Second Quarter 2020 Results

August 6, 2020

FORWARD-LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

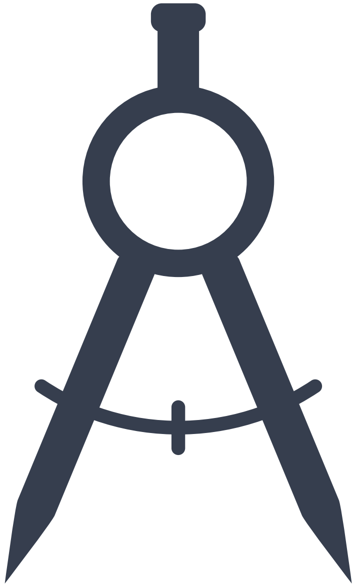
This presentation may contain a number of “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about PAE’s possible or assumed future results of operations, financial results, business strategies, debt levels, competitive position, industry environment, potential growth opportunities, potential impact of COVID-19, effects of regulation, backlog, estimation of resources for contracts, risks related to IDIQ contracts, strategy for and management of growth, needs for additional capital, risks related to U.S. government contracting generally, including congressional approval of appropriations, and bid protests. These forward-looking statements are based on PAE’s management’s current expectations, estimates, projections and beliefs, as well as a number of assumptions concerning future events. When used in this presentation, the words “estimates,” “projected,” “expects,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “seeks,” “may,” “will,” “should,” “future,” “propose” and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements.

These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside PAE’s management’s control, that could cause actual results to differ materially from the results discussed in the forward-looking statements.

Forward-looking statements included in this presentation speak only as of the date of this presentation. PAE does not undertake any obligation to update its forward-looking statements to reflect events or circumstances after the date of this presentation except as may be required by the federal securities laws.

This presentation contains non-GAAP financial measures. For more information about our use of non-GAAP financial measures see the appendix.

In this presentation, unless the context indicates otherwise, the terms “PAE”, “company, “we”, “our” and the “Company” refer to PAE Incorporated and its consolidated subsidiaries taken as a whole. Unless otherwise noted, the source for figures is PAE management.



Q2 2020 KEY HIGHLIGHTS

Strong Execution

- Strong Adjusted EBITDA margins (7.5%)
- Lowered net debt leverage to 2.8x on 2020E Adjusted EBITDA
- Generated $43.5 million of free cash flow
- Strong business fundamentals in place

Solid Business Development Progress

- Quarterly net bookings of $521 million (0.8x revenue)
  - Excludes $1.3 billion CBP award which was protested
- Recent awards mitigate new business and recompete requirements for guidance

Revising 2020 Financial Guidance [1]

	New Guidance	Prior Guidance
Revenue	$2,600M to $2,700M	$2,750M to $2,850M
Adjusted EBITDA [1]	$172M to $178M	$170M to $178M
Free Cash Flow [1]	At least $100M – No change from prior guidance	

Q2 2020 REVENUE

$643.3 million

ADJUSTED EBITDA

$48.4 million (7.5% margin)

SOLID BACKLOG

$6.3 billion (excludes $1.3 billion CBP award)

FOCUSED ON STRENGTHENING THE BALANCE SHEET

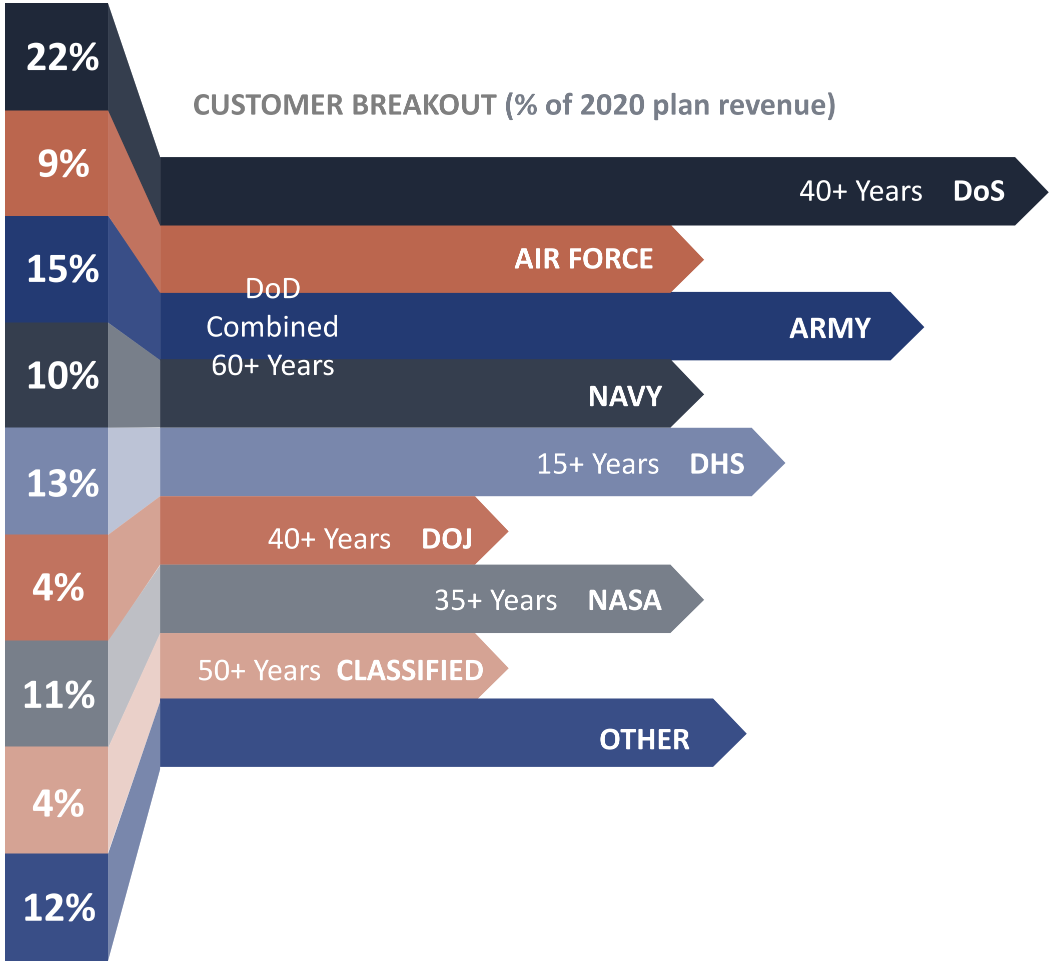
Re-iterating FCF guidance of at least $100 million

