisting solely of the New Term Loans) amortizes in an amount equal to approximately $2.3 million per quarter through September 29, 2028, with the balance of $865.6 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 Guarantors), subject to customary exceptions and limitations. The Vertex Borrower's obligations under the First Lien Term Facility and the Guarantors' obligations under the related guarantees are secured by a first-lien on substantially all the Vertex Borrower's and the Guarantors' assets which exists on a *pari passu* basis with the lien held by the 2023 Credit Agreement lenders.

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 greater of (a) the federal funds rate plus 0.50%, (b) the prime lending rate, or (c) an adjusted Secured Overnight Financing Rate (SOFR) rate plus 1.00%, plus a margin of 2.25% per annum, or SOFR, plus a margin of 3.25% per annum. As of December 31, 2023, the effective interest rate for the First Lien Initial Term Tranche was 9.51%.

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.

As of December 31, 2023, the carrying value of the First Lien Credit Agreement was $908.8 million, excluding deferred discount and unamortized deferred financing costs of $36.4 million. The estimated fair value of the First Lien Credit Agreement as of December 31, 2023 was $908.8 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 Second Lien Credit Agreement

The Vertex Second Lien Credit Agreement provided 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. On February 28, 2023, the remaining Second Lien Term Facility balance of $160.0 million was repaid (the 2023 Payoff) and related guarantees and liens were discharged and released. The balance of unamortized deferred financing costs related to the Second Lien Term Facility of $7.1 million was recorded as a loss on extinguishment of debt in the Consolidated Statements of (Loss) Income for the year ended December 31, 2023.

Under the terms of the Vertex Second Lien Credit Agreement, the Vertex Borrower was required to remit a prepayment premium of $1.6 million with the 2023 Payoff, which was recorded as a loss on extinguishment of debt in the Consolidated Statements of (Loss) Income for the year ended December 31, 2023.

Vertex ABL Credit Agreement

The Vertex ABL Credit Agreement provided 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 provided 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. On February 28, 2023, the outstanding ABL Facility borrowings of $67.5 million were repaid and related guarantees and liens were discharged and released. The balance of unamortized deferred financing costs related to the Vertex ABL Credit Agreement of $1.5 million was recorded as a loss on extinguishment of debt in the Consolidated Statements of (Loss) Income for the year ended December 31, 2023.

2023 Credit Agreement

The 2023 Credit Agreement provides for $750.0 million in senior secured financing, with a first lien on substantially all the Borrower's assets and consists of (a) the 2023 Revolver (which includes (i) a $50.0 million sublimit of availability for letters of credit, and (ii) a $50.0 million sublimit for short-term borrowings on a swingline basis) and (b) a five-year $250.0 million Term Loan.

The Term Loan portion of the 2023 Credit Agreement amortizes at approximately $1.6 million per quarter for the fiscal quarters ending June 30, 2023 through March 31, 2025, increasing to $3.1 million per quarter for the fiscal quarters ending June 30, 2025 through December 31, 2027, with the balance of $203.1 million due on February 28, 2028.

The Vertex Borrower's obligations under the 2023 Credit Agreement are guaranteed by the Guarantors, subject to customary exceptions and limitations. The Vertex Borrower's obligations under the 2023 Credit Agreement and the Guarantors' obligations under the related guarantees are secured by a first priority-lien on substantially all of the Vertex Borrower's and the Guarantors' assets (subject to customary exceptions and limitations) which exists on a *pari passu* basis with the lien held by the First Lien Credit Agreement lenders.

The borrowings under the 2023 Credit Agreement bear interest at rates that, at the Vertex Borrower's option, can be either a base rate, determined by reference to the greater of (a) the federal funds rate plus 0.50%, (b) the prime lending rate, or (c) an adjusted SOFR rate plus 1.00%, plus a margin of 1.00% to 2.25% per annum, or SOFR, plus a margin of 2.00% to 3.25% per annum, in each case, depending on the consolidated total net leverage ratio of the Vertex Borrower and its subsidiaries. As of December 31, 2023, the effective interest rate for the Term Loan portion of the 2023 Credit Agreement was 8.41%.

