Fourth Quarter & Full Year 2020 Results

March 11, 2021

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, risks related to integrating acquisitions, including the acquisitions of CENTRA Technology, Inc. and Metis Solutions Corporation, 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.

Q4 & FULL-YEAR 2020 KEY HIGHLIGHTS

Strong Execution in the fourth quarter

- Record PAE standalone revenue
- PAE standalone Adjusted EBITDA exceeded expectations
- Key contract wins (GSS, MEGA V)

Integration of CENTRA and Metis is on track

Strong financial performance against revised guidance

- Free Cash Flow negatively impacted by ~$15 million of Accounts Receivable collected in January

	FY 2020 Actuals PAE Standalone Pre-acquisitions	Revised Fiscal 2020 Guidance (issued November 5, 2020)
Revenue	$2,675M	$2,625M – $2,675M
Adjusted EBITDA [1]	$178M	$172M – $178M
Free Cash Flow [2]	$97M	At least $110M

[1] Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures, see the appendix.

[2] Free Cash Flow defined as Cash Flow provided by operating activities less capital expenditures ("Capex").

Q4 2020 REVENUE

$788 million; PAE standalone = $749 million

Q4 ADJUSTED EBITDA [1]

$44 million (5.6% margin);
PAE standalone - $41 million (5.5% margin) [1]

SOLID BACKLOG

$7.9 billion; PAE standalone = $6.8 billion

FOCUSED ON STRENGTHENING THE BALANCE SHEET

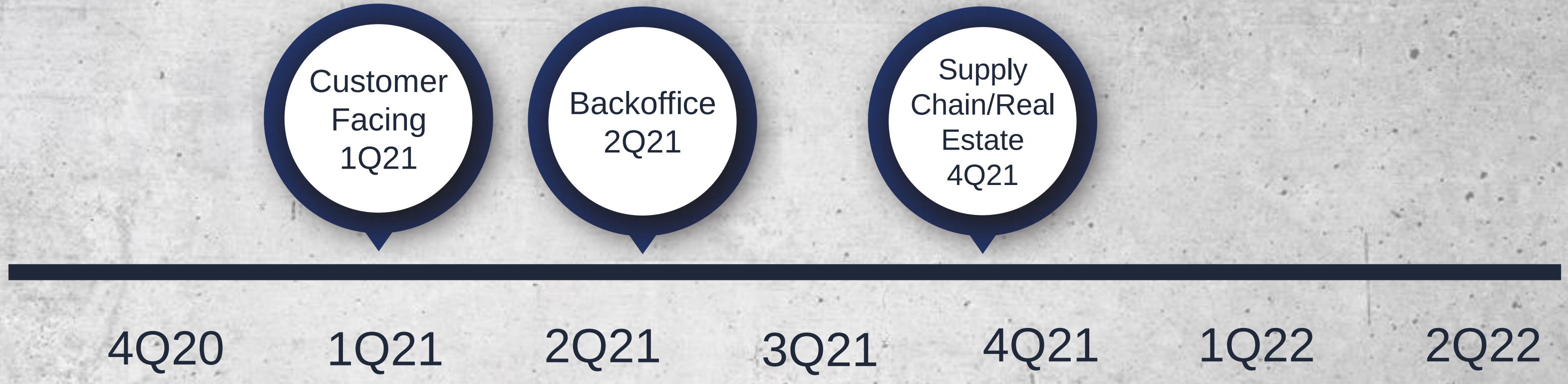
Delivered $97 million of Free Cash Flow [2]

NEGLIGIBLE IMPACT FROM COVID-19 ON PROFITABILITY

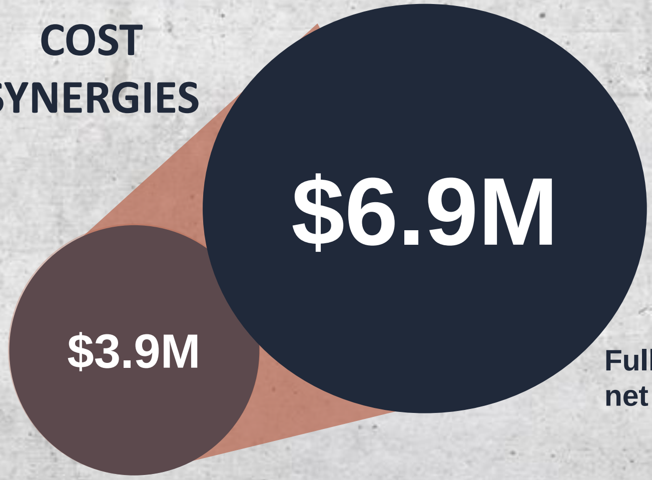
CLOSED CENTRA AND METIS ACQUISITIONS

CENTRA & METIS INTEGRATION EFFORTS ARE ON TRACK

Prioritized customer facing integration efforts including joint pipeline and revenue synergy identification



