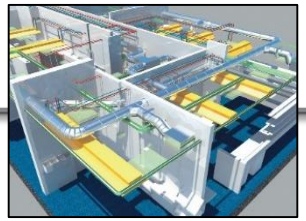



LIMBACH

ENGINEERING CONSTRUCTION SERVICE

Q4 2017 and 2017 Earnings Call

April 3, 2018




Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including, without limitation, our earnings, Adjusted EBITDA, revenues, expenses, capital expenditures or other future financial or business performance or strategies, results of operations or financial condition. These statements may be preceded by, followed by or include the words “may,” “might,” “will,” “will likely result,” “should,” “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “continue,” “target” or similar expressions. These forward-looking statements are based on information available to us as of the date they were made, and involve a number of risks and uncertainties which may cause them to turn out to be wrong. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Please refer to our Form 10-K filed on April 2, 2018, which is available on the SEC’s website (www.sec.gov), for a full discussion of the risks and other factors that may impact any forward-looking statements in this presentation.

Key Operating Highlights from 2017

1

Showcase Projects

- Completed Red Wings arena on time and within cost expectations
- Pipeline is very strong: Tracking $3.3 billion of opportunities; expect new tax rates to fuel further growth
- New wins: Project Turnstile (data center) and Disney (multi-billion dollar expansion plans)

2

Solid Financial Performance

- 2017 revenue was ahead of plan and beat the top end of guidance
- Construction revenue up 7.3%, and Service revenue up 14.8%
- Full year gross margin expanded 100 basis points; 4Q gross margin was 15.9%
- As Service business continues to grow, Limbach will continue to experience margin expansion

3

Non-Recurring Expenses are Behind the Company

- Limbach incurred a total of $2.8 million of non-recurring expenses, of which the majority were due to the reinforcement of Sarbanes-Oxley compliance and internal accounting capabilities
- Excluding these expenses, 2017 Adjusted EBITDA would have approached the top end of guidance

4

Backlog Growth in Construction and Service

- Aggregate backlog of $461.4 million at year-end, an increase of 6.2% over the prior year-end
- Construction backlog of $426.7 million, and Service backlog of $34.7 million
- Approximately $302 million of total backlog expected to be converted to revenue in the current fiscal year

5

Current Industry Comments

- Latest FMI data from the 4Q17 survey continues to support industry momentum
- Getting ahead of labor trends by establishing Limbach as the employer of choice
- Investing in a new training and development center
- Internal employee satisfaction survey generated record results in 2017

2017 Key Points

1

Showcase Projects

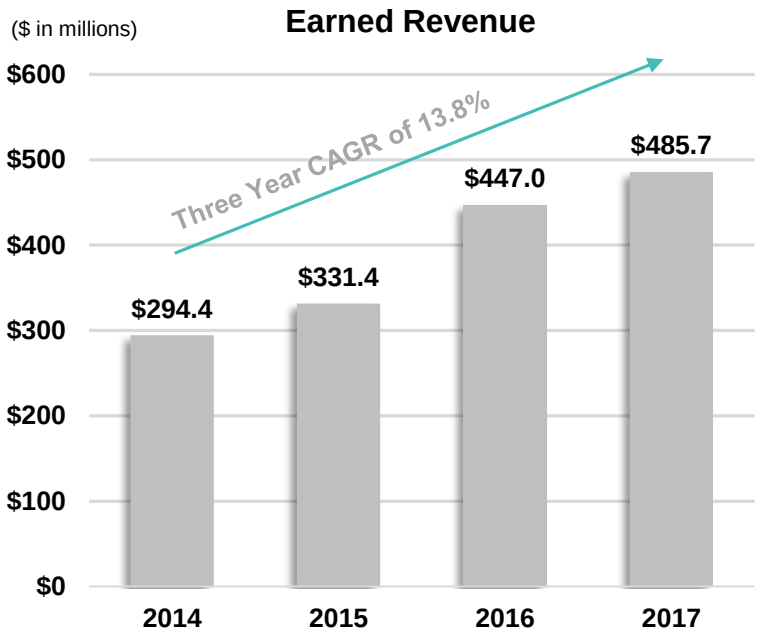
- Completed Red Wings arena on time and within cost expectations
- Pipeline is very strong: Tracking $3.3 billion of opportunities; expect new tax rates to fuel further growth
- New wins: Project Turnstile (Mission Critical) and Disney (entertainment)