Unutilized commitments under the 2023 Revolver are subject to a per annum fee ranging from 0.25% to 0.50% depending on the consolidated total net leverage ratio of the Vertex Borrower and its subsidiaries.

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 Revolving Credit loans times the average daily amount available to be drawn under all outstanding letters of credit.

The 2023 Credit Agreement contains customary representations and warranties, which must be accurate for the Vertex Borrower to borrow under the 2023 Credit Agreement, and affirmative covenants. The 2023 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 2023 Credit Agreement contains financial covenants requiring (a) the consolidated total net leverage ratio not to exceed 5.00 to 1.00 for the reporting periods ending on or after June 30, 2023, and on or prior to June 30, 2024, with further step downs thereafter, and (b) the consolidated interest coverage ratio be at least 2.00 to 1.00 commencing with the reporting period ending on June 30, 2023.

The 2023 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 2023 Credit Agreement 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 2023 Credit Agreement.

As of December 31, 2023, there were no outstanding borrowings and $17.5 million of outstanding letters of credit under the 2023 Revolver. Availability under the 2023 Revolver was $482.5 million as of December 31, 2023. Unamortized deferred financing costs related to the 2023 Revolver of $4.2 million are included in other non-current assets in the Consolidated Balance Sheets. As of December 31, 2023, the fair value of the 2023 Revolver approximated the carrying value because the debt bears a floating interest rate.

As of December 31, 2023, the carrying value of the Term Loan portion of the 2023 Credit Agreement was $245.3 million, excluding unamortized deferred financing costs of $2.1 million. The estimated fair value of the Term Loan portion of the 2023 Credit Agreement as of December 31, 2023 was $245.6 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 (Level 2).

The Company's aggregate scheduled maturities as of December 31, 2023 are as follows:

(In thousands)	Payments due
2024	$ 15,361
2025	20,049
2026	21,611
2027	21,611
2028	1,075,528
Total	$ 1,154,160

As of December 31, 2023, the Company was in compliance with all covenants related to the First Lien Credit Agreement and the 2023 Credit Agreement.

NOTE 11

DERIVATIVE INSTRUMENTS

Interest Rate Derivative Instruments

The Company is exposed to the risk that earnings and cash flows could be adversely impacted due to fluctuations in interest rates. To manage this risk, the Company has periodically 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. The Company's outstanding derivative instruments have not contained credit risk related contingent features nor is collateral generally 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. The Company reclassifies 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.

The Company entered into $350.0 million of interest rate swap contracts during the first six months of 2023. These contracts had a notional value of $345.3 million as of December 31, 2023. These contracts are designated and qualify as effective cash flow hedges.

The following table summarizes the amount at fair value and location of the derivative instruments in the Consolidated Balance Sheet as of December 31, 2023:

(In thousands)	Fair Value (Level 2)	
	Balance sheet caption	Amount
Interest rate swap designated as cash flow hedge	Prepaid expenses and other current assets	$ 3,381
Interest rate swap designated as cash flow hedge	Other non-current liabilities	$ 3,006
Interest rate swap designated as cash flow hedge	Accumulated other comprehensive income	$ 375

There were no interest rate swaps designated as cash flow hedges for the year ended December 31, 2022.

The Company regularly assesses the creditworthiness of the counterparty. As of December 31, 2023, the counterparty to the interest rate swaps had performed in accordance with its contractual obligations. Both the counterparty credit risk and the Company's credit risk were considered in the fair value determination.

Net interest rate derivative gains of $4.1 million and net interest rate derivative losses of $0.4 million and $1.0 million were recognized in interest expense, net in the Consolidated Statements of Income during 2023, 2022, and 2021, respectively. The Company expects $3.5 million of existing interest rate swap gains reported in accumulated other comprehensive income as of December 31, 2023 to be recognized in earnings within the next 12 months.

