

# Third Quarter 2022 Earnings Call

November 9, 2022



# 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, 2021, 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

# Highlights

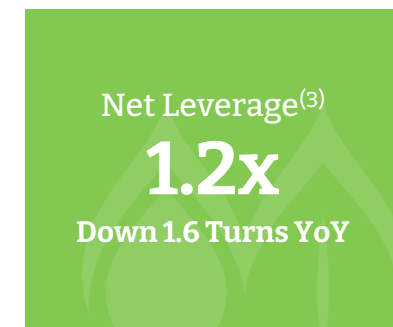
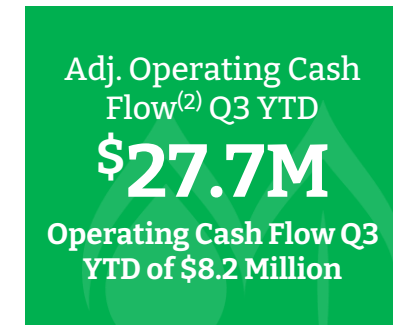
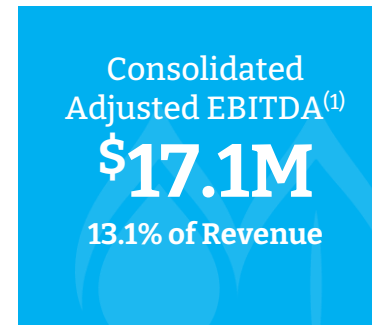
- Strong third quarter 2022 results and sequential margin improvement driven primarily by organic growth in our Remediation and Reuse and Measurement and Analysis segments
  - Strengthening organic revenue growth within PFAS remediation, greenhouse gasses, and renewable energy solutions in particular
- Organic growth across most service lines plus accretive acquisitions partially offset by CTEH steadily reverting to run-rate revenue levels in-line with expectations
- Focused execution and solid working capital management produced another quarter of strong Adjusted Operating Cash Flow<sup>(2)</sup>
- 2022 revenue and Adjusted EBITDA outlook remains firm given year-to-date results and continued positive performance

(1) Consolidated Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) Per Share are non-GAAP measures. See the appendix to this presentation for a discussion of these measures, including how they are calculated and the reasons why we believe they provide useful information to investors, and a reconciliation for historical periods to the most directly comparable GAAP measures.

(2) Adjusted Operating Cash Flow is a non-GAAP measure and excludes the payment of acquisition-related contingent consideration of \$19.5 million in YTD Q3 2022 and \$15.5 million in YTD Q3 2021. Reported cash from operating activities was \$8.2 million in YTD Q3 2022 and \$13.7 million in YTD Q3 2021. See the appendix to this presentation for a discussion of Adjusted Operating Cash Flow.

(3) The Company's leverage ratio under its credit facility includes the impact of acquisition-related contingent earnout payments that may become payable in cash.

## Q3 2022



# Strong Record of Long-term Growth

## Multiple Levers to Drive Growth

ORGANIC GROWTH

Continued market share gains through focused marketing, business development and technology innovation

