

The Future of Environmental Solutions



MONTROSE
ENVIRONMENTAL

**Fourth Quarter 2020
Earnings Call**

March 24, 2021

Safe Harbor

Statements contained herein and in the accompanying oral presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of words such as “intend,” “expect”, and “may”, and other similar expressions that predict or indicate future events or that are not statements of historical matters. Forward-looking statements are based on current information available at the time the statements are made and on management’s reasonable belief or expectations with respect to future events, and are subject to risks and uncertainties, many of which are beyond Montrose Environmental Group, Inc.’s (“Montrose,” “we,” “us” and “our”) control, that could cause actual performance or results to differ materially from the belief or expectations expressed in or suggested by the forward-looking statements. Further, many of these factors are, and may continue to be, amplified by the COVID-19 pandemic. Additional factors or events that could cause actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect future events, developments or otherwise, except as may be required by applicable law. Investors are referred to Montrose’s filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2020, for additional information regarding the risks and uncertainties that may cause actual results to differ materially from those expressed in any forward-looking statement.

Included in this presentation and the accompanying oral presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) designed to supplement, and not substitute, Montrose's financial information presented in accordance with GAAP. The non-GAAP measures as defined by Montrose may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that Montrose's future results, cash flows or leverage will be unaffected by other unusual or nonrecurring items. Please see the appendix to this presentation for how we define these non-GAAP measures, a discussion of why we believe they are useful to investors and certain limitations thereof, and reconciliations thereof to the most directly comparable GAAP measures.

The data included in this presentation regarding markets and the industry in which we operate, including the size of certain markets, are based on publicly available information, reports of government agencies, and published industry sources such as Environmental Business International, Inc. (“EBI”). In presenting this information, we have also made certain estimates and assumptions that we believe to be reasonable based on the information referred to above and similar sources, as well as our internal research, calculations and assumptions based on our analysis of such information and our knowledge of, and our experience to date in, our industries and markets. Market share data is subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process and other limitations inherent in any statistical survey of market share data. In addition, customer preferences are subject to change. Accordingly, you are cautioned not to place undue reliance on such market share data or any other such estimates. While we believe such information is reliable, we cannot guarantee the accuracy or completeness of this information, and have we independently verified any third-party information and data from our internal research has not been verified by any independent source.

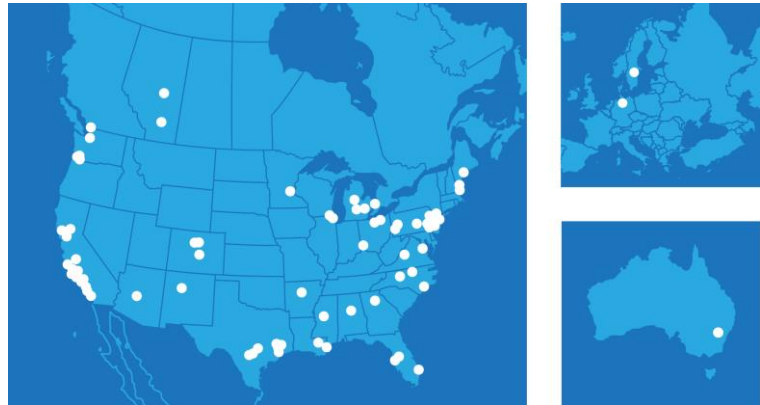


Operating Overview



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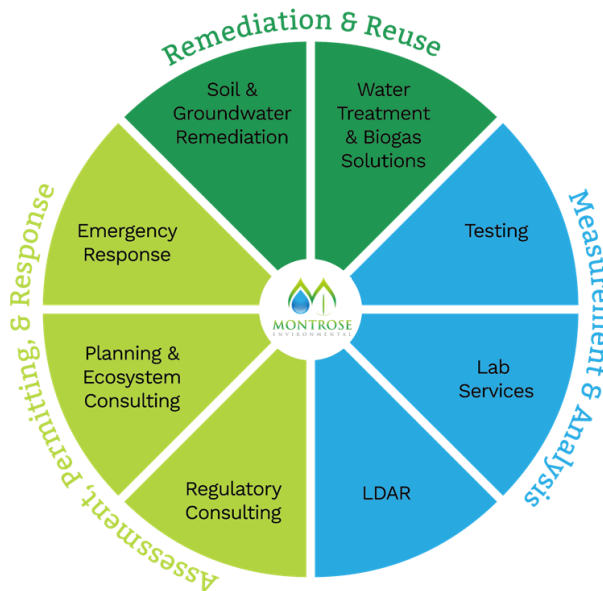
Montrose Environmental at a Glance