Foreign Currency Derivative Instrument

The Company transacts business in various foreign countries and is 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 by fluctuations in foreign exchange rates, the Company has entered into forward contracts to buy and sell foreign currency. By policy, the Company does not enter into these contracts for trading purposes or speculation.

The Company had no outstanding foreign currency forward contracts as of December 31, 2023 and 2022.

Net foreign currency derivative gains and losses recognized in selling, general and administrative expense during 2023, 2022, and 2021 were not material.

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.

The components of lease expense are as follows:

	Year Ended December 31,	
(In thousands)	2023	2022
Operating lease expense	$ 20,064	$ 17,167
Variable lease expense	348	568
Short-term lease expense	85,345	82,952
Total lease expense	$ 105,757	$ 100,687

Supplemental balance sheet information related to our operating leases is as follows:

	Year Ended December 31,	
(In thousands)	2023	2022
Right-of-use assets	$ 41,215	$ 52,825
Current lease liabilities (recorded in other accrued liabilities)	$ 13,644	$ 17,564
Long-term operating lease liabilities	34,691	41,083
Total operating lease liabilities	$ 48,335	$ 58,647

During the year ended December 31, 2023, we recognized additional right-of-use assets of $7.7 million from newly executed operating leases.

The weighted average remaining lease term and discount rate for our operating leases at December 31, 2023 were 5.0 years and 4.7%, respectively.

Maturities of lease liabilities at December 31, 2023 were as follows:

(In thousands)	Payments due
2024	$ 15,489
2025	10,610
2026	8,868
2027	6,940
2028	4,369
After 2028	8,065
Total minimum lease payments	$ 54,341
Less: Imputed interest	(6,006)
Total operating lease liabilities	$ 48,335

NOTE 13

INCOME TAXES

The Company determines 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, the Company looks 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, 2023, the Company did not establish or release an additional valuation allowance.

The sources of pre-tax income and the components of income tax expense for the years ended December 31, 2023, 2022 and 2021, respectively, are as follows:

(in thousands)	2023	2022	2021
Income Components			
United States	$ (32,143)	$ (8,324)	$ 51,532
Foreign	7,625	2,216	2,503
Total pre-tax (loss) income	$ (24,518)	$ (6,108)	$ 54,035
Income tax expense components			
Current income tax provision			
United States-Federal	$ (3,776)	$ 1,145	$ 11,860
United States-State and local	1,648	334	740
Foreign	7,208	4,558	1,477
Total current income tax provision	5,080	6,037	14,077
Deferred income tax (benefit) provision			
United States-Federal	(7,368)	(317)	(5,008)
United States-State and local	747	2,577	(211)
Foreign	(404)	(75)	(551)
Total deferred income tax (benefit) provision	(7,025)	2,185	(5,770)
Total income tax (benefit) expense	$ (1,945)	$ 8,222	$ 8,307
Effective income tax rate	7.9 %	(134.6)%	15.4 %

A reconciliation of the income tax provision at the U.S. statutory rate to the effective income tax rate as reported is as follows:

	2023	2022	2021
Tax provision at U.S. statutory rate	21.0 %	21.0 %	21.0 %
State and local income tax, net of federal benefit	(7.7)%	(38.1)%	1.1 %
Foreign taxes	(3.6)%	(24.6)%	0.3 %
Uncertain tax positions	8.2 %	16.3 %	4.1 %
Return to provision true-ups	(7.3)%	8.6 %	(0.5)%
Foreign derived intangible income deduction	— %	11.3 %	(7.3)%
Non-deductible compensation expense[1]	(12.5)%	(79.0)%	1.6 %
Stock-based compensation[1]	3.9 %	(1.5)%	(1.1)%
Non-deductible transaction expense	— %	(59.5)%	— %
Tax credits	9.4 %	12.2 %	(3.8)%
Meals and entertainment[1]	(2.0)%	(0.3)%	— %
Other[1]	(1.5)%	(1.0)%	— %
Effective income tax rate	7.9 %	(134.6)%	15.4 %

[1] Prior year rates have been reclassified to conform to current year presentation.