NEGLIGIBLE IMPACT FROM COVID-19 ON PROFITABILITY

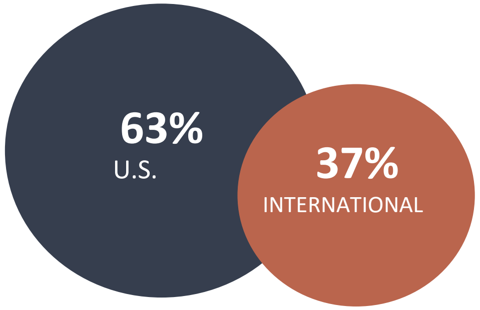
CAPEX-LIGHT BUSINESS MODEL

[1] The Company is not providing a reconciliation for these estimates based on the unreasonable efforts exception for forward-looking information. See slide 11 for more information.

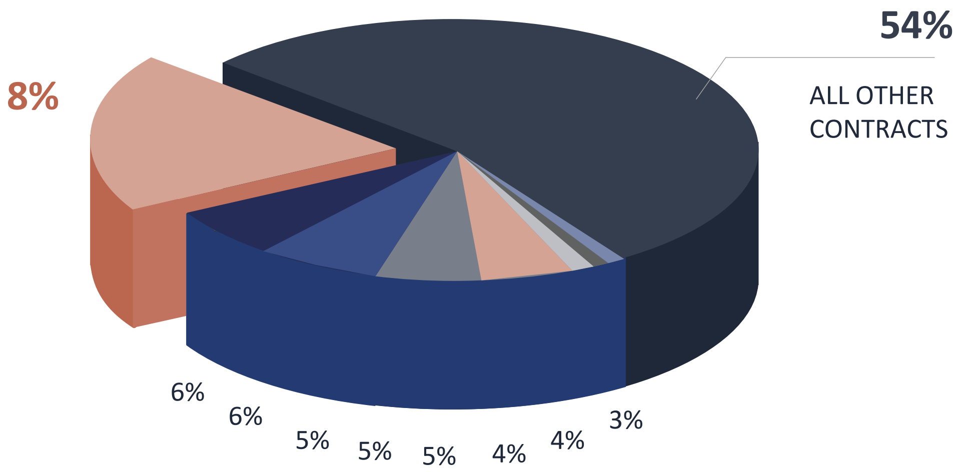
DIVERSE BUSINESS PORTFOLIO
CREATES A UNIQUE COMPETITIVE ADVANTAGE



GEOGRAPHIC DIVERSITY (% of 2020 plan revenue)



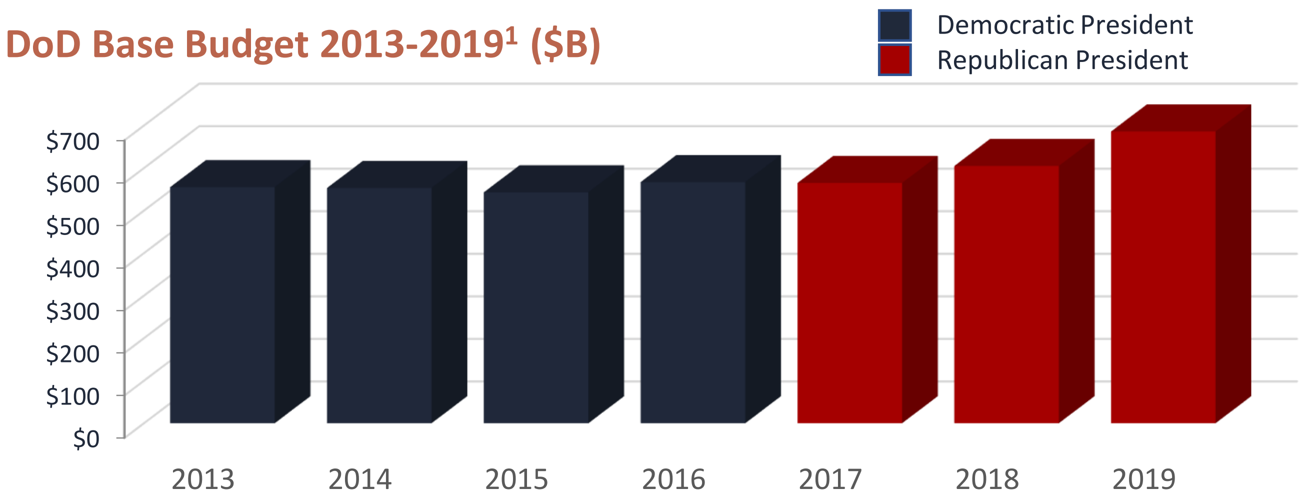
CONTRACT DIVERSITY (% of 2020 plan revenue)