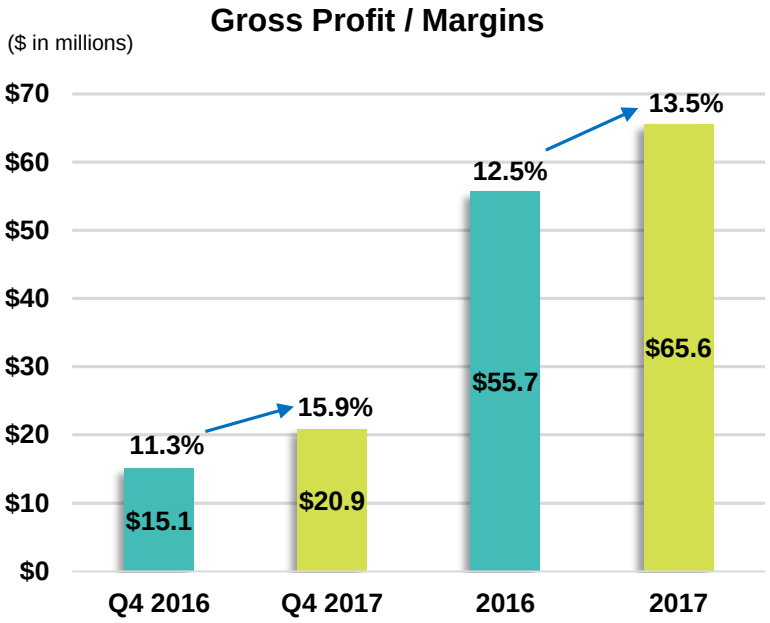
2017 Key Points

2

Solid Financial Performance

- 2017 revenue was ahead of plan and beat the top end of guidance
- Construction revenue up 7.3% to $391.4 million, and Service revenue up 14.8% to $94.4 million
- Full year gross margin expanded 100 basis points; 4Q gross margin was 15.9%
- As Service business continues to grow, Limbach will continue to experience margin expansion