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 the Company expects the differences will reverse. Deferred tax assets and liabilities include the following:

(in thousands)	2023	2022
Deferred tax assets		
Compensation and benefits	$ 16,952	$ 12,461
Reserves	36,193	45,952
Lease liability	11,272	13,585
Research expenditures	14,916	8,269
Tax credits	—	1,468
Disallowed interest	40,130	23,345
Net operating losses	792	2,415
Other	3,165	4,416
Total deferred tax assets	$ 123,420	$ 111,911
Deferred tax liabilities		
Goodwill and intangibles	$ (96,653)	$ (97,014)
Unbilled receivables	(14,212)	—
Property, plant and equipment, net	(9,941)	(13,279)
Right-of-use assets	(9,591)	(12,278)
Other liabilities	(4,786)	(5,153)
Total deferred tax liabilities	(135,183)	(127,724)
Net deferred tax liabilities	$ (11,763)	$ (15,813)

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	2023	2022	2021
Unrecognized tax benefits-January 1,	$ 8,611	$ 9,321	$ 7,411
Additions for:			
Current year tax positions	517	373	2,139
Prior year tax positions	28	613	251
Reductions for:			
Lapse of statute of limitations	(2,563)	(1,696)	(480)
Unrecognized tax benefits-December 31,	$ 6,593	$ 8,611	$ 9,321

As of December 31, 2023, 2022, and 2021, unrecognized tax benefits from uncertain tax positions were $6.6 million, $8.6 million and $9.3 million, respectively. It is reasonably possible that the Company's total unrecognized tax benefits will decrease by approximately $3.0 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 $7.1 million, $8.3 million, and $9.3 million as of December 31, 2023, 2022, and 2021, respectively, excluding the interest and penalties.

Interest relating to tax matters is classified as a component of interest expense, and tax penalties are classified as a component of income tax expense on the Consolidated Statements of Income. The Company recognized net interest related to tax matters of $0.2 million, $0.2 million, and $0.2 million during the years ended December 31, 2023, 2022 and 2021, respectively. The Company has accrued $0.1 million and $0.8 million of net interest and penalties as of December 31, 2023 and 2022, 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 2020. Under U.S. GAAP, the Company is 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 measurement of its deferred taxes (the “deferred method”). The Company has 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 the Consolidated Financial Statements.

NOTE 14

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 $30.8 million, $17.4 million and $8.7 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company participates in multiemployer pension plans for certain employees covered by collective bargaining agreements. Contributions are based on specified hourly rates for eligible hours. Company expenses related to these plans were $12.9 million, $6.3 million and $1.1 million during 2023, 2022, and 2021, respectively. 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.

The Company has two non-qualified deferred compensation plans one established during the first quarter of 2021 and one assumed in the 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, 2023 and 2022 were $3.2 million and $1.5 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, 2023 and December 31, 2022 accrued contributions under the Excess Savings Plan were $0.1 million and $0.1 million, respectively.

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 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.

NOTE 15

COMMITMENTS AND CONTINGENCIES

General

From time to time, to the Company is involved in various investigations, lawsuits, arbitration, claims, enforcement actions and other legal proceedings including government investigations and claims, which are incidental to the operation of its business. Some of these proceedings seek remedies relating to employment matters, matters in connection with the Company's 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, V2X and the U.S. government representatives engage in discussions to enable 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 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 latest information available to us.

The Company estimated and accrued $12.1 million and $27.6 million as of December 31, 2023 and 2022, respectively, in other accrued liabilities in the Consolidated Balance Sheets for legal proceedings and for claims with respect to its U.S. 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 the assessment of the merits of a particular claim, the Company does 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 its cash flows, results of operations or financial condition.