2,000+
Employees

70+
Offices

In the USA,
Canada,
Europe &
Australia



- Unique, high growth environmental solutions company with a focus on ESG excellence
- Large and growing addressable market
- Resilient revenue with repeat client base and diverse end markets
- Consistent record of organic growth and innovation, even during Covid-19 pandemic
- Consistent record of strategically and financially accretive acquisitions
- Strong cash flow profile and balance sheet

2020 Highlights

- 2020 execution drove strong results and business momentum
- Team was dedicated, collaborated and remained committed to clients through the pandemic
- New business wins provided for solid performance across key services and geographies
- Acquisitions and organic growth produced annual revenue growth well ahead of +20% per year target
- 2020 Adjusted EBITDA⁽¹⁾ growth nearly doubled the pace of revenue
- Resilient business model and focused execution supports 2021 growth outlook

(1) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA adds back non-recurring expenses. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. See the appendix to this presentation for a discussion of these measures and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

Q4 2020

Revenue

+60%

to \$108.7M

Adj. EBITDA⁽¹⁾

+74%

to \$18.3M

Adj. EBITDA Margin⁽¹⁾

+130 bps

to 16.8% of Revenue

Full Year 2020

Revenue

+40%

to \$328.2M

Adj. EBITDA⁽¹⁾

+74%

to \$54.5M

Adj. EBITDA Margin⁽¹⁾

+320 bps

to 16.6% of Revenue



Strong Record of Profitable Growth Continues in 2020

Multiple Levers to Drive Growth

ORGANIC GROWTH

Continued market share gains through cross-selling opportunities and technology innovation

STRATEGIC ACQUISITIONS

Strategic acquisition opportunities in highly fragmented market

MARKET GROWTH

Regulations & compliance, infrastructure investment and global public awareness related to environmental sustainability
Montrose outperformed environmental solutions industry in 2020⁽²⁾

MARGIN EXPANSION

Operating Leverage
Operational Excellence

Revenue

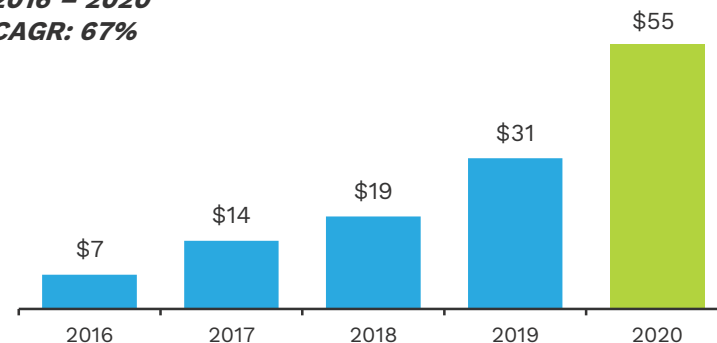
(\$ in millions, Dec FYE)

2016 – 2020
CAGR: 30%



Adjusted EBITDA⁽¹⁾

2016 – 2020
CAGR: 67%



(1) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA adds back non-recurring expenses. See the appendix to this presentation for a discussion of this measure and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.
(2) Per EBI, Environmental Industry contracted by 2% in 2020.

Our Mission – *Helping Protect the Air We Breathe, the Water We Drink, and the Soil That Feeds Us* – is Driving our Financial Success

Cleaner Water Back to Communities

Our unique PFAS treatment solutions are supporting private and public sector clients

Improved Air Quality

Our innovation around real time measurement of contaminants coupled with software is helping our clients and communities improve air quality

Greenhouse Gas Measurement and Reduction

Our unique imaging process coupled with software is helping clients more quickly identify (and therefore, mitigate) sources of leaks

Renewable Energy and Race to Net-Zero

Our services targeting negative carbon intensity renewable energy is helping farmers and the environment



