

The Future of Environmental Solutions



MONTROSE
ENVIRONMENTAL

**First Quarter 2021
Earnings Call**

May 12, 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.

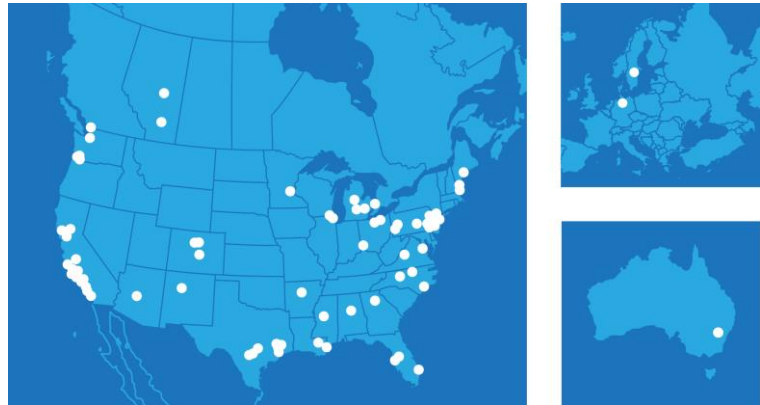


Operating Overview



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Montrose Environmental at a Glance

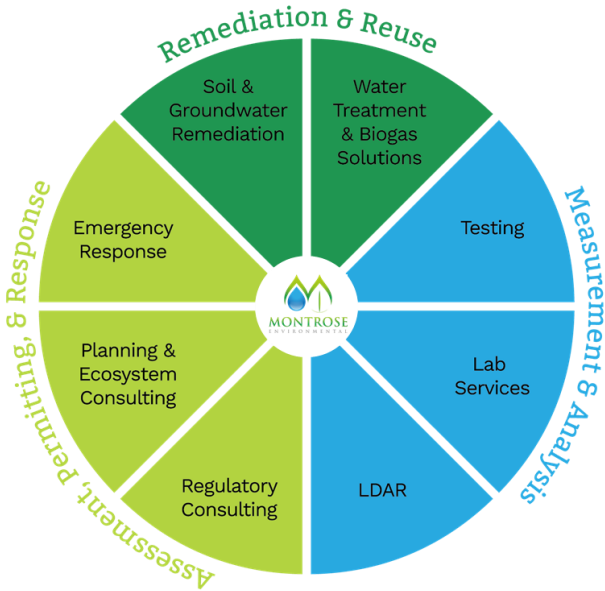


2,000+ Employees

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



Highlights

- We started 2021 on strong footing following exceptional 2020 results
- Solid performance across key services and geographies
- Demand tailwinds evident across each business segment
- Clients proactively accelerating emission reduction targets to align with proposed policies in U.S.
- Acquisitions and organic growth on pace to produce another year of +20% annual revenue growth
- Raises guidance for full year 2021

Q1 2021

Revenue

+119%

to \$133.8M

Adj. EBITDA⁽¹⁾

+203%

to \$16.8M

Adj. EBITDA Margin⁽¹⁾

+350 bps

to 12.6% 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.



Strong Record of Profitable Growth Continues in 2021

Multiple Levers to Drive Growth

ORGANIC GROWTH

Continued market share gains through business development and technology innovation

STRATEGIC ACQUISITIONS

Strategic acquisition opportunities in highly fragmented markets

MARKET GROWTH

Regulations & compliance, investor priorities, infrastructure investment and global public awareness related to environmental stewardship