COST SYNERGIES



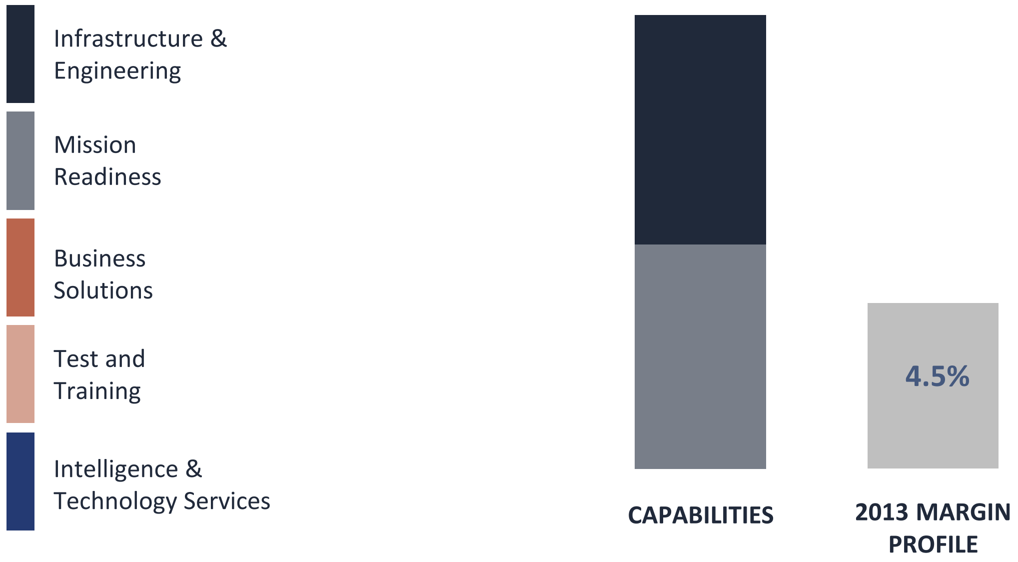
Full Run-Rate expected net cost synergies

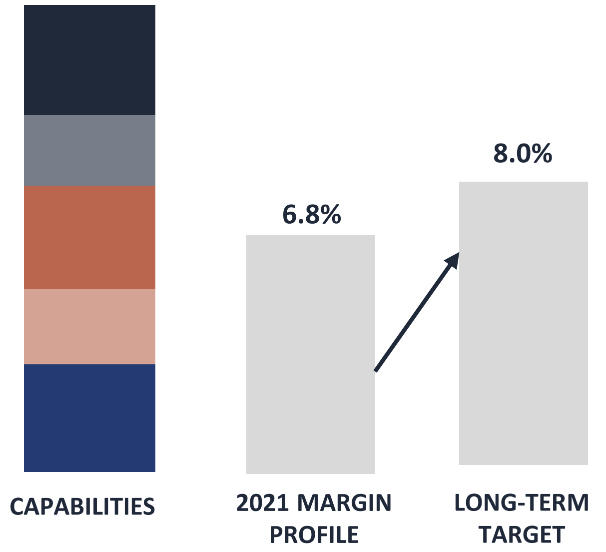
FY21 expected net cost synergies

Source: PAE management

DELIVERING MISSION ESSENTIAL MANAGED SOLUTIONS TO THE CUSTOMER

2013	2021 AND BEYOND
Strategic Focus: Operations and Maintenance	Modernize
Geography: OCONUS; Middle East focus	Global and 63% U.S. focused
Contract Mix: Cost Plus	Fixed Price, T&M and Cost Plus
Customer Diversification: Dept of State, DoD	DoD 30%, Intel 20% and FedCiv 50%
Contract Diversification: Largest Contract >10%	No Contract > than 7%
IDIQ Portfolio: Contracts 3-5	IDIQ Portfolio: Contracts 100+
Workforce: Technical Services	Workforce: Subject Matter Expertise, Highly Trained Workforce