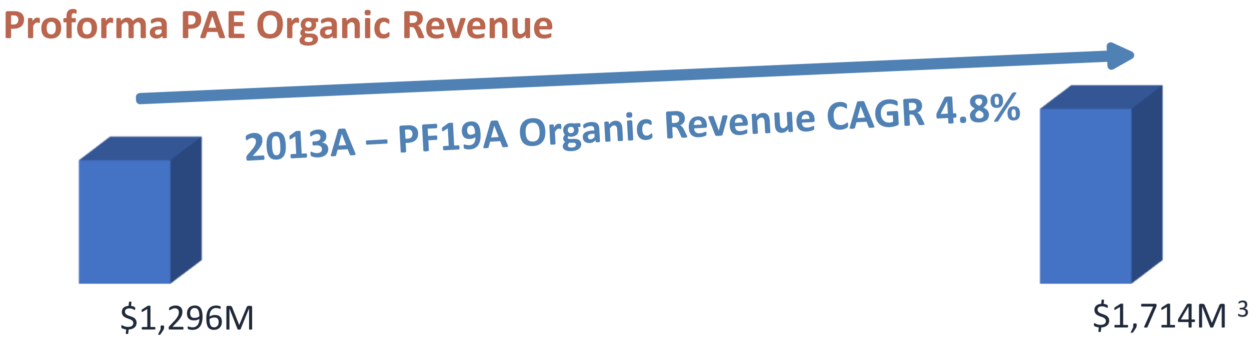


Source: PAE management; based on 2020 revenue plan

STRONG CYCLICAL RESILIENCY

CONSISTENT SERVICES SPENDING DRIVES PREDICTABLE PERFORMANCE





- Rise of enduring threats has sustained defense spending levels to date
  - Chinese power projection
  - Middle East / North Africa destabilization
  - Resurgent Russia
- PAE ensures mission readiness for our customers; operating on resilient programs
- We operate within the O&M portion of the DoD budget which tends to be less volatile than investment accounts (Procurement, RDT&E)
- PAE's contracts are predominantly funded from stable portions of the U.S. Govt budget, with little dependence on wartime or emergency OCO funding (e.g., embassy work, stability operations, business process outsourcing)

Source: Congressional Budget Office
[1] Base budget does not include OCO and GWOT (Global War on Terror) expenditures
[2] Represents Overseas Contingency Operations
[3] Excludes revenue from CSC Applied Technologies Division, USIS Professional Services Division and Labat-Anderson, A-T Solutions, FCI Federal and McFadden acquisitions; Source: PAE management estimates

PAE PIPELINE

POSITIONED TO CONTINUE CAPITALIZING ON ATTRACTIVE GROWTH PROSPECTS

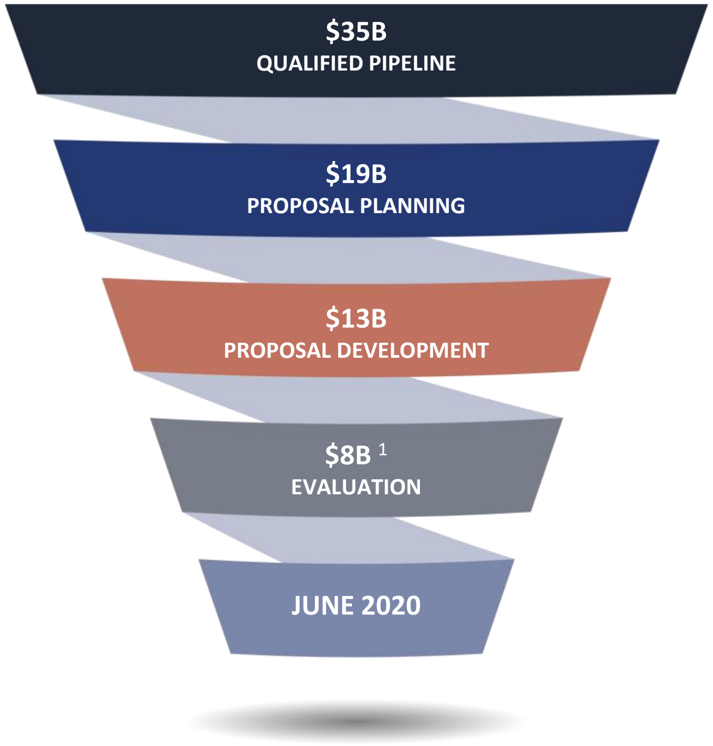
PAE has a robust pipeline of opportunities which does not include significant **IDIQ** value potential.

2020 METRICS

Qualified Pipeline - ~$38B
2020 Est. Proposal Submissions - $12B+
Pending Awards @ 06/28/2020 - ~$8B+ [1]

2019 ACTUALS

2019 Proposals Submitted - $13B
2019 Bookings - $3.1B; 1.1x Revenue



[1] Includes $1.3 billion CBP award previously protested

COVID-19 Status Update

Manageable Impact to Date from COVID-19

- Logistics operations impacted by international airport closures
- Certain training programs have been rescheduled to 2nd half of the year
- Immigration programs have slowed
- About 95% of the direct labor workforce is working and billable

COVID-19 Financial Impact

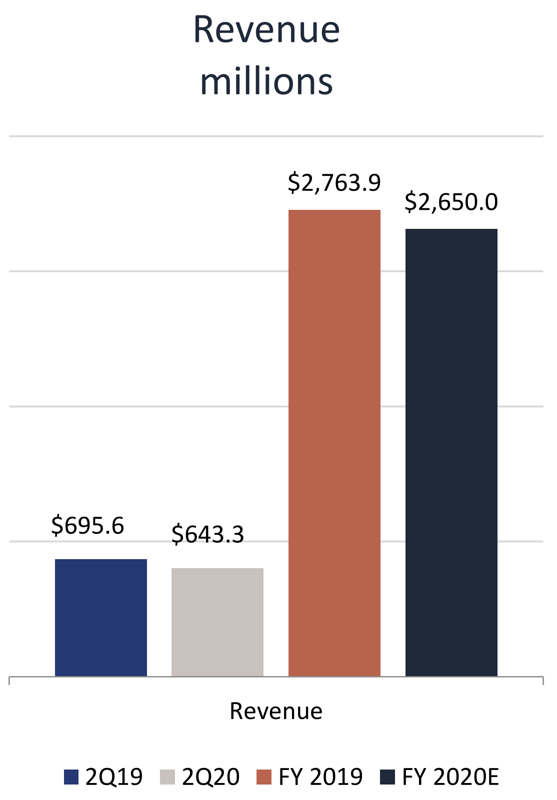
- 2nd quarter 2020 revenue negatively impacted by approximately $59 million
- Immaterial adjusted EBITDA impact that was offset by increased profitability on existing programs and revenue mix
- 2nd half revenue expected to be negatively impacted by a slightly reduced run rate impact as Q2, partially offset by on-contract growth and new business