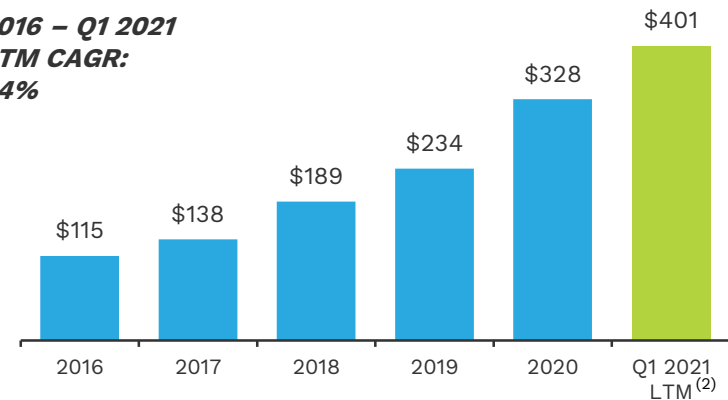
MARGIN EXPANSION

Corporate Operating Leverage
Revenue Growth

Revenue

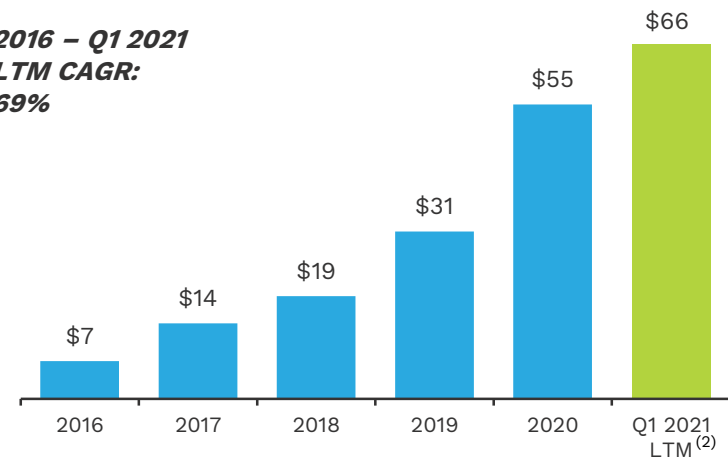
(\$ in millions, Dec FYE)

2016 – Q1 2021
LTM CAGR:
34%



Adjusted EBITDA⁽¹⁾

2016 – Q1 2021
LTM CAGR:
69%



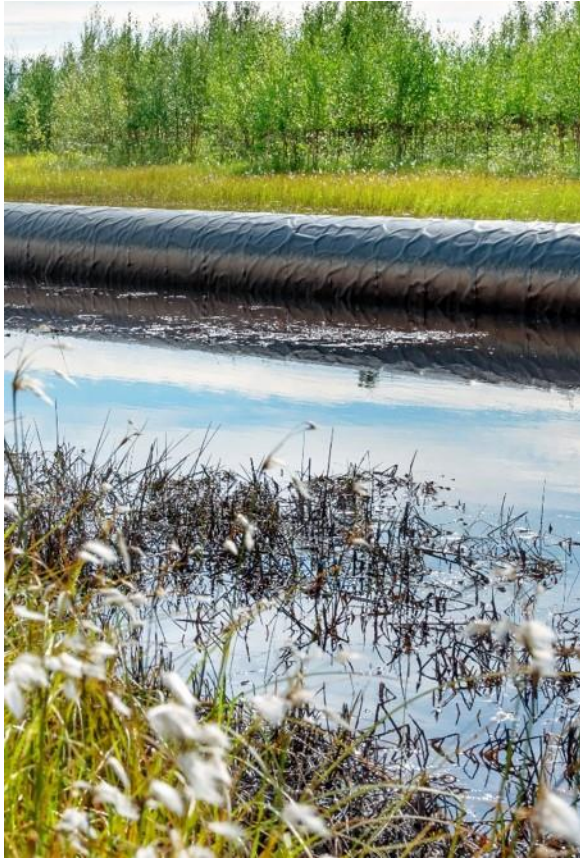
- (1) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA adds back non-recurring expenses. See the appendix to this presentation for a discussion of this measure and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.
- (2) Presentation of financial information on a last twelve month ("LTM") basis is not in accordance with GAAP. See the Appendix to this presentation for a discussion of this presentation and how it is derived from our historical amounts reported under GAAP.