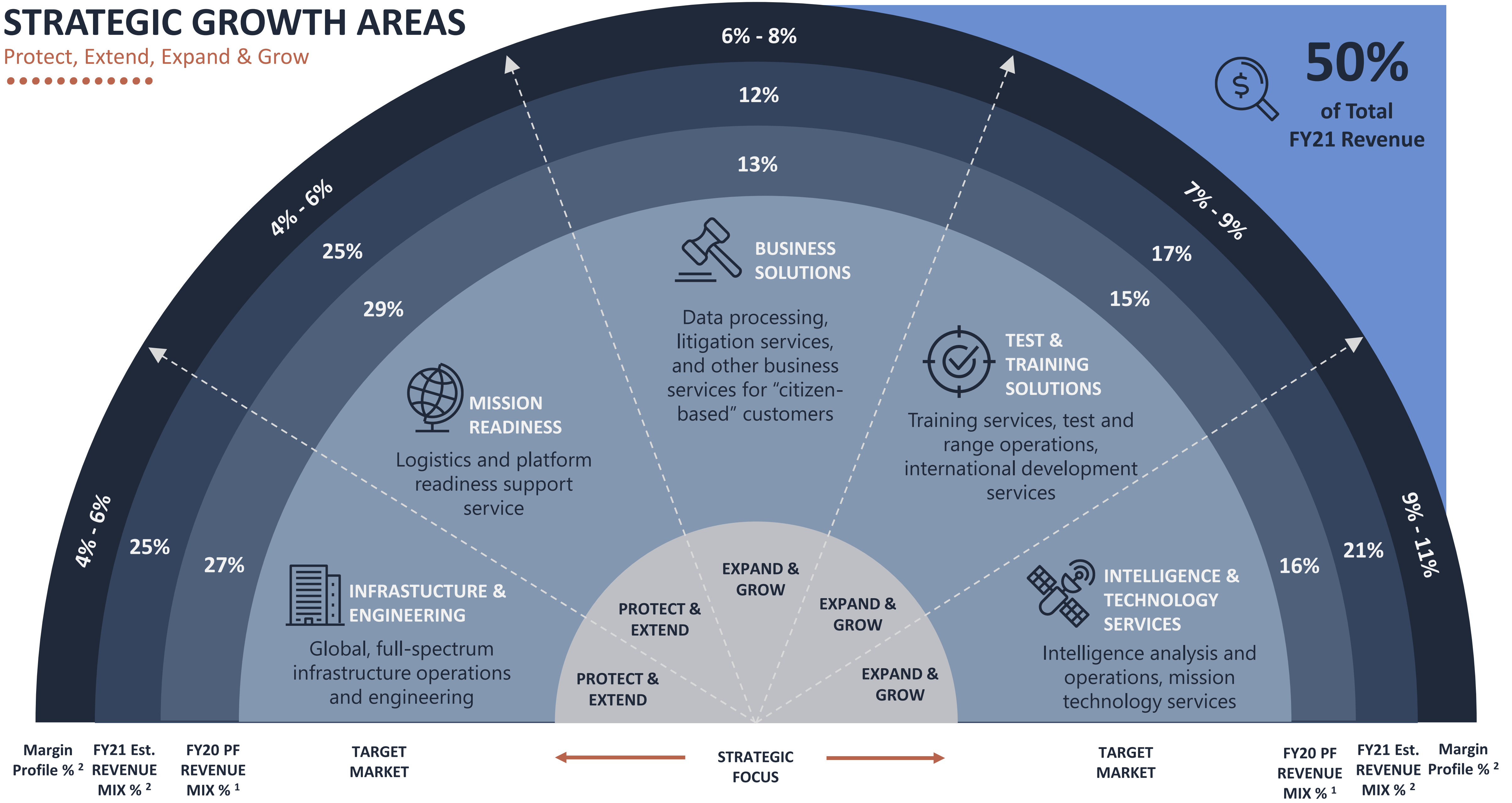




Source: PAE management

STRATEGIC GROWTH AREAS

Protect, Extend, Expand & Grow



Source: PAE Management

[1] Based on the company's FY 2020 financial results and adjusted Pro Forma for CENTRA and Metis revenue