Multiple Facets Driving Growth

- ✓ **Organic Growth:** **17% combined organic growth in 2020** including CTEH; **4% organic growth in 2020** excluding CTEH⁽¹⁾.
- ✓ **Recurring Revenue:** Continued high customer satisfaction and retention, resulting in **+90% of revenue repeating in 2020** from clients in 2019 (consistent with historical trends).
- ✓ **Diverse Customers:** **Further diversification of customers and end markets.** No customer accounted for over 7% of revenue in 2020. Top customer in 2020 is new and from a new industry (Technology, Media and Entertainment) to Montrose.
- ✓ **Innovation:** Continued focus on environmental innovation with R&D and **additional patents awarded**, along with several patents filed and/or awaiting review.
- ✓ **Talent:** **Successful talent additions and strong retention** continued in 2020.
- ✓ **Acquisitions:** **Strategically additive bolt-on acquisition pipeline.** Expect to meet or exceed \$10m in acquired annualized EBITDA⁽²⁾ in 2021, including MSE acquired in January 2021.
- ✓ **Strong Returns:** Business continues to perform and create value for shareholders.

(1) CTEH was acquired in April 2020. Organic growth is a non-GAAP measure. See the appendix to this release for a discussion of how we calculate organic growth.

(2) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA adds back non-recurring expenses. See the appendix to this presentation for a discussion of this measure.

MSE Acquisition Aligned With Growth Strategy

MSE fits within our proven M&A strategy to optimize value and create opportunities



MSE Acquisition Overview

- Acquired in January 2021
- Provides environmental assessment and remediation services primarily to the US Federal Government
- Joins MEG's Remediation and Reuse segment



Strategic Rationale & Revenue Synergies

- ✓ **Geographic expansion:** strong presence in southeast US and Gulf states. Synergistic with MEG's existing soil and groundwater remediation business line.
- ✓ **End-market exposure:** Increases ability to serve environmental needs of federal, state and local clients.
- ✓ **Talent:** MSE's leadership team is highly additive to Montrose's leadership and is continuing with Montrose.
- ✓ **Shareholder value:** Purchased at valuations consistent with historical levels

Montrose Capabilities Aligned With Emerging Political and Regulatory Priorities

Focus on Environmental Matters Creates Tailwinds for Montrose

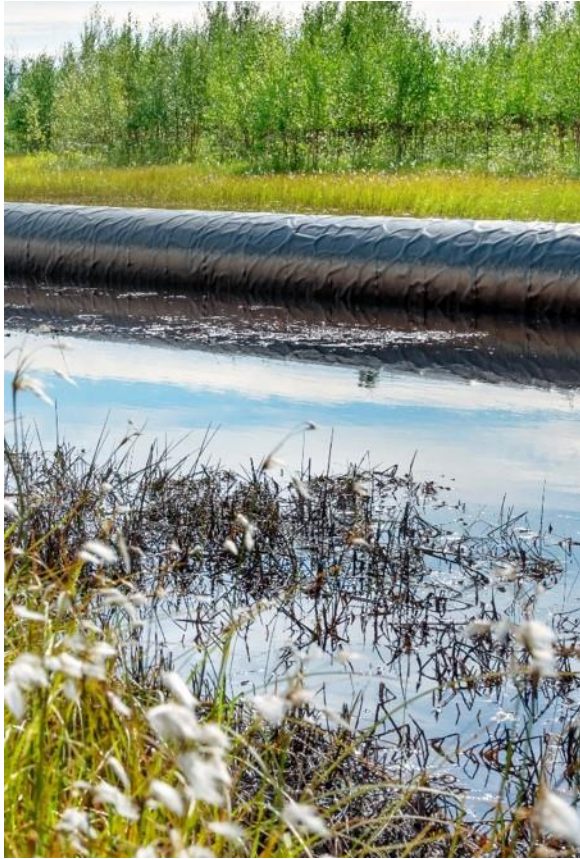
	Assessment, Permitting & Response			Measurement & Analysis			Remediation & Reuse	
	Ecosystem	Regulatory	Response	Testing	Lab	LDAR	Biogas	Soil/Water
Climate Change & Event Driven Response	✓	✓	✓		✓	✓		✓
Greenhouse Gas Mitigation & Air Quality	✓	✓		✓	✓	✓	✓	
Emerging Contaminant Regulation	✓	✓	✓	✓	✓			✓
Renewable Energy and Reduced Carbon Intensity	✓	✓					✓	
Increased EPA Regulatory Enforcement	✓	✓		✓	✓	✓		✓
Infrastructure and Defense Spending	✓	✓		✓	✓	✓		✓