MARGIN EXPANSION

Revenue Growth and Operating Leverage

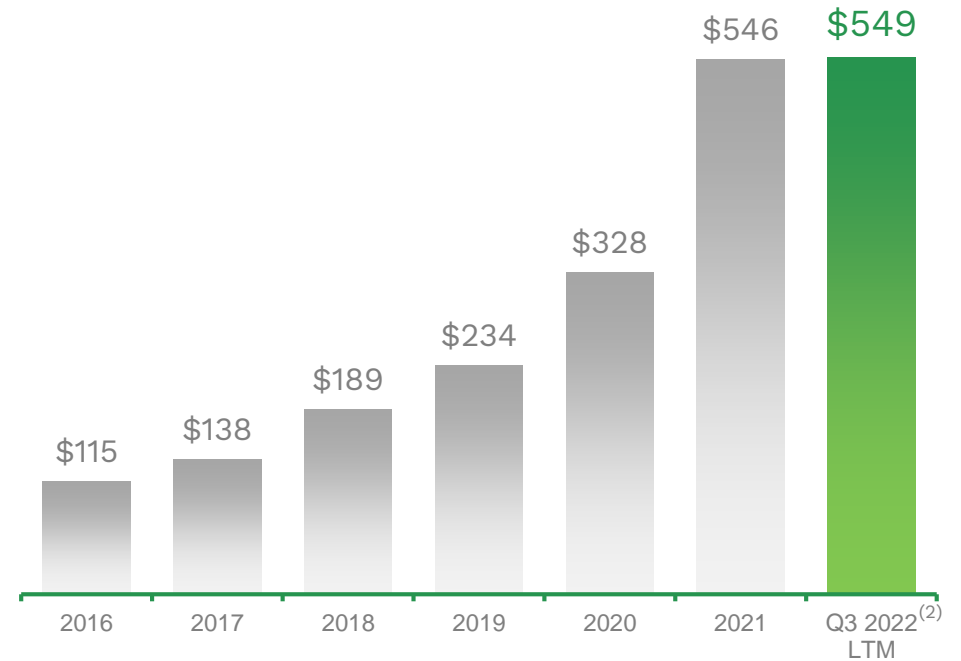
MARKET GROWTH

Regulations & compliance, investor priorities, infrastructure investment and global public awareness related to environmental stewardship drove outperformance of the estimated ~2% market growth rate<sup>(1)</sup>

STRATEGIC ACQUISITIONS

Strategic acquisition opportunities in highly fragmented markets

**Revenue** (\$ in Millions, Dec FYE)  
2016-Q3 2022 LTM CAGR: 31%



(1) 2021-2024 U.S. revenue CAGR sourced from 2021 EBI Environmental Services data set.

(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.










# Capabilities Aligned with Emerging Political & 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 (e.g. PFAS)	✓	✓	✓	✓	✓			✓
Renewable Energy and Reduced Carbon Intensity	✓	✓					✓	
Increased Regulatory Enforcement (i.e., EPA, SEC)	✓	✓		✓	✓	✓		✓
Infrastructure and Defense Spending	✓	✓	✓	✓	✓	✓		✓



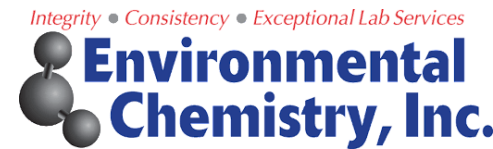
# Examples of Recent Regulatory Tailwinds

Rule	Summary	Assessment, Permitting & Response	Measurement & Analysis	Remediation & Reuse
<p><b>PFAS Hazardous Substance Designation Legislation</b></p>	<p>Would cause PFOA and PFOS to be eligible for clean up under the recently refunded Superfund Program and require companies to report any spills that could trigger additional contamination actions.</p>			
<p><b>Toxic Release Inventory - PFAS</b></p>	<p>Adds certain per- and polyfluoroalkyl substances to the list of chemicals covered by the Toxics Release Inventory and provides a framework for additional PFAS to be added to this list on an annual basis.</p>			
<p><b>Methane New Source Performance Standard</b></p>	<p>Proposes to expand and strengthen emissions reduction requirements that are currently on the books for new, modified and reconstructed oil and natural gas sources, and would require states to reduce methane emissions from hundreds of thousands of existing sources nationwide for the first time.</p>			



# Recent M&A Overview

- Successfully completed a number of value-enhancing acquisitions in 2021 and 2022
- Consistently target additive services, geographies, clients and technologies
- Demonstrated ability to successfully integrate, cross-sell and create revenue synergies over time
- Acquisition pipeline remains robust
- Strong balance sheet and ample liquidity to execute M&A strategy