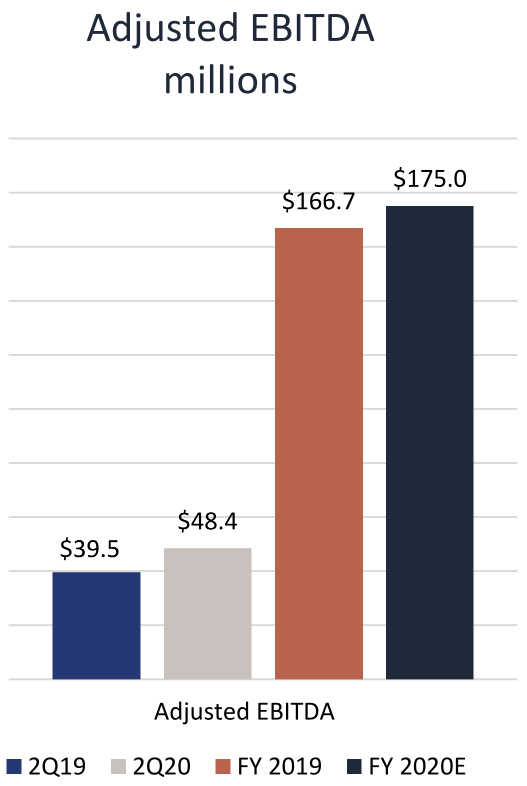
CARES Act

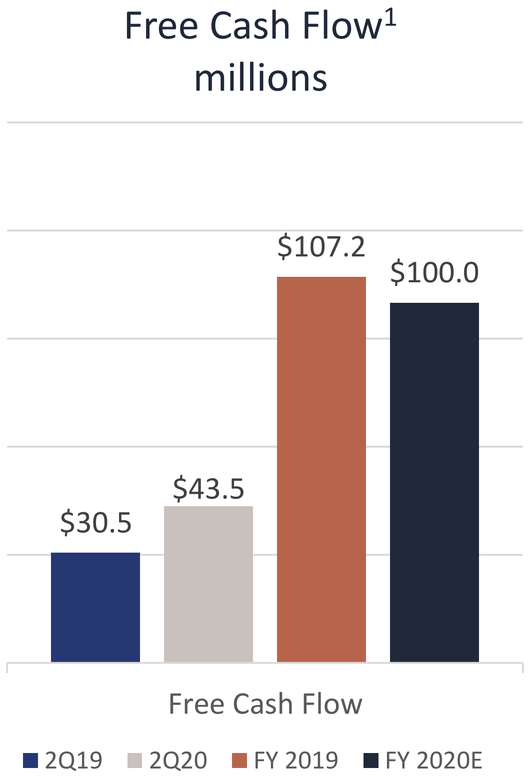
- Expectation to have little incremental risk exposure
- To date, we have largely relied upon customer authorizations to charge for mobile-ready personnel

SECOND-QUARTER 2020 FINANCIAL HIGHLIGHTS

AMIDST A CHALLENGING ENVIRONMENT, PAE DELIVERED SOLID REVENUE AND RECORD ADJUSTED EBITDA MARGINS







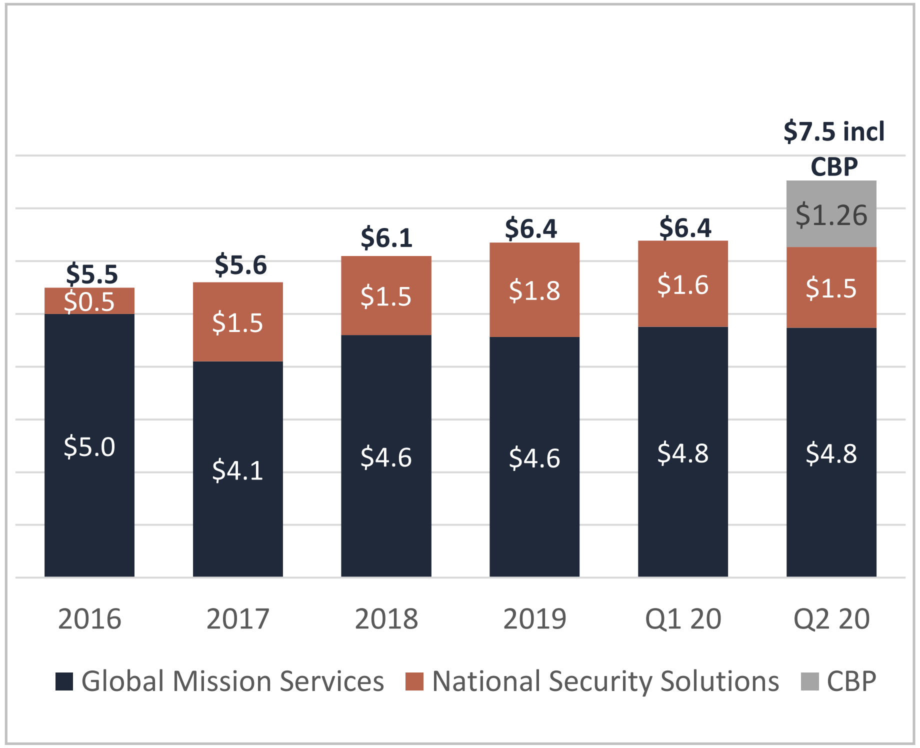
- Despite revenue headwinds from COVID-19, Q2 adjusted EBITDA of $48.4 million **increased 23%** over Q2 2019 performance
- Q2 Revenue driven primarily by $59 million impact of COVID-19 and partially offset by new business
- Q2 Free Cash Flow of $43.5 million driven by higher cash earnings and improved collections; DSO was 62 days in Q2. FY 2019 Free Cash Flow is higher due to increased cash collections following the end of the government shutdown