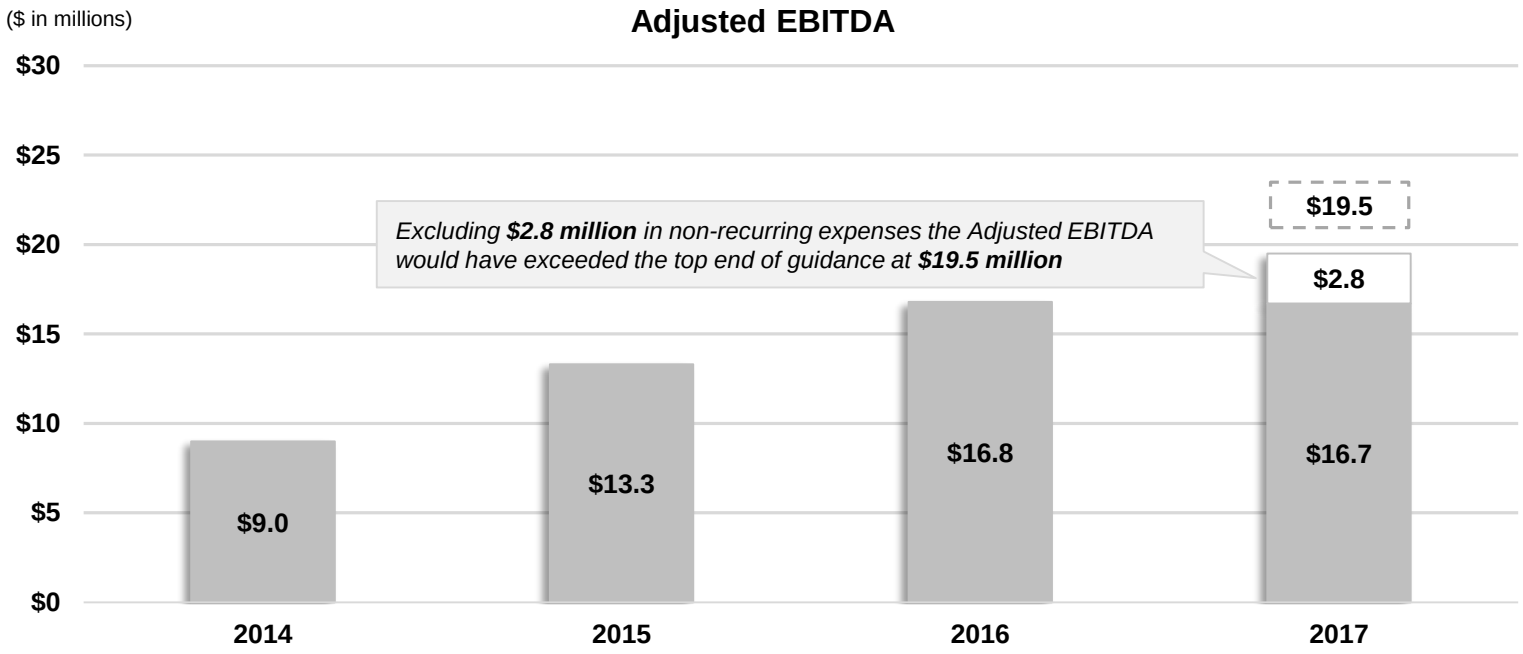


2017 Key Points

3

Non-Recurring Expenses are Behind the Company

- Limbach incurred a total of $2.8 million of non-recurring expenses, of which the majority were due to the reinforcement of Sarbanes-Oxley compliance and internal accounting capabilities
- Excluding these expenses, 2017 Adjusted EBITDA would have approached the top end of guidance

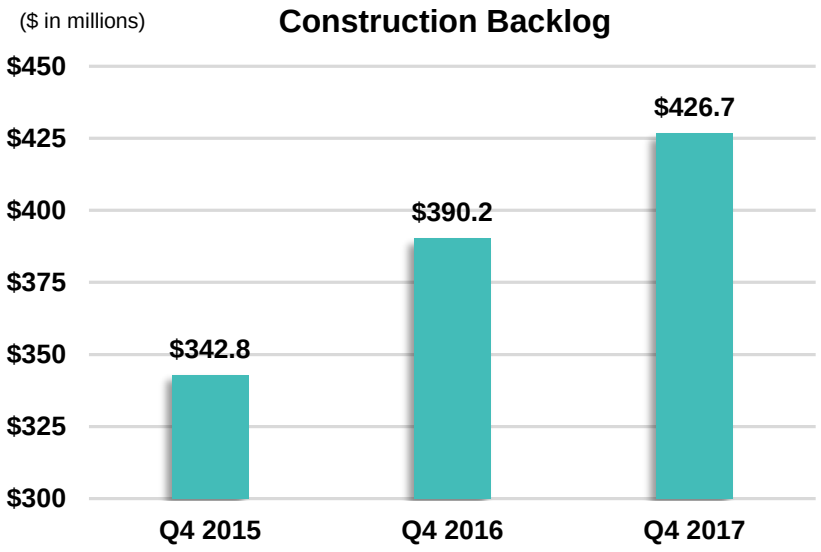


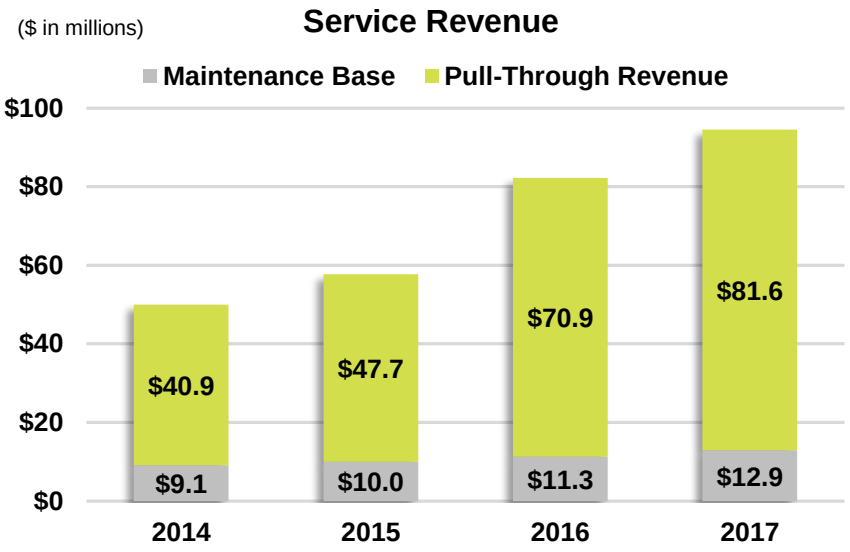
2017 Key Points

4

Backlog Growth in Construction and Service

- Aggregate backlog of $461.4 million at year-end, an increase of 6.2% over the prior year-end
- Construction backlog of $426.7 million; Maintenance Base continues to expand driving “pull-through” revenue
- Approximately $302 million of total backlog, or 65%, expected to be converted to revenue in fiscal 2018