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	✓	✓		✓	✓	✓		✓





Financial Overview



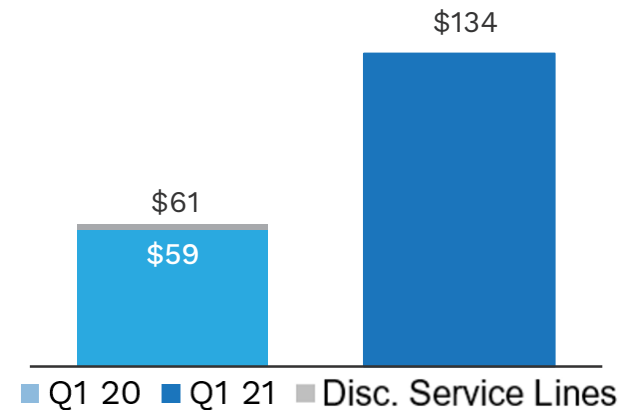
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Q1 2021 Revenue & Adjusted EBITDA⁽²⁾ Performance

- Solid revenue growth of 119% YoY during Q1
- Excluding discontinued service lines⁽¹⁾, revenue increased 129% YoY during Q1
- Strong Q1 Adjusted EBITDA⁽²⁾ growth
 - Up 203% YoY to \$16.8 million
 - Adjusted EBITDA Margin⁽²⁾ expanded 350 basis points YoY
- Resilient financial performance through COVID-19

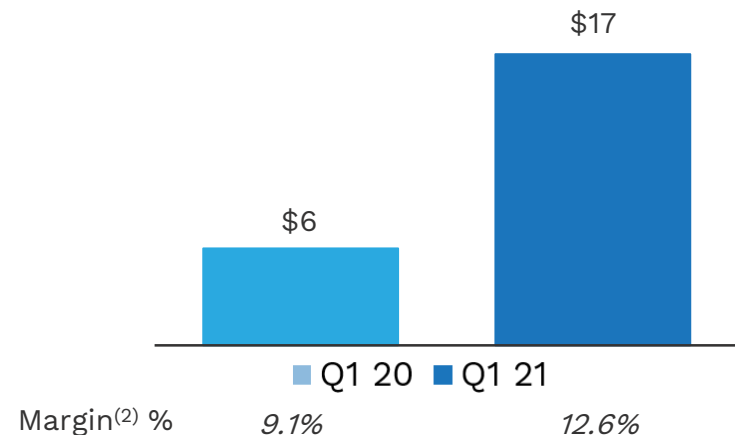
Q1 2021 Revenue

(\$ in mm)



Q1 2021 Adjusted EBITDA⁽²⁾

(\$ in mm)



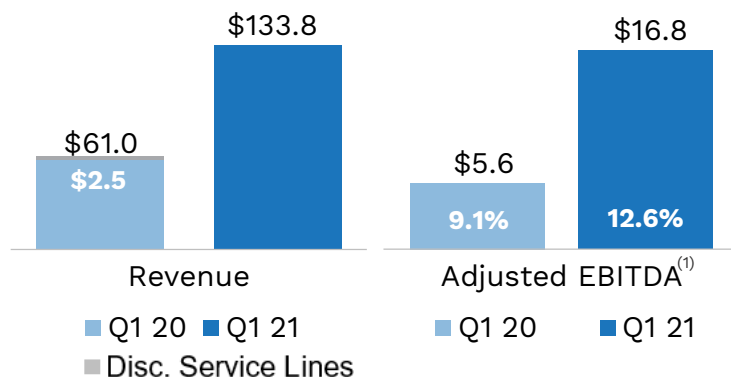
(1) Excluding discontinued services, which generated revenues of \$2.5 million in first quarter of 2020.

(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.