[1] Free Cash Flow defined as Cash Flow provided by operating activities less Capex

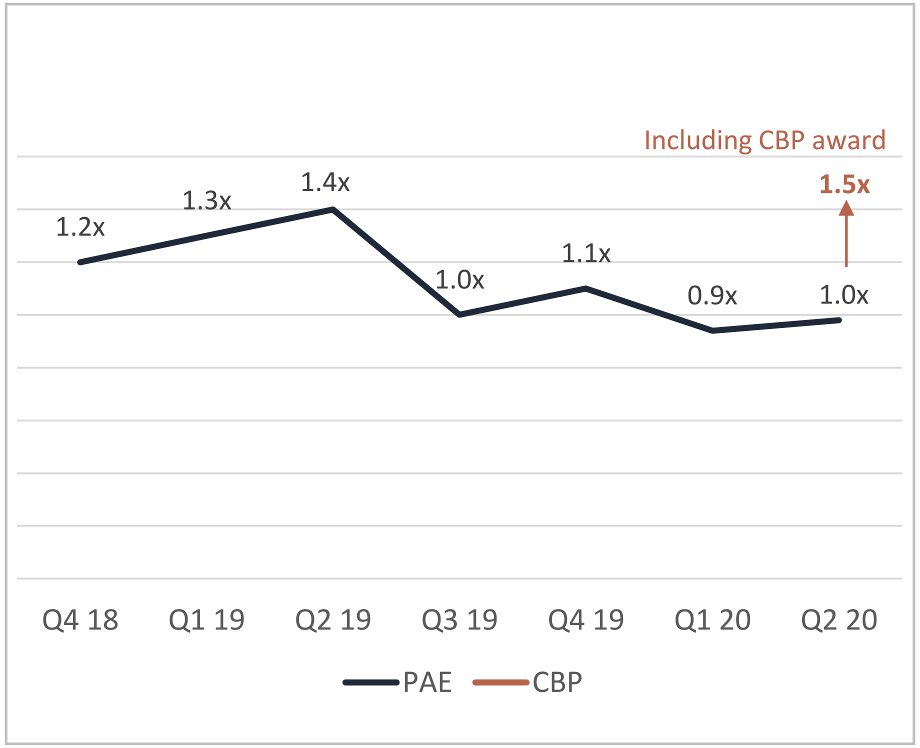
BACKLOG AND BOOK TO BILL

ROBUST BACKLOG SUPPORTS LONG-TERM VISIBILITY INTO RECURRING AND GROWING REVENUE BASE

TOTAL BACKLOG ($billions)



TTM BOOK-TO-BILL RATIO



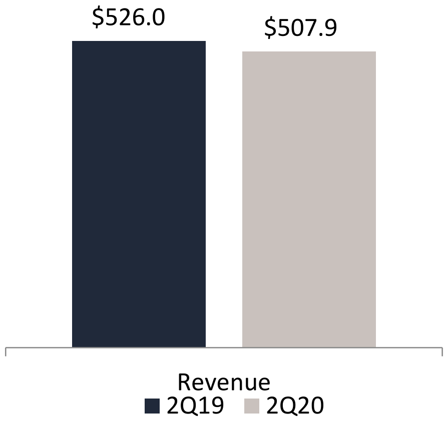
2nd QUARTER 2020 BUSINESS SEGMENT HIGHLIGHTS

Global Mission Services

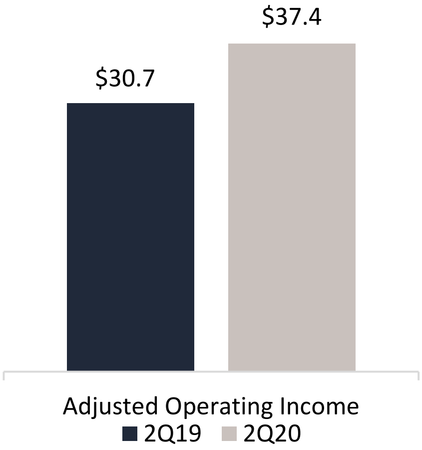
Strong margin expansion

- GMS maintains a high backlog to TTM revenue coverage ratio of 2.3x
- Revenues impacted by approximate $41 million COVID-19 impact, of which approximately $30 million was lower margin non-labor
- Adjusted operating income margin of 7.4% driven by favorable revenue mix and increased volume on higher margin programs

Revenue
millions



Adjusted Operating Income
millions

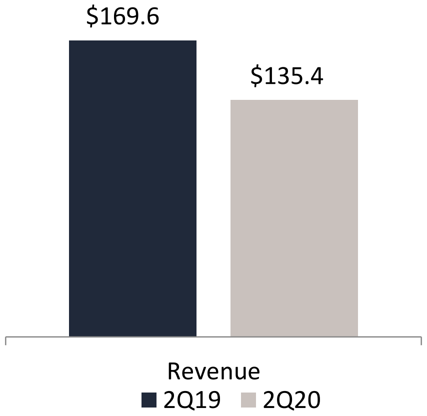


National Security Solutions

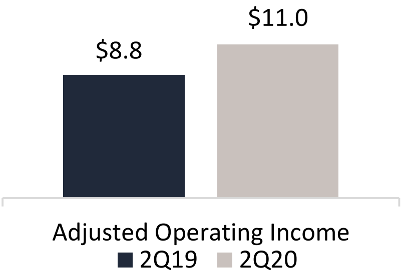
Increased volume on higher margin programs