At Montrose, ESG is Our Business

- ✓ **Environment** - Continued success with treating water, measuring/reducing greenhouse gases, and creating negative carbon intensive renewable energy.
- ✓ **Governance** - ESG formally overseen by Board; Montrose expects to publish ESG evolution report (additional metrics and frameworks given investor feedback) during 2021.
- ✓ **Social and Governance** - Continue to increase Board and Executive team diversity by, for example, focusing on recruiting more women and improving disclosures around diversity. 3 of 8 Board Members and 3 of 5 Named Executive Officers are from diverse racial and ethnic backgrounds.
- ✓ **Social** - Key 2020 and 2021 initiatives include WeLEAD Program (to promote female leadership), pay parity between men and women, COVID-19 Task Force, and a Diversity, Fairness and Inclusion task force.
- ✓ **Social** - Employee Safety remains a key priority. In 2020, Montrose again received the Employee Safety Award from National Safety Council.





Financial Overview



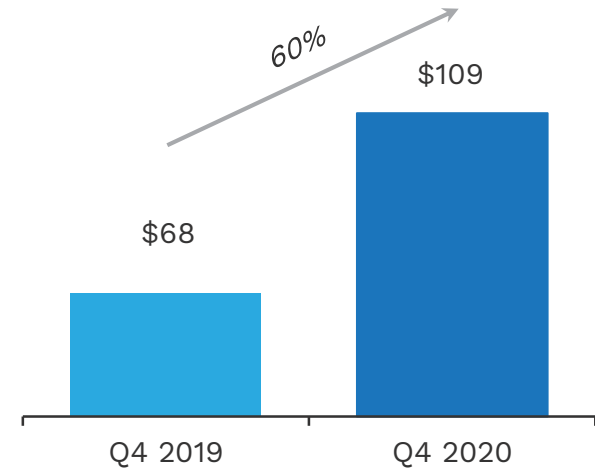
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Q4 2020 Revenue & Adjusted EBITDA⁽²⁾ Performance

- Solid revenue growth of 60% YoY during Q4
- Excluding discontinued service lines⁽¹⁾, revenue increased 67% YoY during Q4
- Strong Q4 Adjusted EBITDA⁽²⁾ growth
 - Up 74% YoY to \$18.3 million
 - Adjusted EBITDA Margin⁽²⁾ expanded 130 basis points YoY
- Resilient financial performance through COVID-19

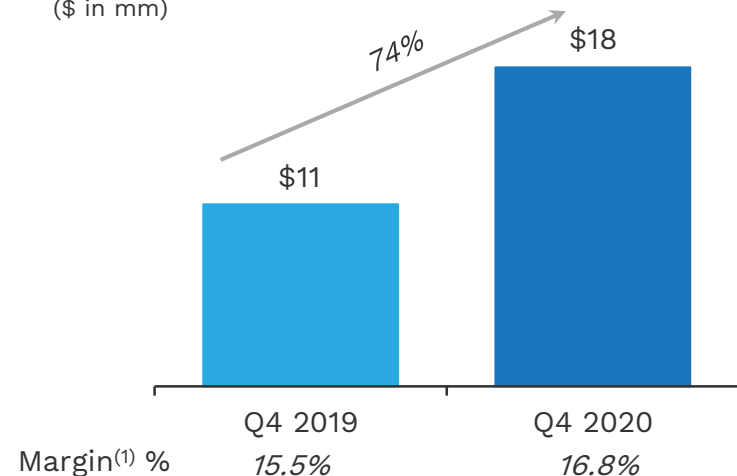
Q4 2020 Revenue

(\$ in mm)



Q4 2020 Adjusted EBITDA⁽²⁾

(\$ in mm)