2017 Key Points

5

Current Industry Comments

- Latest FMI data from the 4Q17 survey continues to be positive
- Getting ahead of labor trends by establishing Limbach as the employer of choice
- Investing in a new training and development center
- Internal employee satisfaction survey generated record results in 2017

Key Operating Highlights from 2017

Revenues

- Consolidated earned revenue increased $38.7 million, or 8.7% over 2016, to $485.7 million, a record for the Company in its current form
- Construction revenues increased 7.3% to $391.4 million
- Service revenues increased 14.8% to $94.4 million

Gross Margin

- Consolidated gross profit in 2017 increased by 17.9% over 2016 to $65.6 million
- Gross margin of 13.5% exceeded 2016 performance by 100 bps

Construction

- EBIT from Construction operations increased by $3.2 million, or 20.3%
- Gross profit increased by $6.7 million, or 17.5%
- Gross margin of 11.4% reflected an increase of 100 bps over 2016

Service

- EBIT from Service operations increased by $1.2 million, or 20.3%
- Gross profit increased by $3.3 million, or 18.8%
- Gross margin of 22.1% reflected an increase of 80 bps over 2016
- Contractual maintenance base increased by 14.2%, providing a large source of pull-through revenue

Key Operating Highlights from 2017

SG&A

- For the full year, SG&A expense was $56.0 million, up $7.6 million from the prior year
- Included in our SG&A expense were $2.8 million of non-recurring expenses related to SOX compliance and accounting build-out

EPS

- Non-recurring Deferred Tax Valuation adjustment of $1.7 million in Q4
- Q4 diluted EPS of $0.12, inclusive of DTA charge
- Diluted EPS of ($0.13) for the full-year
- Diluted EPS of $0.10 for the year (excluding DTA) as compared to diluted EPS of ($0.19) in 2016

Backlog

- At December 31, construction backlog totaled $426.7 million, an increase of $36.5 million (9.4%) over the prior year
- 65% of total backlog expected to be earned in 2018, providing significant visibility into current year performance

Key Projects

- Successful completion of the Detroit Red Wings arena in Michigan, the largest single project in the Company's history at $102.8 million
- Award of Limbach's first substantial data center project, a market with attractive growth prospects

Key Financial Data – Balance Sheet

($ in thousands)

As of December 31	2017	2016	Variance
Cash	$626	$7,406	($6,780)
Working Capital	$30,776	$28,454	$2,322
Intangible Assets, Net	$14,225	$17,807	($3,582)
Total Debt	$26,914	$25,983	$931
Equity	$48,160	$47,448	$712

- Working capital increased $2.3 million compared to December 31, 2016, an 8.2% increase year-over-year, reflecting continued growth in revenue
- Completed the first phase of the repurchase of the Preferred Stock for $4.1 million; full repurchase completed in January 2018 for an additional $9.97 million
- In compliance with all Credit Agreement covenants at year-end
- Total debt increased by $0.9 million, net of amortization and the incremental borrowing of $4.1 million to fund the partial repurchase of the Preferred Stock in July