- NSS maintains a high backlog to TTM revenue coverage ratio of 2.5x
- Revenues impacted by the 2019 recompete loss of certain contracts and an approximate $18 million COVID-19 impact, of which approximately $11 million was lower margin non-labor
- Adjusted operating income improved to $11.0 million (8.1%) in the quarter driven by increased volume on higher margin programs and lower SG&A expenses

Revenue
millions



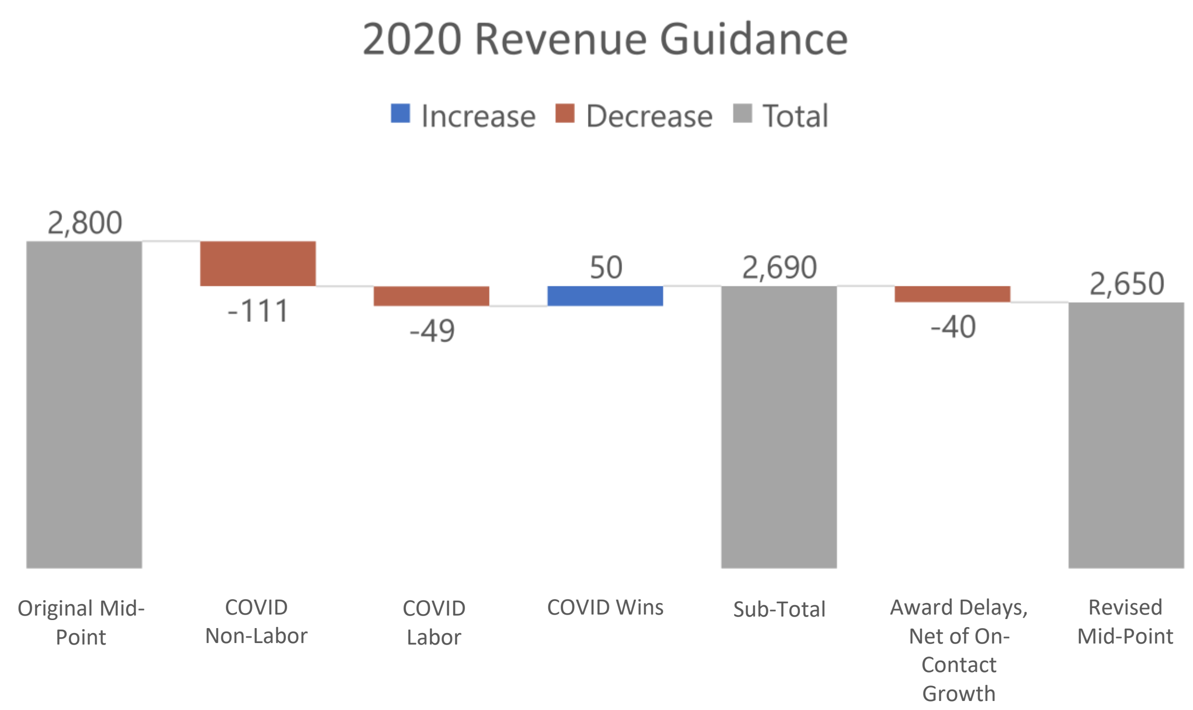
Adjusted Operating Income
millions



REVISING 2020 FINANCIAL GUIDANCE

	Revised Fiscal 2020 Guidance	Prior Fiscal 2020 Guidance
Revenue	$2,600 million – $2,700 million	$2,750 million – $2,850 million
Adjusted EBITDA	$172 million – $178 million	$170 million – $178 million
Free Cash Flow	At least $100 million – No change from prior guidance	

- Revenue guidance driven by COVID-19 (labor and non-labor) and award delays, partially offset by on-contract growth and new awards
- Despite the reduction in revenue guidance, we are narrowing and slightly increasing the Adjusted EBITDA mid-point due to revenue mix and increased profitability on existing programs. Mid-Point Adjusted EBITDA margin improves 40 basis points over original guidance to 6.6%.
- No change to our Free Cash Flow outlook for the year