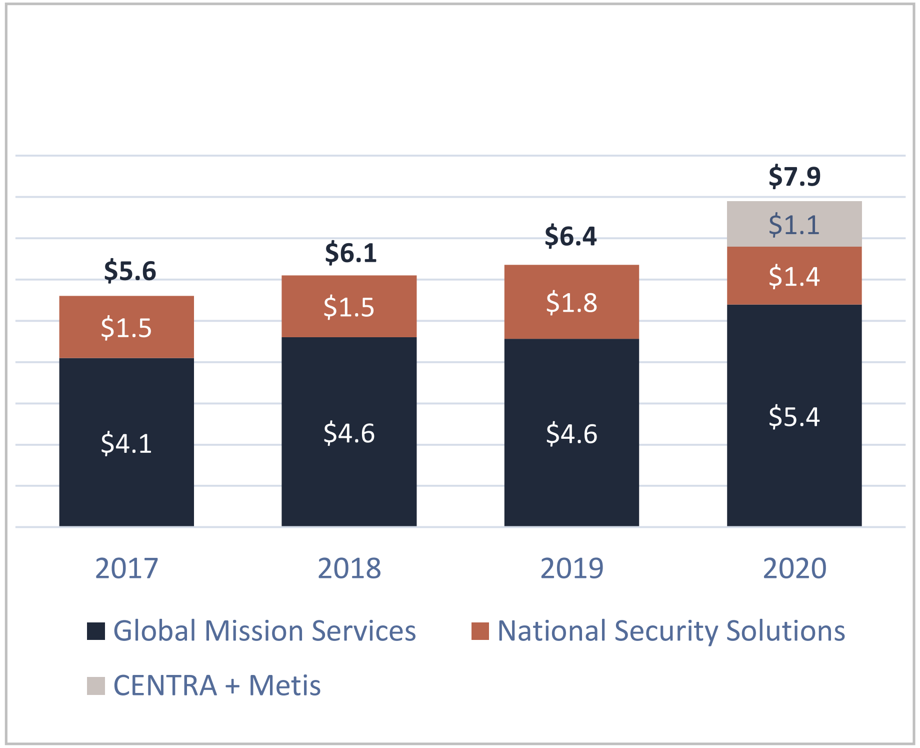
[2] Based on the company's FY 2021 plan

Source: PAE management

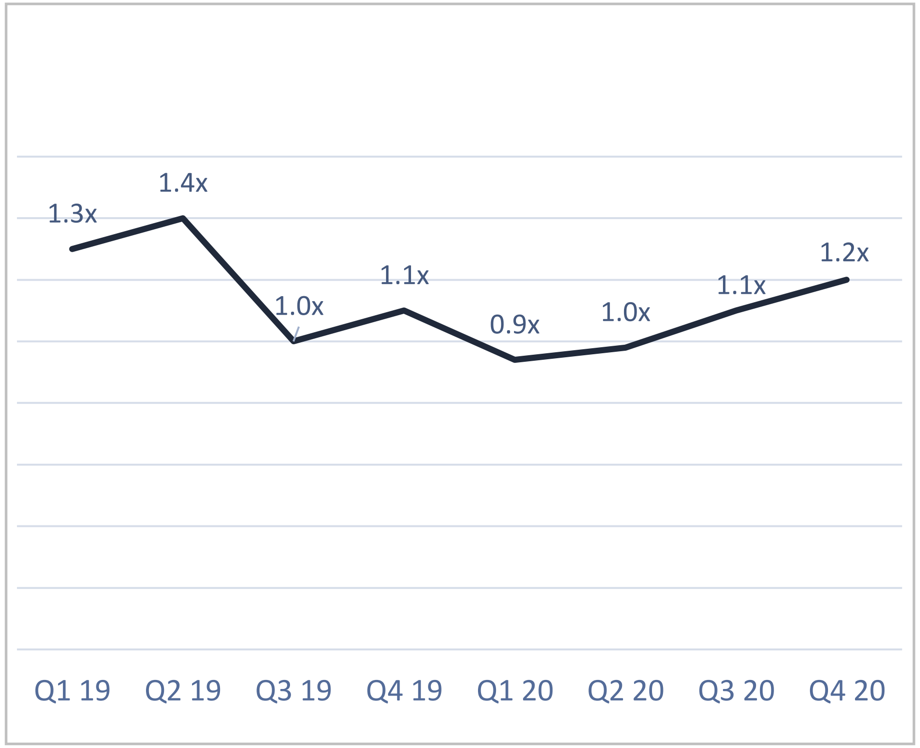
BACKLOG AND BOOK TO BILL

Robust backlog supports long-term visibility into recurring and growing revenue base

TOTAL BACKLOG ($billions)



TTM BOOK-TO-BILL RATIO



PAE PIPELINE

POSITIONED TO CONTINUE CAPITALIZING ON ATTRACTIVE GROWTH PROSPECTS

KEY METRICS

Qualified Pipeline - $39B [1]

Pending Awards @ 12/31/2020 - $7B [2]