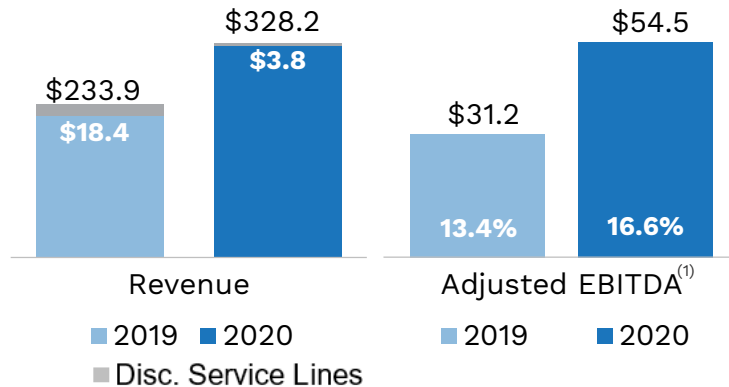
(1) Excluding discontinued services, which generated revenues of \$2.9 million in fourth quarter of 2019.

(2) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA adds back non-recurring expenses. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. See the appendix to this presentation for a discussion of these measures and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

Full Year 2020 Performance

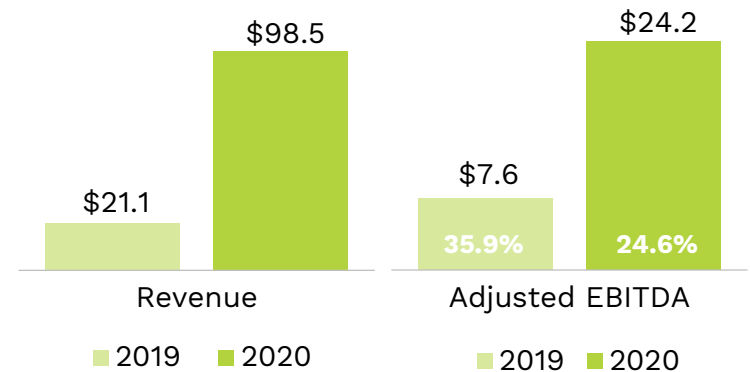
Total

(\$ in mm; % of revenue)



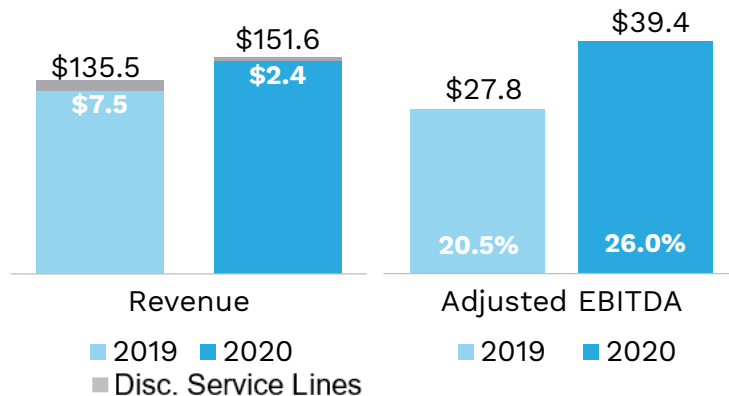
Assessment, Permitting and Response

(\$ in mm; % of revenue)



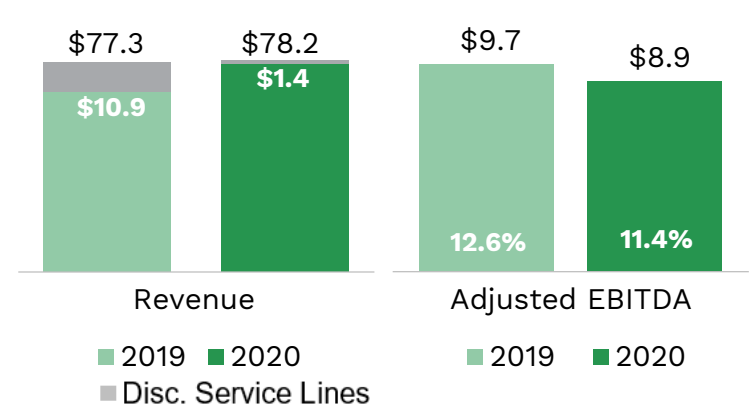
Measurement & Analysis

(\$ in mm; % of revenue)



Remediation & Reuse

(\$ in mm; % of revenue)



(1) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA adds back non-recurring expenses. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. See the appendix to this presentation for a discussion of these measures and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