U.S. Government Contracts, Investigations and Claims

The Company has 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 the Company’s 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 non-reimbursable expenses or charges or otherwise adversely affecting the Company's 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, the Defense Contract Management Agency and others, routinely audit and review the Company's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. Accordingly, costs 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 compliance with government standards for business systems, including accounting, earned value management, estimating, materials management and accounting, purchasing, and property management systems.

In the performance of its contracts, the Company routinely requests 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 the Company is entitled to recovery of these costs under its contracts, the administrative process with the U.S. government customer may be protracted. Based on the circumstances, the Company periodically files REAs that are sometimes converted into claims. In some cases, these requests are disputed by the U.S. government customer. The Company believes its outstanding modifications, REAs and other claims will be resolved without material adverse impact to its results of operations, financial condition or cash flows.

NOTE 16

STOCK-BASED COMPENSATION

The Company maintains an equity incentive plan, the 2014 Omnibus Incentive Plan, as amended and restated effective as of October 27, 2022 (the 2014 Omnibus Plan), to govern awards granted to V2X employees and directors, including nonqualified stock options (NQOs), restricted stock units (RSUs), total shareholder return (TSR) awards, performance share units (PSUs) and other awards. The Company accounts for NQOs, stock-settled RSUs and PSUs as equity-based compensation awards. TSR awards, described below, are accounted for as liability-based compensation awards. Liability-based awards are revalued at the end of each reporting period to reflect changes in fair value.

There were 3.5 million shares of the Company's common stock authorized for issuance under the 2014 Omnibus Plan. As of December 31, 2023, 0.9 million shares remained available for future awards.

Stock-based compensation expense and the associated tax benefits impacting our Consolidated Statements of Income were as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Compensation costs for equity-based awards	$ 31,456	$ 31,897	$ 7,261
Compensation costs for liability-based awards	1,387	839	1,070
Total compensation costs, pre-tax	$ 32,843	$ 32,736	$ 8,331
Future tax benefit	$ 7,685	$ 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 $1.5 million and $2.9 million related to liability-based compensation awards during the years ended December 31, 2023 and 2022, respectively.

At December 31, 2023, total unrecognized compensation costs related to equity-based awards and liability-based awards were $18.0 million and $0.7 million, respectively, which are expected to be recognized ratably over a weighted average period of 1.51 years and 1.00 year, 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.

A summary of the status of our NQOs as of December 31, 2023, 2022 and 2021 and changes during the years then ended is presented below:

	2023		2022		2021	
(In thousands, except per share data)	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Outstanding at January 1,	42	$ 22.86	59	$ 23.19	74	$ 23.37
Granted	—	$ —	—	$ —	—	$ —
Exercised	(2)	$ 20.62	(17)	$ 24.02	(15)	$ 24.04
Forfeited, canceled or expired	—	$ —	—	$ —	—	$ —
Outstanding and exercisable at December 31,	40	$ 22.93	42	$ 22.86	59	$ 23.19

All outstanding NQOs are exercisable. The following table summarizes information about NQOs outstanding and exercisable as of December 31, 2023:

(In thousands, except per share data)	Options Outstanding and Exercisable			
Range of Exercise Prices Per Share	Number	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
$20.06 - $21.98	32	2.31	$ 21.72	$ 800
$26.05 - $32.04	8	0.63	27.83	149
Total options and aggregate intrinsic value	40	2.94	$ 22.93	$ 949

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on our closing stock price of $46.44 per share on December 31, 2023, 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, 2023. The aggregate intrinsic value of options exercised during the year ended December 31, 2023 was not material. The aggregate intrinsic value of options exercised during the years ended December 31, 2022 and 2021 was $0.2 million and $0.4 million, respectively.