Q1 2021 Segment Performance

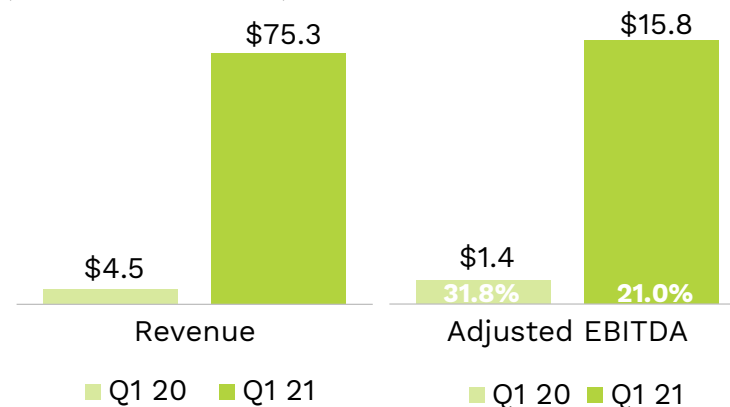
Total

(\$ in mm; % of revenue)



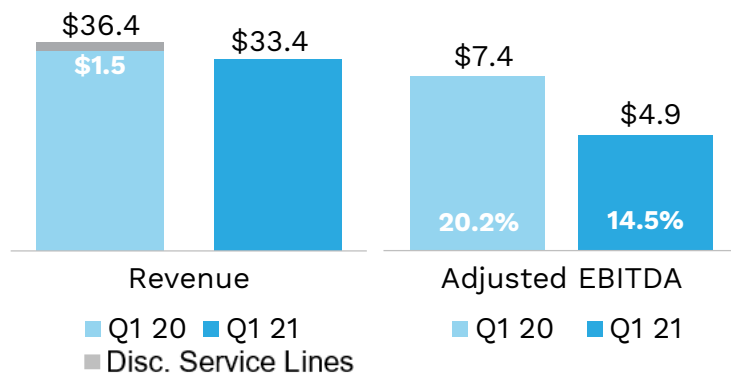
Assessment, Permitting and Response

(\$ in mm; % of revenue)



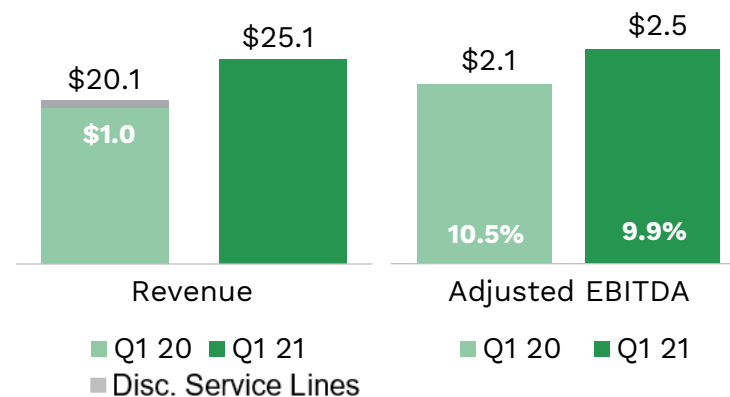
Measurement & Analysis

(\$ in mm; % of revenue)



Remediation & Reuse

(\$ in mm; % of revenue)



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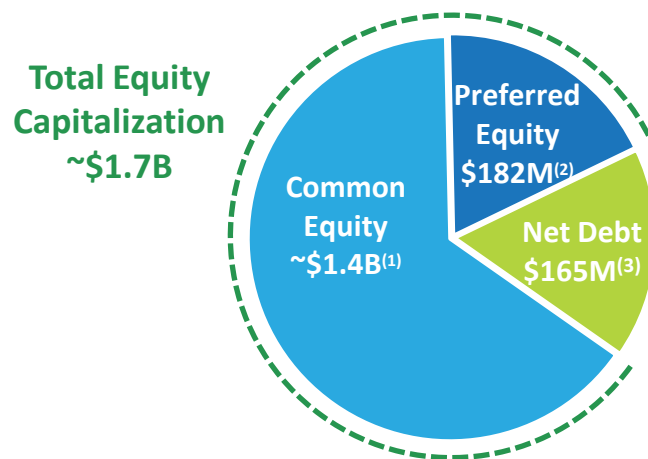
Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our condensed consolidated financial statements included in our Form 10-Q for the quarter ended March 31, 2021.