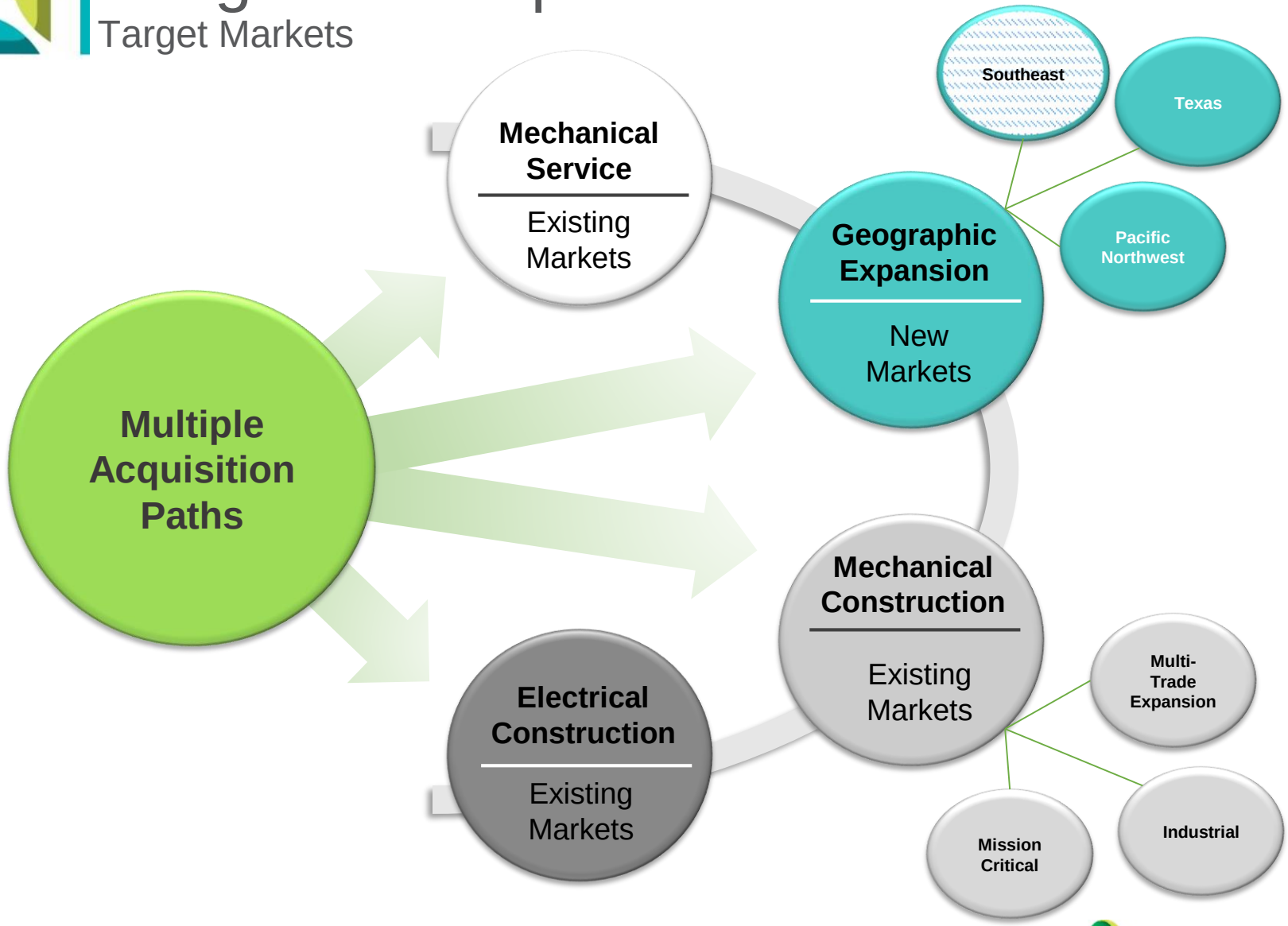
Mergers & Acquisitions

General Commentary

- The M&A market is healthy, driven by a favorable industry outlook and the continuing - and possibly accelerating - trend of aging middle market business owners finally addressing the desire and need for liquidity and succession planning
- We have made significant progress internally with the development and implementation of a systematized framework and process to source, evaluate and execute acquisitions
  - Disciplined with respect to strategic focus and valuation
  - Structured with respect to diligence and integration
- Currently, we are evaluating qualified acquisition opportunities across multiple strategic vectors (e.g., geographic expansion, trade expansion, etc.), and there are several opportunities that we characterize as “active and advanced”
  - Most of the leading candidates are not necessarily “for sale” or represented by intermediaries which results in a less aggressive transaction timeline
  - Level of transaction sophistication differs by owner, but nearly all require meaningful hand-holding and education on valuation and legal standards
- We have been, and will continue to be, steadfast with respect to working within our valuation parameters and meeting the intangible criteria we have determined are necessary to complete accretive transactions with an appropriate risk profile

Mergers & Acquisitions

Target Markets



2018 Outlook and Guidance

1

High Level Outlook

- Macro environment looks good for the next several years
- Industry analysts such as Dodge and FMI predicting growth
- Tax reform further supports positive psychology and market dynamics

2

Financial Guidance

- Revenues of $510 - $530 million
- Adjusted EBITDA[1] of $20 - $24 million
- Expect to narrow guidance as the year progresses