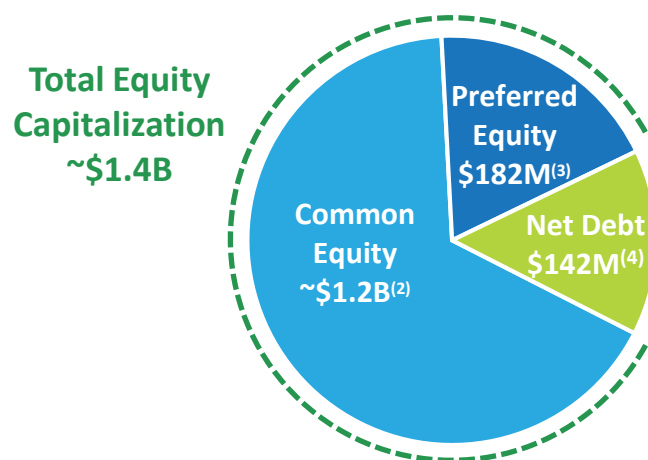
Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our condensed consolidated financial statements included in our Form 10-K for the year ended December 31, 2020.

Attractive Capital Structure

Commentary

- Flexible balance sheet to pursue investments in innovation and acquisitions in highly fragmented industry
- Montrose has \$84.4 million of liquidity, including \$34.4 million of cash and \$50.0 million of availability under its revolving credit facility as of 12/31/20
- Net leverage of 2.7x as of 12/31/20; Net leverage of 2.6x excluding estimated impact of 2021 CTEH contingent earnout payments⁽¹⁾
- Equity capitalization of ~\$1.4 billion⁽²⁾ consisting of 1) 25.0 million shares of common stock outstanding plus 2) \$182.2 million of A-2 Preferred Equity held by Oaktree⁽³⁾

Market Capitalization



(1) Calculated pursuant to the Company's credit agreement.

(2) As of March 19, 2021.

(3) Includes Initial \$175M stated value and accrued interest through July 27, 2020.

(4) Net debt is a non-GAAP measure and is calculated as total debt of \$175.9 million less cash on hand of \$34.4 million. See the appendix to this presentation for a discussion of Net Debt.

2021 Growth Outlook

Adjusted EBITDA margin⁽¹⁾ anticipated to be in range of **16.0% to 17.0%**.

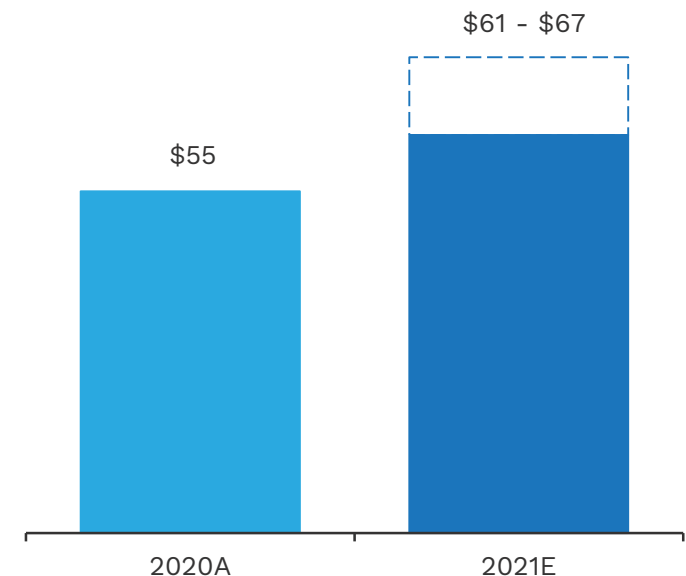
Growth based on a combination of **mid-to-high single digit organic growth plus** the contribution of **completed acquisitions**.

Strong start to 2021 and continued business resilience, though impact of pandemic on our business and people remains a key focus.

Because demand for environmental services is not driven by specific or predictable patterns in one or more fiscal quarters, **business is better assessed on yearly results**.

Adjusted EBITDA⁽¹⁾

(\$ in mm)



Current Outlook Aligned With Unchanged Expectation for Revenue Growth in Excess of 20% Per Year For Foreseeable Future

(1) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA adds back non-recurring expenses. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. See the appendix to this presentation for a discussion of these measures and certain considerations regarding estimates of these non-GAAP measures.