Attractive Capital Structure

Commentary

- Flexible balance sheet to pursue investments in innovation and acquisitions in highly fragmented industry
- Net leverage of 3.1x as of 3/31/21 as calculated per our credit agreement
- In April, replaced credit agreement with a new sustainability-linked credit facility, decreasing the core borrowing rate from 5.50% to LIBOR plus 2.00%
- \$83 million of availability under the new credit facility as of 4/30/21
 - \$150 million accordion feature provides for additional access to capital
- Equity capitalization of ~\$1.7 billion⁽¹⁾ consisting of 1) 25.1 million shares of common stock outstanding plus 2) \$182.2 million of A-2 Preferred Equity held by Oaktree⁽²⁾

Market Capitalization



(1) As of May 10, 2021.

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

(3) Net debt is a non-GAAP measure and is calculated as total debt of \$175.6 million less cash on hand of \$10.6 million as of March 31, 2021. See the appendix to this presentation for a discussion of Net Debt.

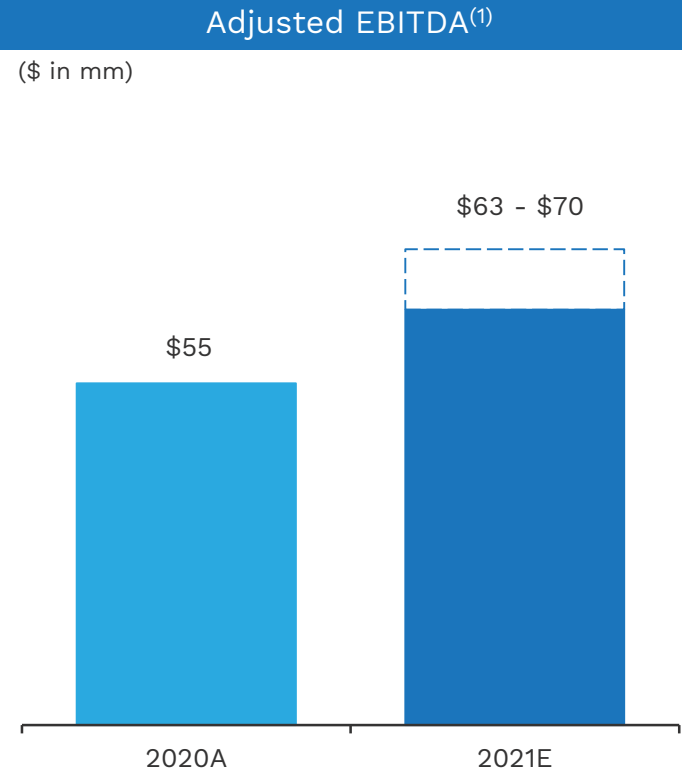
2021 Growth Outlook

Adjusted EBITDA⁽¹⁾ guidance increased by \$2.5 million at the midpoint.

2021E outlook assumes revenue growth comprised 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**.



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

(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 certain considerations regarding estimates of this non-GAAP measure.

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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Summary of Oaktree A-2 Preferred

Investment Summary

- In April 2020, Oaktree Capital purchased \$175mm of Series A-2 Preferred Equity to fund the cash portion of the CTEH purchase price
- We believe the ongoing investment is indicative of Oaktree's optimism regarding Montrose's long term prospects and the CTEH acquisition

Post-IPO Terms

- No fixed maturity date
 - Repayable in cash at Company's option (subject to certain minimum amounts and returns)
- 9.0% annual cash dividend, payable quarterly
- Beginning in year 4, a portion of principal balance becomes convertible into common stock during each of years 4, 5 and 6 at Oaktree's option (converts at 15.0% discount to market)
- Includes mandatory notice period prior to conversion to give Montrose the option to repay in cash