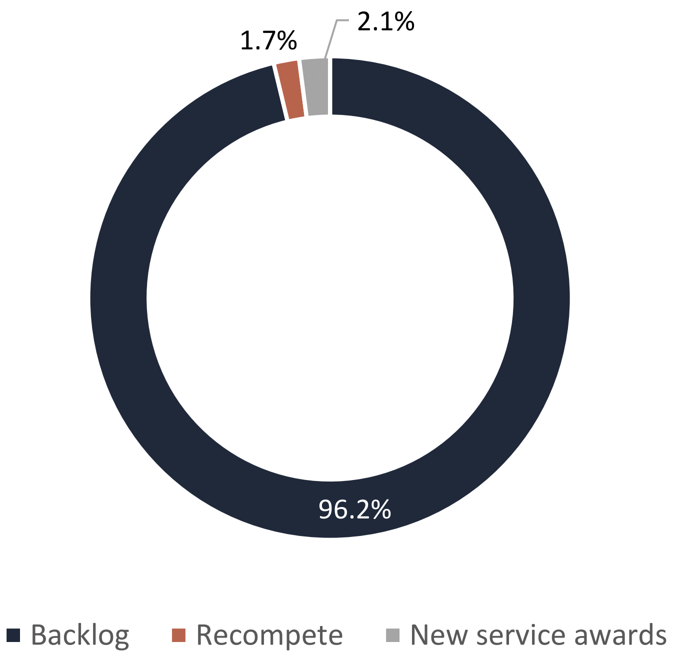


1 The company is not providing a quantitative reconciliation of adjusted EBITDA in reliance on the "unreasonable efforts" exception for forward-looking non-GAAP measures set forth in SEC rules because certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated without unreasonable effort and expense. In this regard, the company does not provide a reconciliation of forward-looking adjusted EBITDA to GAAP net income, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Because certain deductions for non-GAAP exclusions used to calculate projected net income may vary significantly based on actual events, the company is not able to forecast on a GAAP basis with reasonable certainty all deductions needed in order to provide a GAAP calculation of projected net income at this time. The amounts of these deductions may be material and, therefore, could result in projected GAAP net income being materially less than is indicated by estimated adjusted EBITDA and pro forma adjusted EBITDA.

2020 REVISED REVENUE COMPONENTS

Revenue Guidance: $2,600 million – $2,700 million

Revised Revenue Guidance at Mid-Point



Percentage of revenue

- With reduction in revenue guidance and conservative new business assumptions, backlog has increased to 96.2%
- Recompete risk reduced to 1.7% driven by recent wins and extensions
- Reduced new business requirements to reflect temporary award delays

ADDITIONAL 2020 GUIDANCE ASSUMPTIONS

- Basic share count of approximately 92 million shares[1]
- Effective tax rate of approximately 24%; zero federal cash taxes in 2020
- Full-year 2020 depreciation and amortization expected to be approximately $43 million
- Full-year 2020 cash interest expense expected to be about $47 million
- Re-iterating full-year 2020 free cash flow[2] expectation of at least $100 million

[1] Basic share count excludes warrants, earn-out shares and management incentive shares

[2] The company is not providing a quantitative reconciliation of free cash flow in reliance on the "unreasonable efforts" exception for forward-looking non-GAAP measures set forth in SEC rules because certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated without unreasonable effort and expense. In this regard, the company does not provide a reconciliation of forward-looking free cash flow to GAAP cash flows provided by operating activities and GAAP cash used in investing activities, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Because certain line items used to calculate projected cash flows provided by operating activities and cash used in investing activities may vary significantly based on actual events, the company is not able to forecast on a GAAP basis with reasonable certainty all line items needed in order to provide a GAAP calculation of projected free cash flow at this time.

PAE CAPITAL STRUCTURE

PAE CAPITALIZATION (AMOUNTS IN MILLIONS)

CAPITALIZATION	06/28/20	OBSERVATIONS
Asset-Based Revolving Loan Credit Facility	$0	October 2021 Maturity; LIBOR + 175 to 225 bps
1st Lien Term Loan	$499	October 2022 Maturity; LIBOR + 550 bps
2nd Lien Term Loan	$129	October 2023 Maturity; LIBOR + 950 bps
Total Debt	$628	
Less:		
Cash & Equivalents	$139	U.S. GAAP cash balance
Net Debt	$489	
Market Capitalization (@$8.67/share as of 08/05/20)	$798	

INVESTMENT HIGHLIGHTS

THIS IS PAE

Well-established platform and brand with a 65+ year history of success

DIVERSIFICATION

Significant customer and contract diversification creates a unique competitive advantage

STABILITY

End-markets provide resiliency and stability largely immune to business distribution

GROWTH

Growth story driven by strategic transformation and M&A pipeline

PRECISION

History of delivering exceptional performance and garnering high customer satisfaction ratings

FINANCIAL

Strong financial profile, delivering acquisition capacity and rapid deleveraging

Appendix

NON-GAAP FINANCIAL MEASURES

The Company uses EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income per segment and adjusted operating income margin per segment as supplemental non-GAAP measures of performance. PAE defines EBITDA as net income excluding (i) interest expense, (ii) provision for or benefit from income taxes and (iii) depreciation and amortization. Adjusted EBITDA and adjusted operating income per segment exclude certain amounts included in EBITDA as provided in the reconciliations provided herein. Adjusted EBITDA is equal to the sum of adjusted operating income for each segment. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenues expressed as a percentage and adjusted operating income margin is calculated as adjusted operating income divided by revenues expressed as a percentage.

For 2020 and 2019, the Company's net income was impacted by certain events that do not reflect the cost of our operations and which may affect the period-over-period assessment of operating results. The non-GAAP financial measures demonstrate the impact of these events.

During 2019 substantially all the assets of PAE ISR LLC ("ISR") were sold. The Company believes that it is helpful for investors to be able to evaluate the performance of PAE's underlying business based on excluding ISR's operations during the year. To calculate the loss, adjusted EBITDA and adjusted operating income without ISR, the Company removed ISR from its revenue and loss metrics for the second quarter of 2019.

These non-GAAP measures of performance are used by management to conduct and evaluate its business during its regular review of operating results for the periods presented. Management and the Company's Board utilize these non-GAAP measures to make decisions about the use of the Company's resources, analyze performance between periods, develop internal projections and measure management performance. PAE believes these non-GAAP measures are useful to investors in evaluating the Company's ongoing operating and financial results and understanding how such results compare with the Company's historical performance.

In addition to the above non-GAAP financial measures, the Company has included backlog, net bookings, and book-to-bill ratio in this release. Backlog is an operational measure representing the estimated amount of future revenues to be recognized under negotiated contracts and task orders as work is performed and excludes contract awards which have been protested by competitors until the protest is resolved in our favor. Net bookings are an operational measure representing the change in backlog between reporting periods plus reported revenue for the period and book-to-bill ratio is an operational measure representing net bookings divided by reported revenues for the same period. We believe backlog, net bookings and book-to-bill ratio are useful metrics for investors because they are an important measure of business development performance and revenue growth. These metrics are used by management to conduct and evaluate its business during its regular review of operating results for the periods presented.