Restricted Stock Units

The fair value of RSUs is determined based on the closing price of 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 July 5, 2022, the 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 having vested 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.

The table below provides a roll-forward of outstanding RSUs for the years ended December 31, 2023, 2022 and 2021.

	2023		2022		2021	
(In thousands, except per share data)	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at January 1,	1,628	$ 35.47	245	$ 51.18	253	$ 41.67
Granted	318	$ 40.50	236	$ 35.83	155	$ 56.43
Replacement awards	—	$ —	1,346	$ 33.92	—	$ —
Vested	(1,136)	$ 43.07	(171)	$ 44.85	(137)	$ 40.04
Forfeited or canceled	(10)	$ 42.81	(28)	$ 44.12	(26)	$ 48.73
Outstanding at December 31,	800	$ 37.29	1,628	$ 35.47	245	$ 51.18

The total grant date fair value of RSUs that vested during the years ended December 31, 2023, 2022 and 2021 was $40.0 million, $7.7 million and $5.5 million, respectively.

On August 11, 2020, our total outstanding 15,839 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.

There were no TSR awards granted during the year ended December 31, 2023. During the years ended December 31, 2022 and 2021, the Company granted TSR awards with aggregate target TSR values of $2.8 million and $2.2 million, respectively. The fair value of TSR awards was measured quarterly 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 could range from 0% to 200% of the target value. For the years ended December 31, 2023, 2022 and 2021, $1.4 million, $0.8 million and $1.1 million, respectively, was recorded in selling, general, and administrative expenses for TSR awards. Payments of $1.0 million were made in January 2024 for the 2021 TSR awards, and payments of $0.4 million were made in October 2023 related to a former employee's 2021 and 2022 TSR awards. Payments of $1.1 million were made in January 2023 for the 2020 TSR awards, and payments of $2.9 million were made in January 2022 for the 2019 TSR awards. Payments, if any, for the remaining 2022 TSR awards are expected to be made in January 2025. As of December 31, 2023 and 2022, we had $2.4 million and $2.5 million, respectively, recorded as a liability related to TSR awards in other accrued liabilities and other non-current liabilities on the Consolidated Balance Sheets.

Performance Share Units

During the first and second quarters of 2023, the Company granted two types of performance-based awards with market conditions. The first award will vest and the stock will be issued at the end of a three-year period based on the attainment of certain total shareholder return performance measures relative to Aerospace and Defense companies in the S&P 1500 Index and the employee's continued service through the vesting date. The number of shares ultimately awarded, if any, can range up to 200% of the specified target awards. If performance is below the threshold level of performance, no shares will be issued.

The second award will vest and stock will be issued at the end of a three-year period based on achievement of certain stock price targets, shareholder return performance measures relative to certain Aerospace and Defense companies in the S&P 1500 Index and the employee's continued service through the vest date. The numbers of shares ultimately awarded, if any, can range up to the specified target awards.

The table below provides a roll-forward of outstanding PSUs for the year ended December 31, 2023.

(In thousands, except per share data)	Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding at January 1,	—	$ —
Granted	279	$ 40.41
Forfeited or canceled	(12)	$ 51.38
Outstanding at December 31,	267	$ 43.45

As of December 31, 2023, there was $5.2 million of unrecognized PSU related compensation expense.

NOTE 17

SHAREHOLDERS' EQUITY

As of December 31, 2023, our authorized capital was comprised of 100.0 million shares of common stock and 10.0 million shares of preferred stock. At December 31, 2023, there were 31.2 million shares of common stock issued and outstanding. No preferred stock was issued and outstanding at December 31, 2023 and 2022.

We issue shares of our common stock in connection with our 2014 Omnibus Plan. There were 3.5 million shares of common stock authorized under this plan. At December 31, 2023, we had a remaining balance of 0.9 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

SALE OF RECEIVABLES

During 2023, the Company entered into a Master Accounts Receivable Purchase Agreement (MARPA Facility) with MUFG Bank, Ltd. (MUFG) for the sale of certain designated eligible receivables up to a maximum amount of $200.0 million with the U.S. government. The receivables sold under the MARPA Facility are without recourse for any U.S. government credit risk.