1 See pp. 17-18 for GAAP Reconciliation to Adjusted EBITDA

Q&A

Appendix

Non-GAAP Reconciliation Table

*** Use of Non-GAAP Financial Measures**

In assessing the performance of our business, management utilizes a variety of financial and performance measures. The key measure is Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure. We define adjusted EBITDA as net income (loss) plus depreciation and amortization expense, interest expense, taxes as further adjusted to eliminate the impact of, when applicable, other non-cash expenses or expenses that are unusual or non-recurring. We believe that Adjusted EBITDA is meaningful to our investors to enhance their understanding of our financial performance for the current period and our ability to generate cash flows from operations that are available for taxes, capital expenditures and debt service. We understand that Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report Adjusted EBITDA. Our calculation of Adjusted EBITDA, however, may not be comparable to similarly titled measures reported by other companies. When assessing our operating performance, investors and others should not consider this data in isolation or as a substitute for net income (loss) calculated in accordance with GAAP. Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes. A reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, is provided below.

Q4 2017		
(in thousands)	**Successor October 1, 2017 through December 31, 2017**	**Successor October 1, 2016 through December 31, 2016**
Net income (loss)	$ 1,129	$ (2,510)
Adjustments:		
Depreciation and amortization	1,735	2,967
Interest expense	472	943
Income tax expense (benefit)	3,503	(1,594)
EBITDA	6,839	(194)
Non-cash Stock Based Compensation	739	--
Adjusted EBITDA	$ 7,578	$ (194)

Non-GAAP Reconciliation Table
Continued

*** Use of Non-GAAP Financial Measures**

In assessing the performance of our business, management utilizes a variety of financial and performance measures. The key measure is Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure. We define adjusted EBITDA as net income (loss) plus depreciation and amortization expense, interest expense, taxes as further adjusted to eliminate the impact of, when applicable, other non-cash expenses or expenses that are unusual or non-recurring. We believe that Adjusted EBITDA is meaningful to our investors to enhance their understanding of our financial performance for the current period and our ability to generate cash flows from operations that are available for taxes, capital expenditures and debt service. We understand that Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report Adjusted EBITDA. Our calculation of Adjusted EBITDA, however, may not be comparable to similarly titled measures reported by other companies. When assessing our operating performance, investors and others should not consider this data in isolation or as a substitute for net income (loss) calculated in accordance with GAAP. Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes. A reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, is provided below.

FY 2017			
(in thousands)	**Successor January 1, 2017 through December 31, 2017**	**Successor July 20, 2016 through December 31, 2016**	**Predecessor January 1, 2016 through July 19, 2016**
Net income (loss)	$ 712	$ (698)	$ 2,568
Adjustments:			
Depreciation and amortization	9,118	5,756	1,582
Interest expense	2,034	1,796	1,898
Income tax expense (benefit)	3,151	(3,871)	--
EBITDA	15,015	2,983	6,048
Non-cash Stock Based Compensation	1,666	--	--
Adjusted EBITDA	$ 16,671	$ 2,983	$ 6,048

Mergers & Acquisitions

Target Company Criteria

	Revenue Expectation	Investment Thesis	Origination Channel
Mechanical Service ★ Existing Markets	> $10 million	• Accelerate growth rates and gain scale • Increase pull-through and capital project opportunities • Realization of administrative synergies	• Local relationships • Buy-side search • In-house search using recruiter
Mechanical Construction ★ Existing Markets	> $25 million	• Increase market share, acquire new customers • Penetrate new markets (e.g., industrial and fire protection) • Labor and project management resources • Realization of administrative synergies	• Local relationships • JV partners • Sub-contractors
Electrical Construction ★ Existing Markets	> $50 million	• Introduce MEP design/build and design/assist • Capture greater share of project spend • Realization of administrative synergies	• Local relationships • JV partners • Sub-contractors • Buy-side search
Geographic Expansion ★ New Markets	> $150 million	• Geographic expansion via acquisition of preferred providers in attractive new markets • Leverage existing customer relationships and acquisition of new local/regional customers	• Personal relationships • Buy-side search