Investment Highlights



ESG Is Who We Are – The Environment is Our Business



Strong Financial Performance with Consistent Track Record of Growth & Cash Flow Generation



Resilient Across Political and Economic Cycles with Diverse Customers and End Markets



Differentiated Technology, Processes and Applications



Significant Scale with Global Reach in Large, Growing and Highly Fragmented Industry



Proven Ability to Identify, Execute and Integrate Acquisitions with a Strong Pipeline Ahead



Experienced Management Team Coupled with a Team-Centric Culture





Appendix



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Non-GAAP Financial Information

In addition to our results under GAAP, in this presentation we also present certain other supplemental financial measures that are not required by, or presented in accordance with, U.S. GAAP, including Adjusted EBITDA and Adjusted EBITDA margin. We calculate these measures as follows:

- Adjusted EBITDA represents net income (loss) before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for the impact of certain other items, including stock-based compensation expense and acquisition-related costs, as set forth in greater detail in this appendix
- Adjusted EBITDA margin represents Adjusted EBITDA as a percentage revenue for a given period

Adjusted EBITDA and Adjusted EBITDA margin are some of the primary metrics used by management to evaluate our results and financial position and compare them to those of our peers, evaluate the effectiveness of our business strategies, make budgeting and capital allocation decisions and in connection with our executive incentive compensation. These measures are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Further, we believe they are helpful in highlighting trends in our results and financial position because they allow for more consistent comparisons between periods. For example, Adjusted EBITDA excludes gains and losses that are non-operational in nature or outside the control of management, as well as items that may differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments.

These non-GAAP measures do, however, have certain limitations and should not be considered as an alternative to any measure calculated in accordance with GAAP. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items for which we may make adjustments. In addition, our use of these non-GAAP measures may not be comparable to similarly titled measures used by other companies in our industry or across different industries, and other companies may not present these or similar measures at all. Management compensates for these limitations by using these measures as supplemental metrics and in conjunction with our results prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety, not to rely on any single measure and to view non-GAAP measures in conjunction with the related GAAP measures.

Additionally, we have provided estimates regarding Adjusted EBITDA and Adjusted EBITDA margin for 2021. These projections account for estimates of revenue, operating margins and corporate and other costs. However, we cannot reconcile our projection of Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure, without unreasonable efforts because of the unpredictable or unknown nature of certain significant items excluded from Adjusted EBITDA and the resulting difficulty in quantifying the amounts thereof that are necessary to estimate net income (loss). Specifically, we are unable to estimate for the fourth quarter of 2020 the impact of certain items, including income tax (expense) benefit, stock-based compensation expense, fair value changes and the accounting for the issuance of the Series A-2 preferred stock. We expect the variability of these items could have a significant impact on our reported GAAP financial results.

This presentation also includes Net debt, a non-GAAP measure which represents total debt less cash and restricted cash. Management uses Net debt as one of the means by which it assesses financial leverage and capitalization, and it is therefore useful to investors in evaluating our business using the same measures as management. This measure is also useful to investors because it is often used by securities analysts and other interested parties in evaluating our business. The measure does, however, have certain limitations and should not be considered as an alternative to or in isolation from gross debt and cash or any other measure calculated in accordance with GAAP. Other companies, including other companies in our industry, may not use Net debt in the same way or may calculate it differently than as presented herein.

In this presentation we also provide information regarding organic growth, which is one of the measures management uses to assess our results of operations. We define organic growth as the change in revenues excluding revenues from acquisitions for the first twelve months following the date of acquisition and excluding revenues from businesses disposed of or discontinued. As a result of the significance of the CTEH acquisition to Montrose, and the potential annual volatility in CTEH's revenues, we also disclose organic growth combined with the annual organic revenue growth of CTEH, but excluding CTEH's revenues from projects contributing more than \$4 million of revenue. We expect to continue to disclose organic revenue growth with and without CTEH. Organic growth is not, however, a measure of revenue growth calculated in accordance with GAAP and should be considered in conjunction with revenue growth calculated in accordance with GAAP.