In Proposal - $1B

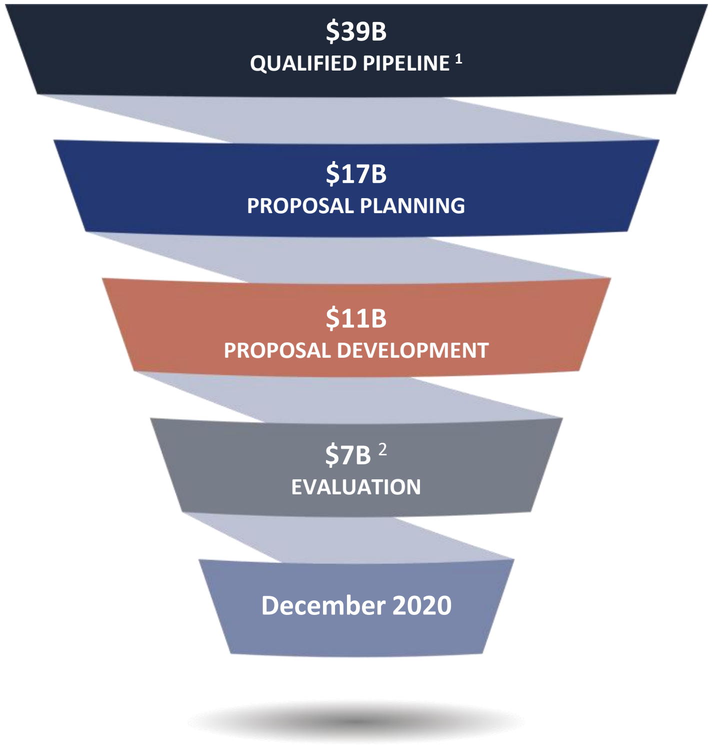
Backlog @ 12/31/2020 - $7.9B

2020 Win Rates:

New Business: 35%

Recompete: 93%

Robust Pipeline of Opportunities



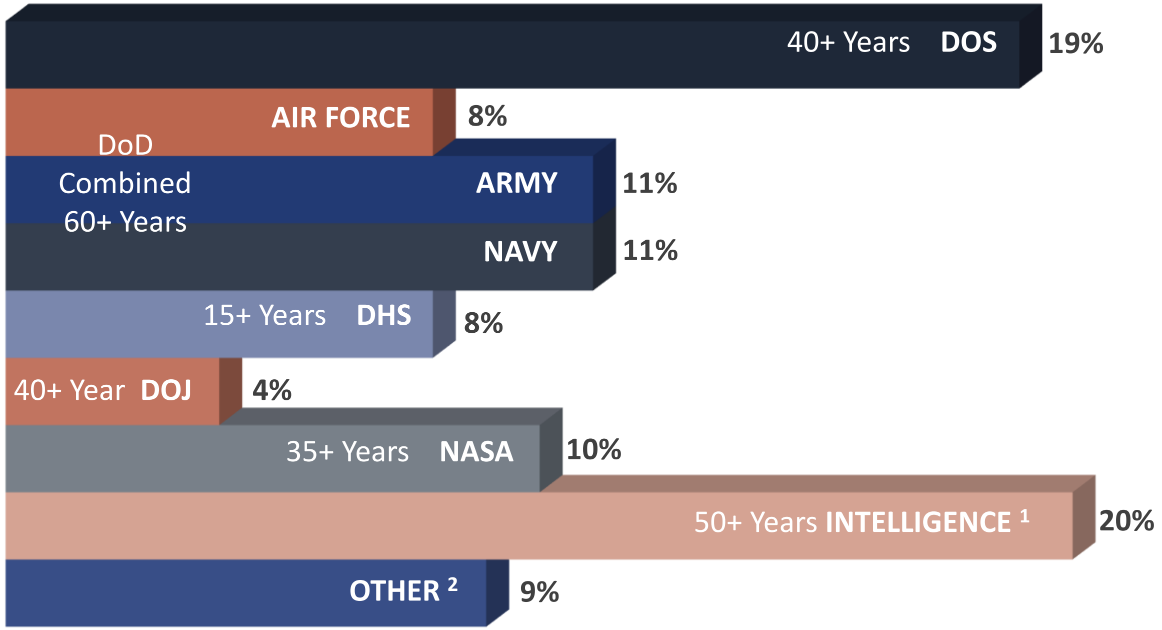
[1] Includes CENTRA and Metis

[2] Includes $1.3 billion CBP award that was awarded to a PAE competitor on January 28, 2021

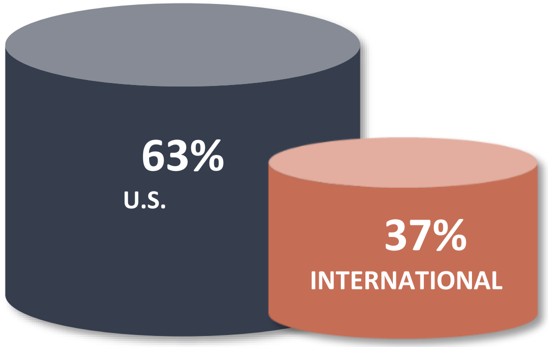
DIVERSE BUSINESS PORTFOLIO

CREATES A UNIQUE COMPETITIVE ADVANTAGE

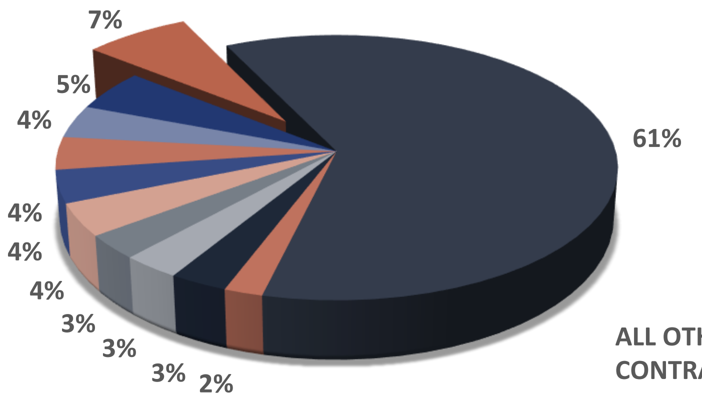
CUSTOMER BREAKOUT (% of 2021 plan revenue)



GEOGRAPHIC DIVERSITY (% of 2021 plan revenue)



CONTRACT DIVERSITY (% of 2021 plan revenue)