PAE NON-GAAP ADJUSTED EBITDA RECONCILIATION

Reconciliation of GAAP net income to Adjusted EBITDA, a non-GAAP Measure - Company

(in thousands)

	Three Months Ended		
	June 28, 2020	**June 30, 2019**	**Change**
Net (loss) income attributed to PAE Incorporated	$ 16,021	$ 2,674	$ 13,347
Interest expense, net	13,757	21,617	(7,860)
Provision for taxes	3,752	1,153	2,599
Depreciation and amortization	10,536	11,487	(951)
M&A costs	(752)	948	(1,700)
Disposal of assets	—	5,003	(5,003)
Non-core expenses (1)	1,195	1,214	(19)
Non-cash items (2)	—	(4,494)	4,494
Forward loss accruals (3)	—	(1,823)	1,823
Sponsor fees (4)	—	1,250	(1,250)
Equity based compensation (5)	3,519	—	3,519
Other (6)	371	421	(50)
Adjusted EBITDA	$ 48,399	$ 39,450	$ 8,949
Adjusted EBITDA margin	7.5 %	5.7 %	

(1) Non-core expenses include certain professional fees, gain/loss on disposal of fixed assets, settlements and certain severance costs.
(2) Non-cash items include idle facilities charges for facilities the Company no longer occupies, pension curtailment costs and unrealized FX gains/losses.
(3) Forward loss accruals include adjustments related to future expected losses recognized in the current period.
(4) Sponsor fees include management fees and out of pocket expenses paid to the Company's former private equity sponsor for general management, transactional, financial and other corporate advisory services.
(5) Equity based compensation reflects costs associated with the issuance of restricted and performance shares to PAE employees and independent directors.
(6) Other costs include adjustments related to adjustments to offset capitalized internal labor and state income taxes that were not captured in reported income tax expense.

REPORTABLE SEGMENTS NON-GAAP ADJUSTED OPERATING INCOME RECONCILIATION

Reconciliation of GAAP operating income to adjusted operating income, a non-GAAP Measure - GMS

(in thousands)

	Three Months Ended		
	June 28, 2020	June 30, 2019	Change
Operating income	$ 31,537	$ 25,276	$ 6,261
Corp operating loss allocation (7)	(3,918)	(2,353)	(1,565)
Corporate NCI allocation	(804)	(814)	10
Depreciation and amortization	6,057	6,749	(692)
M&A costs	553	636	(83)
Disposal of assets	—	—	—
Non-core expenses (1)	943	718	225
Non-cash items (2)	—	299	(299)
Forward loss accruals (3)	—	(1,074)	1,074
Sponsor fees (4)	—	945	(945)
Equity based compensation (5)	2,777	—	2,777
Other (6)	293	287	6
Adjusted operating income	$ 37,438	$ 30,669	$ 6,769
Adjusted operating income margin	7.4 %	5.8 %	

(1) Non-core expenses include certain professional fees, gain/loss on disposal of fixed assets, settlements and certain severance costs.
(2) Non-cash items include idle facilities charges for facilities the Company no longer occupies, pension curtailment costs and unrealized FX gains/losses.
(3) Forward loss accruals include adjustments related to future expected losses recognized in the current period.
(4) Sponsor fees include management fees and out of pocket expenses paid to the Company’s former private equity sponsor for general management, transactional, financial and other corporate advisory services.
(5) Equity based compensation reflects costs associated with the issuance of restricted and performance shares to PAE employees and independent directors.
(6) Other costs include adjustments related to adjustments to offset capitalized internal labor and state income taxes that were not captured in reported income tax expense.
(7) Corporate operating loss allocation includes certain selling, general and administrative, depreciation and amortization costs that cannot be assigned to a specific segment; this cost is allocated based on proportionate segment revenues for the period in which the cost is incurred.

REPORTABLE SEGMENTS NON-GAAP ADJUSTED OPERATING INCOME RECONCILIATION

Reconciliation of GAAP operating income to adjusted operating income, a non-GAAP Measure - NSS

(in thousands)

	Three Months Ended		
	June 28, 2020	**June 30, 2019**	**Change**
Operating income	7,725	3,974	$ 3,751
Corp operating loss allocation (7)	(1,048)	(737)	(311)
Corporate NCI allocation	39	99	(60)
Depreciation and amortization	4,479	4,739	(260)
M&A costs	(1,305)	312	(1,617)
Disposal of assets	—	5,003	(5,003)
Non-core expenses (1)	252	496	(244)
Non-cash items (2)	—	(4,793)	4,793
Forward loss accruals (3)	—	(745)	745
Sponsor fees (4)	—	305	(305)
Equity based compensation (5)	743	—	743
Other (6)	78	133	(55)
Adjusted operating income	$ 10,963	$ 8,786	$ 2,177
Adjusted operating income margin	8.1 %	5.2 %	

(1) Non-core expenses include certain professional fees, gain/loss on disposal of fixed assets, settlements and certain severance costs.
(2) Non-cash items include idle facilities charges for facilities the Company no longer occupies, pension curtailment costs and unrealized FX gains/losses.
(3) Forward loss accruals include adjustments related to future expected losses recognized in the current period.
(4) Sponsor fees include management fees and out of pocket expenses paid to the Company's former private equity sponsor for general management, transactional, financial and other corporate advisory services.
(5) Equity based compensation reflects costs associated with the issuance of restricted and performance shares to PAE employees and independent directors.
(6) Other costs include adjustments related to adjustments to offset capitalized internal labor and state income taxes that were not captured in reported income tax expense.
(7) Corporate operating loss allocation includes certain selling, general and administrative, depreciation and amortization costs that cannot be assigned to a specific segment; this cost is allocated based on proportionate segment revenues for the period in which the cost is incurred.