The Company accounts for these receivable transfers under the MARPA Facility as sales under ASC Topic 860, *Transfers and Servicing*, and removes the sold receivables from its balance sheet. The fair value of the sold receivables approximated their book value due to their short-term nature.

(In thousands)	As of and for the Year Ended December 31, 2023
Beginning balance:	$ —
Sale of receivables	1,394,998
Cash collections	(1,322,284)
Outstanding balance sold to MUFG[1]	72,714
Cash collected, not remitted to MUFG[2]	(10,160)
Remaining sold receivables	$ 62,554

[1] For the year ended December 31, 2023, the Company recorded a net cash inflow from sale of receivables of $72.7 million from operating activities.

[2] Includes the cash collected on behalf of, but not yet remitted to, MUFG as of December 31, 2023. This balance is included in other accrued liabilities as of the balance sheet date.

During the year ended December 31, 2023, the Company incurred purchase discount fees, net of servicing fees, of $4.0 million, which are presented in other expense, net on the Consolidated Statements of Loss and are reflected as cash flows from operating activities on the Consolidated Statements of Cash Flows.

The Company does not retain an ongoing financial interest in the transferred receivables other than cash collection and administrative services. The Company estimated that its servicing fee was at fair value and therefore has not recognized a servicing asset or liability as of December 31, 2023. Proceeds from the sale of receivables are reflected as cash flows from operating activities on the Consolidated Statements of Cash Flows.

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.

V2X, INC.

/s/ William B. Noon

By: William B. Noon

Chief Accounting Officer

(Principal Accounting Officer)

Date: March 5, 2024

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.

SIGNATURE	TITLE	DATE
/s/ Charles L. Prow Charles L. Prow	President and Chief Executive Officer, Director (Principal Executive Officer)	March 5, 2024
/s/ Shawn Mural Shawn Mural	Chief Financial Officer (Principal Financial Officer)	March 5, 2024
/s/ William B. Noon William B. Noon	Chief Accounting Officer	March 5, 2024
/s/ Mary L. Howell Mary L. Howell	Chair and Director	March 5, 2024
/s/ Dino M. Cusumano Dino M. Cusumano	Director	March 5, 2024
/s/ Abbas Elegba Abbas Elegba	Director	March 5, 2024
/s/ Lee E. Evangelakos Lee E. Evangelakos	Director	March 5, 2024
/s/ Melvin F. Parker Melvin F. Parker	Director	March 5, 2024
/s/ Eric M. Pillmore Eric M. Pillmore	Director	March 5, 2024
/s/ Joel M. Rotroff Joel M. Rotroff	Director	March 5, 2024
/s/ Neil D. Snyder Neil D. Snyder	Director	March 5, 2024
/s/ Stephen L. Waechter Stephen L. Waechter	Director	March 5, 2024
/s/ Phillip C. Widman Phillip C. Widman	Director	March 5, 2024

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GENERAL INFORMATION

CORPORATE HEADQUARTERS

7901 Jones Branch Drive, Suite 700
McLean, Virginia 22102
571.481.2000

ANNUAL MEETING

The 2024 Annual Meeting of Shareholders will be held virtually at 8:00 a.m. ET on May 9, 2024 at www.virtualshareholdermeeting.com/VVX2024.

STOCK EXCHANGE LISTING

V2X, Inc. is listed on the New York Stock Exchange (NYSE) under the ticker symbol VVX.