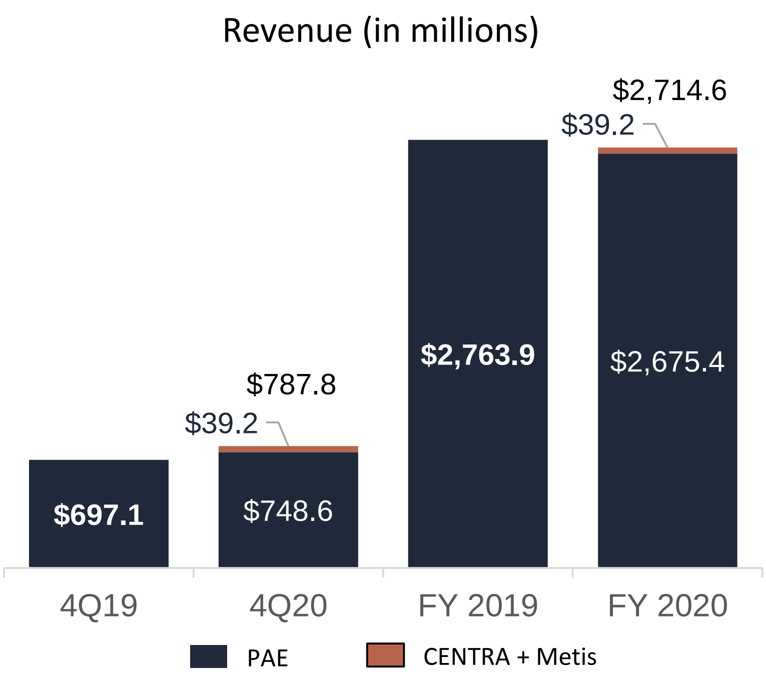


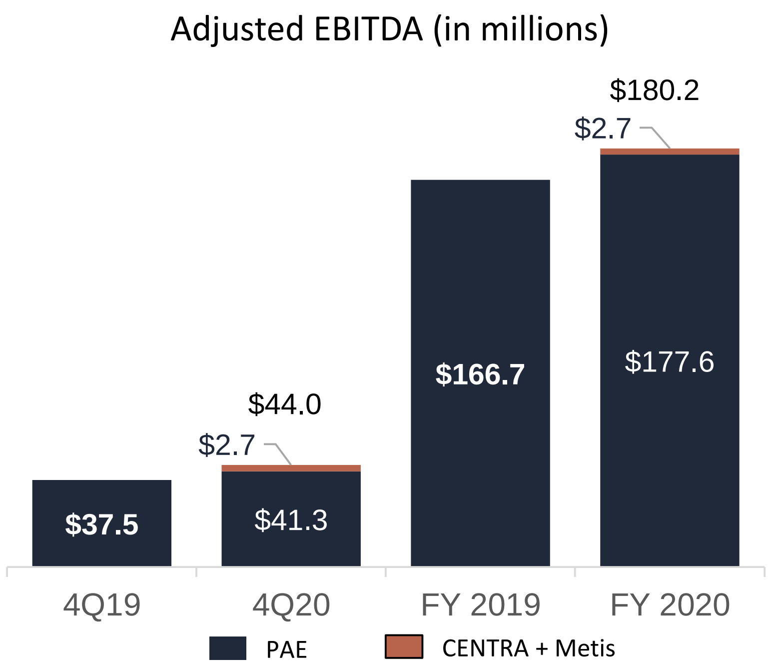
[1] Intelligence includes national intelligence as well as INSCOM, SOCOM, DIA, DTRA and others
[2] Other includes NOAA, USPS, Commercial and others

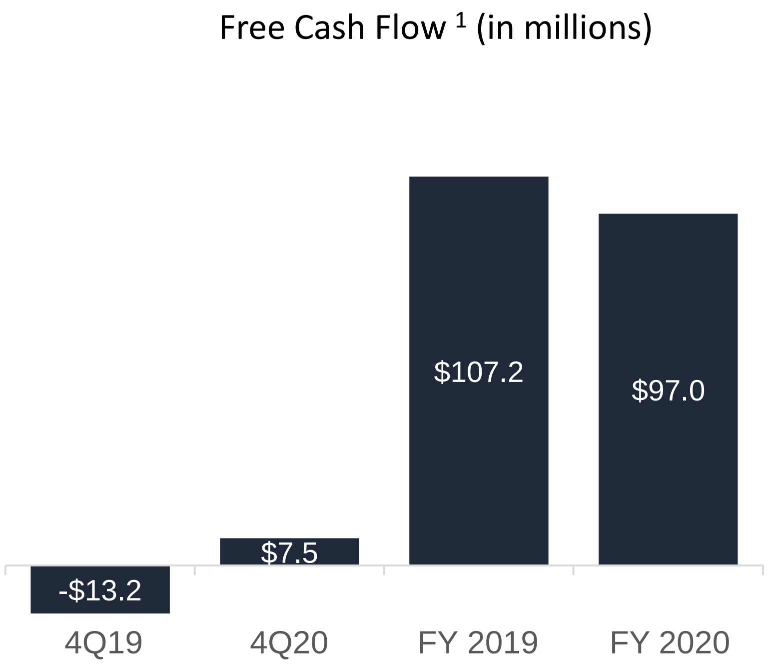
Source: PAE management; based on 2021 revenue

FOURTH-QUARTER AND FULL YEAR 2020 FINANCIAL HIGHLIGHTS

Amidst a challenging environment, PAE delivered strong revenue and adjusted EBITDA margins







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

- Fourth-quarter and full year revenue at the high end of expectations, driven by increases in contract volume, new business and COVID-19 relief opportunities, partially offset by the negative impact of COVID-19
- Fourth-quarter and full year Adjusted EBITDA at high end of expectations, driven primarily by improved program performance
- Fourth-quarter Free Cash Flow negatively impacted by $15 million in receivables collected in January 2021; FY2021 guidance reflects this shift

FOURTH-QUARTER & FULL-YEAR 2020 BUSINESS SEGMENT HIGHLIGHTS

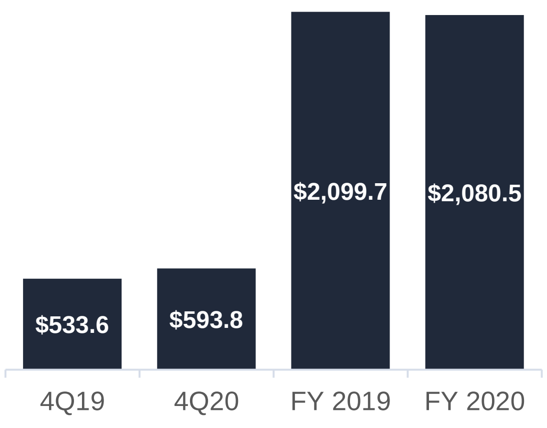
Global Mission Services

- Strong fourth quarter revenue driven by an approximate $116 million increase in contract volume, partially offset by about $56 million of COVID-19 impacts
- Full Year revenue was only down $19 million, despite a $147 million impact from COVID-19, driven by increases in contract volume, new business and COVID relief opportunities
- Full Year Adjusted operating income margin of 6.2% driven by strong program performance

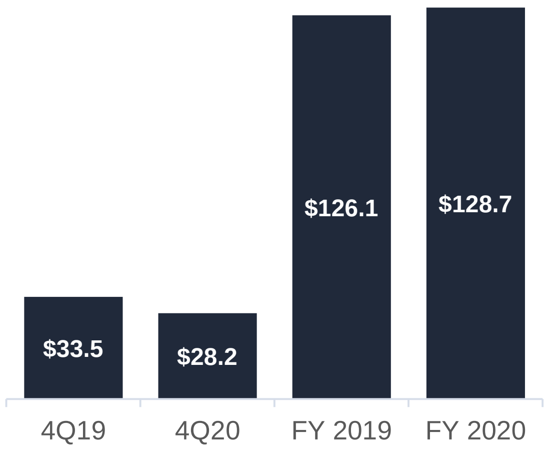
National Security Solutions

- Fourth quarter pre-acquisition revenue impacted by ~$7 million from COVID-19 and a $2 million decrease from small business set aside recompete losses, net of new business
- Full Year pre-acquisition revenue impacted by a $40 million COVID-19 impact and a $29 million decrease from small business set aside recompete losses, net of new business. Excluding these contract losses, revenue grew 13 percent organically year over year. [2]
- Strong fourth quarter and full year Adjusted operating income margin expansion driven by improved program performance