Adjusted EBITDA Reconciliation

(in thousands)	For the Year Ended December 31,					For the Quarter Ended December 31,	
	2020	2019	2018	2017	2016	2020	2019
Net (loss) income	\$ (57,949)	\$ (23,557)	\$ (16,491)	\$ (10,549)	\$ (8,946)	\$ 812	\$ (11,310)
Interest expense	13,819	6,755	11,085	5,815	3,072	2,923	2,165
Income tax expense (benefit)	851	(3,121)	(4,968)	(7,196)	(4,124)	2,414	(1,813)
Depreciation and amortization	37,274	27,705	23,915	18,828	15,023	10,190	7,443
EBITDA	(6,005)	7,782	13,541	6,898	5,025	16,339	(3,515)
Stock-based compensation ⁽¹⁾	4,849	4,345	5,794	6,490	2,572	1,410	768
Start-up losses and investment in new services ⁽²⁾	2,182	1,044	181	1,534	811	899	436
Acquisition costs ⁽³⁾	4,344	3,474	1,589	1,323	317	577	1,124
Fair value changes in derivatives and warrant options ⁽⁴⁾	20,319	11,160	(352)	—	—	2,827	7,101
Expenses related to financing transactions ⁽⁵⁾	378	—	398	152	110	101	—
Fair value changes in business acquisitions contingent consideration ⁽⁶⁾	12,942	1,392	(158)	(1,312)	—	(4,445)	2,062
Insurance gain ⁽⁷⁾	—	—	—	(1,700)	(1,281)	—	—
Short term purchase accounting fair value adjustment to deferred revenue ⁽⁸⁾	243	858	—	—	—	—	858
IPO expense and secondary offering costs ⁽⁹⁾	7,657	610	—	—	—	749	505
Discontinued service lines and closing of Berkley lab ⁽¹⁰⁾	5,662	577	(1,680)	(352)	(650)	(1,864)	1,209
Other losses and expenses (income) ⁽¹¹⁾	1,905	—	—	800	425	1,726	(27)
Adjusted EBITDA	\$ 54,476	\$ 31,242	\$ 19,313	\$ 13,833	\$ 7,329	\$ 18,319	\$ 10,521

(1) Represents non-cash stock-based compensation expenses related to option awards issued to employees and restricted stock grants issued to directors.

(2) During the years ended December 31, 2020 and 2019, start-up losses related to losses incurred on (i) the expansion of lab testing methods and lab capacity, including into new geographies, (ii) expansion of our Canadian testing capacity in advance of new regulations, (iii) expansion of our Remediation services into new geographies and (iv) expansion into Europe in advance of projects driven by new regulations. In fiscal year 2018, start-up losses relate to investments in expanding our Remediation and Reuse segment capabilities. In fiscal year 2017, start-up losses relate to the opening of a new lab. In fiscal year 2016, start-up losses relate to expanding the geographical footprint of our air testing service line.

(3) Includes financial and tax diligence, consulting, legal, valuation, accounting and travel costs and acquisition-related incentives related to our acquisition activity.

(4) For the years ended December 31, 2020 and 2019, amounts relate to the change in fair value of the embedded derivatives and warrant options attached to the Series A-1 preferred stock and the Series A-2 preferred stock. In the year ended December 31, 2018, amount represents the change in the value of the embedded derivative in the convertible subordinated debt repaid in October 2018. See Notes 16 and 17 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

(5) For the year ended December 31, 2020, amount represents non-capitalizable expenses associated with the issuance of the warrants in connection with the Series A-2 preferred stock. For the years ended December 31, 2018, 2017, and 2016, amounts represent non-capitalizable expenses associated with refinancing and amending our debt facilities. See Notes 13 and 17 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

(6) Reflects the difference between the expected settlement value of acquisition related earn-out payments at the time of the closing of acquisitions and the expected (or actual) value of earn-outs at the end of the relevant period.

(7) Represents the gain from insurance proceeds received in 2016 and 2017 related to a fire in one of our environmental laboratories that occurred in June 2016.

(8) Represents the impact of the fair value adjustment to the carrying value of deferred revenue as of the date of acquisition of ECT2.

(9) Represents expenses incurred by us to prepare for our initial public offering, as well as costs from IPO-related bonuses, and costs related to the November 2020 secondary public offering.

(10) Represents loss (earnings) from the Discontinued Service Lines and the Berkeley lab. See "—Overview—Key Factors that Affect Our Business and Our Results."

(11) Represents non-operational charges incurred as a result of lease abandonments in 2020, 2017, and 2016, and non-capitalizable ERP implementation and software abandonment costs in 2020 as a result of the implementation of a new ERP.