Favorable Industry Outlook

Growth forecasted across multiple markets – LMB core sectors highlighted below

Construction Forecasts

	Change from Prior Year % Change				
	2015 Actual	**2016 Actual**	**2016A-2021F CAGR**	**% of LMB Revenue[1]**	**% of Current Backlog**
Total Nonresidential Buildings	**13%**	**6%**	**4%**		
Healthcare	**5%**	**2%**	**4%**	**26%**	**34%**
Education	**5%**	**6%**	**3%**	**20%**	**9%**
Office	**18%**	**25%**	**5%**	**10%**	**14%**
Commercial	6%	11%	5%	9%	4%
Transportation	8%	(6%)	5%	8%	13%
Lodging	30%	25%	4%	2%	2%
Emerging Opportunity Sectors for LMB					
Manufacturing	33%	(4%)	1%	4%	3%
Mission Critical (Data Centers)	19%	(3%)	3%	<1%	<1%

Indicators and Outlook

- Architectural Billing Index trending over 50 on a consistent basis which indicates increase in billings and future downstream business for Limbach
- Strong activity in core end-markets along with key customers like Disney (Amusement and Recreation), Los Angeles Airport (Transportation) and HCA (Healthcare)
- FMI Construction Outlook projects total non-residential building construction to grow approximately 4% annually to over $567 billion in 2021 based on construction put in place
- Limbach sees emerging opportunities in the Manufacturing and Mission Critical (Data Centers) over the next several years

Source: FMI's 2017 Construction Outlook Fourth Quarter Report.

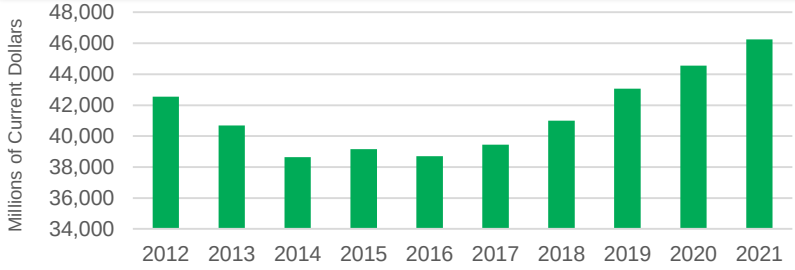
1 Figures represent percentages of project revenue between January 1, 2014 and July 31, 2017.

FMI Estimates

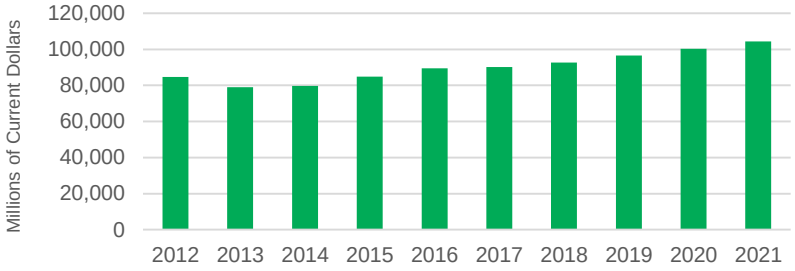
Continue to be Positive

CONSTRUCTION PUT IN PLACE

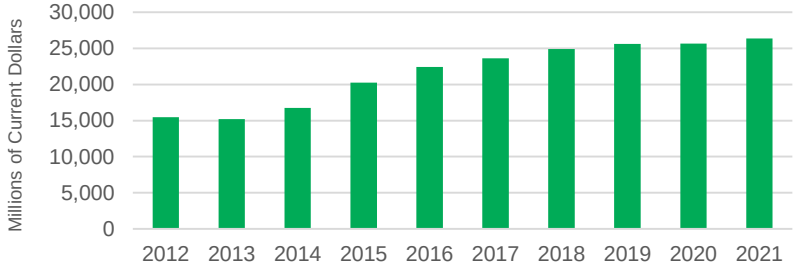
Health Care



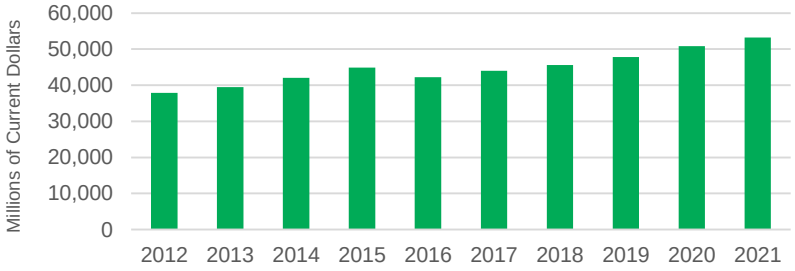
Education



Amusement and Recreation



Transportation



Source: FMI's 2017 Construction Outlook Fourth Quarter Report.