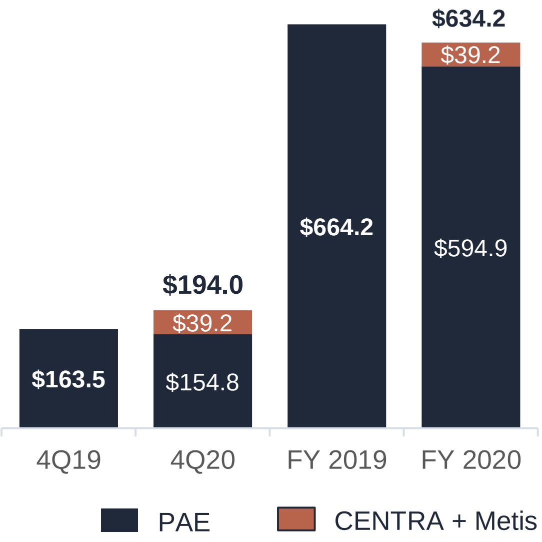
Revenue (in millions)



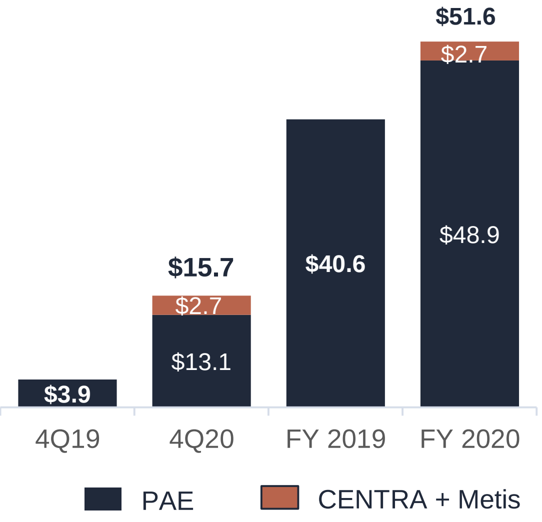
Adj. Operating Income (in millions) [1]



Revenue (in millions)



Adj. Operating Income (in millions) [1]



1 GMS adjusted operating income and NSS adjusted operating income are non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures, see the appendix

2 NSS lost three small business set-aside contracts in the fourth quarter of 2019 and decided to not bid on a fourth contract in 2020 due to its low margins. Excluding these four contracts which represented $157 million in 2019 revenue, NSS grew 13 percent organically year over year

2021 FINANCIAL GUIDANCE

	Fiscal 2021 Guidance [1]
Revenue	\$3,050M – \$3,150M
Adjusted EBITDA [1]	\$205M – \$215M
Cash Flow from Operations	At least \$120M

- Guidance contemplates COVID-19 impact through 1H 2021; consistent financial impact with 2H 2020
- Mid-Point Adjusted EBITDA margin (6.8%) is 20 basis point improvement over FY20 actuals.
- CENTRA and Metis cost synergies of \$3.9M included in Adjusted EBITDA guidance (at the mid-point)
- Cash flow guidance includes approximate \$18.5M repayment of deferred payroll taxes (FY20 CARES Act benefit).

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.

Cash Flow Overview

- Strong cash flow performance in FY20 driven by growth in Adjusted EBITDA, debt structure and CARES Act payroll tax benefit
- In FY21, the company will repay 50% of CARES Act payroll tax benefit
- Assuming neutral working capital in FY21; shift of receivables from December 2020 to January 2021 partially offset by organic growth driving higher Accounts Receivable

	2019A	2020A	2021E
Adjusted EBITDA [1]	$167	180	210
M&A & Integration Expenses	(13)	(27)	(7)
Cash Interest	(78)	(45)	(48)
Cash Taxes	(10)	(11)	(17)
Deferred Payroll Taxes	-	37	(19)
Other Working Capital & cash expenses	51	(33)	1
Cash Flow from Ops	117	101	120
Capex	(9)	(4)	(5)
Free Cash Flow [1]	107	97	115

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.