COMPUTERSHARE/TRANSFER AGENT

Our transfer agent, Computershare, can help you with a variety of shareholder-related services concerning accounts for registered holders and other matters. You can contact Computershare via the following methods:

Toll Free Telephone
1.888.847.8927 or 1.201.680.6578

Outside US Toll Free Telephone
781.575.4756

Mailing Address
By regular mail:
Computershare
PO Box 43078
Providence, RI 02940-3078 • United States

By overnight delivery:
150 Royall Street, Suite 101
Canton, MA 02021 • United States

Website: www.computershare.com/investor

INVESTOR RELATIONS

Questions from shareholders, analysts, and others can be directed to:

Michael J. Smith
Vice President, Treasury, Corporate Development and Investor Relations
719.637.5773
e-mail: ir@gov2x.com

Written requests, including requests for company filings with the U.S. Securities and Exchange Commission (SEC) should be directed to:

Investor Relations
V2X, Inc.
7901 Jones Branch Drive, Suite 700
McLean, Virginia 22102

INDEPENDENT AUDITORS

RSM US LLP
1861 International Drive, Suite 400
McLean, Virginia 22102

BOARD OF DIRECTORS

You may communicate with the V2X Board of Directors via the Corporate Secretary by writing a letter sealed in a large envelope or sending an e-mail using the addresses listed below:

V2X, Inc. Board of Directors
c/o Kevin Boyle
7901 Jones Branch Drive, Suite 700
McLean, Virginia 22102
boardofdirectors@gov2x.com

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Charles L. Prow
President and Chief Executive Officer, V2X, Inc.

Mary L. Howell
Non-Executive Chairman of the Board of Directors, V2X, Inc. and Former Executive Vice President, Textron Inc.

Dino M. Cusumano
General Partner, American Industrial Partners

Abbas O. Elegba
Partner, American Industrial Partners

Lee E. Evangelakos
Partner, American Industrial Partners
Member of the Nominating and Governance Committee

Melvin F. Parker
President and Chief Executive Officer, Take The Limits Off, LLC
Chair of the Nominating and Governance Committee and Member of the Audit Committee

Eric M. Pillmore
Managing General Partner, Amore Limited Partnership and President, Pillmore Consulting, LLC
Member of the Audit Committee, Compensation and Human Capital Committee

Joel M. Rotroff
Partner, American Industrial Partners
Member of the Compensation and Human Capital Committee

Neil D. Snyder
Partner, American Industrial Partners
Member of the Nominating and Governance Committee and Compensation and Human Capital Committee

Stephen L. Waechter
Former Vice President of Business Operations and Chief Financial Officer, ARINC Incorporated
Chair of the Audit Committee and Member of the Nominating and Governance Committee

Phillip C. Widman
Former Senior Vice President and Chief Financial Officer, Terex Corporation
Chair of the Compensation and Human Capital Committee and Member of the Audit Committee

EXECUTIVE OFFICERS

Charles L. Prow
President and Chief Executive Officer

Shawn Mural
Senior Vice President, Chief Financial Officer

Jo Ann Bjornson
Senior Vice President, Chief Human Resources Officer

Kevin T. Boyle
Senior Vice President, Chief Legal Officer, General Counsel and Corporate Secretary

Corinne Minton-Package
Senior Vice President, Operational Technology and Engineering

Kenneth W. Shreves
Senior Vice President, Global Mission Solutions

Michael J. Smith
Vice President, Treasury, Corporate Development and Investor Relations

V2X builds smart solutions designed to integrate physical and digital infrastructure – by aligning people, actions, and outputs. Formed by the merger of Vectrus and Vertex, we bring a combined 120 years of successful mission support. Our lifecycle solutions improve security, streamline logistics, and enhance readiness.

The Company delivers a comprehensive suite of integrated solutions across the operations and logistics, aerospace, training, and technology markets to national security, defense, civilian, and international clients. Our global team of approximately 16,000 employees brings innovation to every point in the mission lifecycle, from preparation to operations, to sustainment, as it tackles the most complex challenges with agility, grit, and dedication.

V2X

7901 Jones Branch Drive
Suite 700
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