Governance

- One Oaktree representative remains on the Montrose board of directors while A-2 Preferred Equity remains outstanding

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 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 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 presents revenues and Adjusted EBITDA on a last twelve month (“LTM”) basis. Information presented for LTM periods that do not track our fiscal year (i.e., the LTM period ended Q1 2021) reflect unaudited trailing four quarter financial information calculated by starting with the results from the most recent audited fiscal year included in such LTM period and then (x) adding quarterly information for subsequent fiscal quarters and (y) subtracting quarterly information for the corresponding prior year period. For each line item shown, LTM Q1 2021 has been calculated by taking the relevant reported financial information from Fiscal 2020 and adding the reported financial information for the three months ended March 31, 2021, and then subtracting the reported financial information for the three months ended March 31, 2020. This presentation is not in accordance with GAAP. However, we believe LTM information is useful to investors as we use it to evaluate our financial performance for ongoing planning purposes, including a continuous assessment of our financial performance in comparison to budgets and internal projections. This presentation has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Please see our Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed on March 24, 2021 and May 12, 2021, respectively, for the historical amounts used to calculate the LTM information presented.

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 March 31,		LTM March 31,
	2020	2019	2018	2017	2016	2021	2020	2021
Net (loss) income	\$ (57,949)	\$ (23,557)	\$ (16,491)	\$ (10,549)	\$ (8,946)	\$ (11,596)	\$ (41,248)	\$ (28,297)
Interest expense	13,819	6,755	11,085	5,815	3,072	2,688	2,593	13,914
Income tax expense (benefit)	851	(3,121)	(4,968)	(7,196)	(4,124)	2	(3,152)	4,005
Depreciation and amortization	37,274	27,705	23,915	18,828	15,023	10,769	7,560	40,483
EBITDA	(6,005)	7,782	13,541	6,898	5,025	1,863	(34,247)	30,105
Stock-based compensation ⁽¹⁾	4,849	4,345	5,794	6,490	2,572	1,805	1,150	5,504
Start-up losses and investment in new services ⁽²⁾	2,182	1,044	181	1,534	811	968	379	2,771
Acquisition costs ⁽³⁾	4,344	3,474	1,589	1,323	317	237	1,307	3,274
Fair value changes in derivatives and warrant options ⁽⁴⁾	20,319	11,160	(352)	—	—	602	29,627	(8,706)
Expenses related to financing transactions ⁽⁵⁾	378	—	398	152	110	50	—	428
Fair value changes in business acquisitions contingent consideration ⁽⁶⁾	12,942	1,392	(158)	(1,312)	—	11,064	—	24,006
Insurance gain ⁽⁷⁾	—	—	—	(1,700)	(1,281)	—	—	—
Short term purchase accounting fair value adjustment to deferred revenue ⁽⁸⁾	243	858	—	—	—	—	243	—
IPO expense and secondary offering costs ⁽⁹⁾	7,657	610	—	—	—	—	531	7,126
Discontinued service lines and closing of Berkley lab ⁽¹⁰⁾	5,662	577	(1,680)	(352)	(650)	—	6,417	(755)
Other losses and expenses (income) ⁽¹¹⁾	1,905	—	—	800	425	211	146	1,970
Adjusted EBITDA	\$ 54,476	\$ 31,242	\$ 19,313	\$ 13,833	\$ 7,329	\$ 16,800	\$ 5,553	\$ 65,723

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

(2) Represent 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 Remediation and Consulting services and (iii) expansion into Europe in advance of projects driven by new regulations.

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

(4) Amounts relate to the change in fair value of the embedded derivatives and warrant option attached to the Series A-1 preferred stock and the Series A-2 preferred stock.

(5) Amounts represent non-capitalizable expenses associated with refinancing and amending our debt facilities.

(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.