PAE PRO FORMA CAPITAL STRUCTURE

PAE's successful debt refinancing enabled CENTRA and Metis acquisitions

CAPITALIZATION	12/31/2020 [1]	12/31/2021 Est.	COMMENTS
1st Term Loan	$890	$881	October 2027 Maturity; LIBOR[2] + 450 bps; $9 million mandatory debt amortization
Net Debt	$804	$689	
FY20 Pro Forma Adjusted EBITDA [3]	$200	$210	FY21 mid-point guidance
Net Debt / Pro Forma Adjusted EBITDA [3,4]	4.0x	3.3x	

[1] In millions
[2] LIBOR is .75%
[3] 12/31/20 based on FY2020 PAE standalone financial results plus Pro Forma CENTRA and Metis results
[4] Adjusting for accounts receivable delay, FY20 Pro Forma net leverage ratio would be 3.9x
Note: Company does not expect to have any borrowings on its senior secured revolver at year-end 2021; the revolver is priced at LIBOR + 175 to 225 bps

ADDITIONAL 2021 GUIDANCE ASSUMPTIONS

- 2021 fully diluted share count of approximately 93.5 million shares[1] (average for the year)
- Effective tax rate of approximately 24% including State taxes; approximately $17M in 2021 total **cash** taxes
- Full-year 2021 depreciation and amortization expected to be approximately $57 million
- Full-year 2021 **cash** interest payments expected to be about $48 million
- Full-year 2021 Capex expected to be about $5 million

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

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 execution

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, as described in the footnotes to the reconciliation tables, 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 fourth quarter and full year 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 presentation. 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			Year Ended		
	December 31, 2020	December 31, 2019	Change	December 31, 2020	December 31, 2019	Change
Net (loss) income attributed to PAE Incorporated	$ (6,105)	$ (14,593)	$ 8,488	$ 15,290	$ (49,809)	$ 65,099
Interest expense, net	25,545	20,752	4,793	73,857	86,011	(12,154)
Provision for taxes	3,850	(7,254)	11,104	3,083	(9,131)	12,214
Depreciation and amortization	12,250	11,584	666	43,655	46,081	(2,426)
M&A costs	1,515	5,209	(3,694)	27,385	13,172	14,213
Disposal of assets	—	1,774	(1,774)	—	44,436	(44,436)
Non-core expenses (1)	144	2,086	(1,942)	2,061	10,963	(8,902)
Non-cash items (2)	—	6,649	(6,649)	—	4,437	(4,437)
Forward loss accruals (3)	—	9,615	(9,615)	—	13,069	(13,069)
Sponsor fees (4)	—	1,315	(1,315)	—	5,077	(5,077)
Equity based compensation (5)	4,749	—	4,749	12,308	—	12,308
Other (6)	2,031	327	1,704	2,595	2,425	170
Adjusted EBITDA	$ 43,979	$ 37,464	$ 6,515	$ 180,234	$ 166,731	$ 13,503
Adjusted EBITDA margin	5.6 %	5.4 %		6.6 %	6.0 %	

(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 stock units and performance-based restricted stock units to PAE employees and independent directors.
(6) Other costs include 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			Year Ended		
	December 31, 2020	December 31, 2019	Change	December 31, 2020	December 31, 2019	Change
Operating income	$ 4,549	$ 15,407	$ (10,858)	$ 80,090	$ 92,386	$ (12,296)
Corp operating loss allocation (7)	8,765	(3,709)	12,474	(8,891)	(21,746)	12,855
Corporate NCI allocation	2,739	1,973	766	1,241	(51)	1,292
Depreciation and amortization	5,846	6,847	(1,001)	23,934	26,934	(3,000)
M&A costs	1,126	3,987	(2,861)	19,073	10,004	9,069
Disposal of assets	—	—	—	—	—	—
Non-core expenses (1)	109	108	1	1,606	5,371	(3,765)
Non-cash items (2)	—	2,262	(2,262)	—	3,153	(3,153)
Forward loss accruals (3)	—	5,384	(5,384)	—	4,349	(4,349)
Sponsor fees (4)	—	1,007	(1,007)	—	3,857	(3,857)
Equity based compensation (5)	3,580	—	3,580	9,517	—	9,517
Other (6)	1,520	250	1,270	2,093	1,842	251
Adjusted operating income	$ 28,234	$ 33,516	$ (5,282)	$ 128,663	$ 126,099	$ 2,564
Adjusted operating income margin	4.8%	6.3%		6.2%	6.0%	

(1) Non-core expenses include certain professional fees, gain/loss on disposal of fixed assets, settlements and certain severance costs.
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(5) Equity based compensation reflects costs associated with the issuance of restricted stock units and performance-based restricted stock units to PAE employees and independent directors.
(6) Other costs include 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			Year Ended		
	December 31, 2020	December 31, 2019	Change	December 31, 2020	December 31, 2019	Change
Operating income (loss)	$ 4,303	$ (13,729)	$ 18,032	$ 22,073	$ (36,940)	$ 59,013
Corp operating loss allocation (7)	2,864	(1,136)	4,000	(2,506)	(6,879)	4,373
Corporate NCI allocation	69	94	(25)	223	304	(81)
Depreciation and amortization	6,404	4,738	1,666	19,721	19,146	575
M&A costs	390	1,222	(832)	8,312	3,164	5,148
Disposal of assets	—	1,774	(1,774)	—	44,436	(44,436)
Non-core expenses (1)	35	1,978	(1,943)	455	5,592	(5,137)
Non-cash items (2)	—	4,389	(4,389)	—	1,283	(1,283)
Forward loss accruals (3)	—	4,232	(4,232)	—	8,721	(8,721)
Sponsor fees (4)	—	308	(308)	—	1,220	(1,220)
Equity based compensation (5)	1,169	—	1,169	2,791	—	2,791
Other (6)	512	77	435	501	583	(82)
Adjusted operating income	$ 15,746	$ 3,947	$ 11,799	$ 51,570	$ 40,630	$ 10,940
Adjusted operating income margin	8.1%	2.4%		8.1%	6.1%	

(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 stock units and performance-based restricted stock units to PAE employees and independent directors.
(6) Other costs include 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.