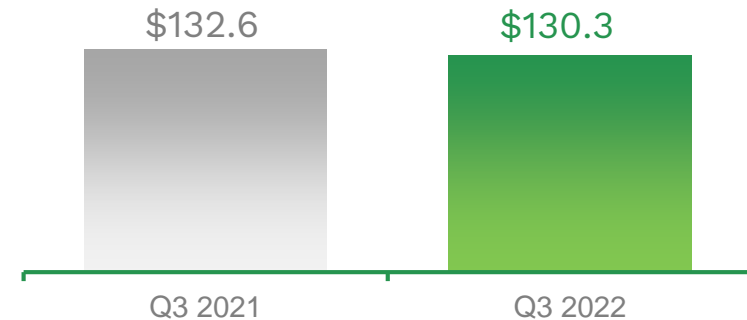
# Financial Overview

# Q3 and YTD Q3 2022 Revenue Performance

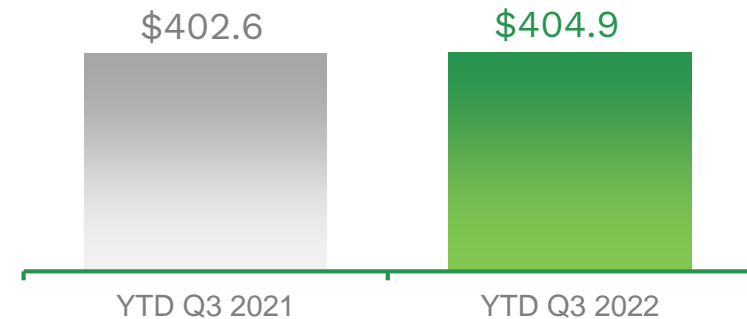
**Q3 Revenue and YTD Q3 Revenue in-line with expectations for: (i) strong organic revenue growth across most services lines plus accretive acquisitions and (ii) a decline in CTEH COVID-19 related services**

- Q3 down 1.7% YoY to \$130.3 million primarily due to lower revenue from CTEH COVID-19 related services, and partially offset by organic growth in M&A and R&R segments as well as the contributions from acquisitions
- Q3 YTD up 0.6% YoY to \$404.9 million due to strong organic growth in M&A and R&R segments, as well as the contributions from acquisitions, partially offset by lower CTEH revenues and exit from legacy wastewater treatment and biogas O&M contracts

**Q3 2022 Revenue**  
(\$ in Millions)



**YTD Q3 2022 Revenue**  
(\$ in Millions)

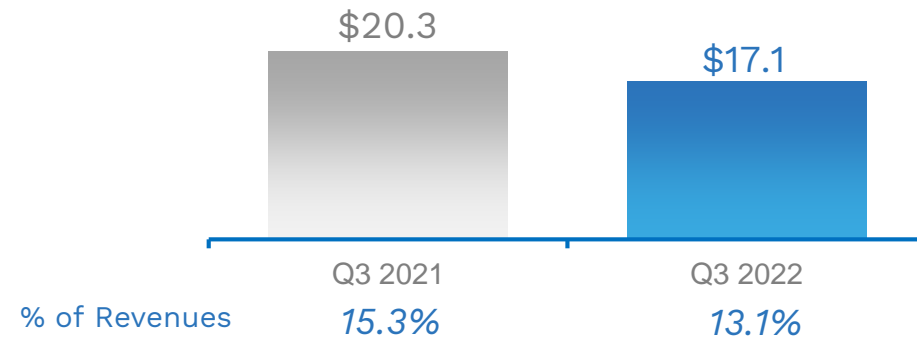


# Q3 and YTD Q3 2022 Consolidated Adjusted EBITDA<sup>(1)</sup> Performance

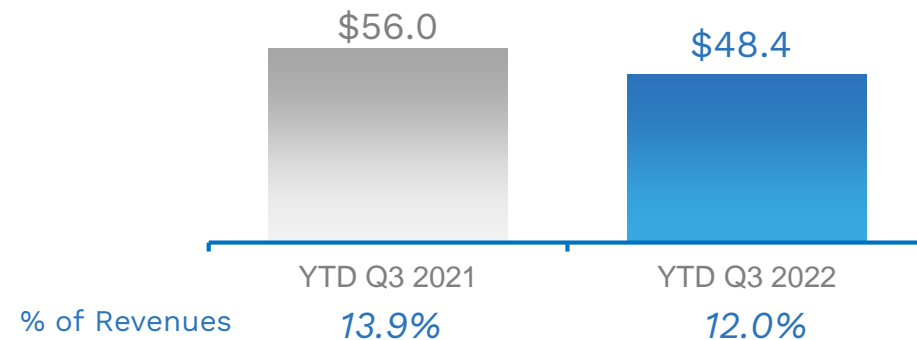
## Q3 and YTD Q3 Consolidated Adjusted EBITDA<sup>(1)</sup> in-line with expectations

- Q3 and YTD Q3 decline due to lower revenue and business mix, respectively, the cyber-attack in June, continued investments in operating infrastructure in biogas and water businesses, higher variable costs, and other direct costs, partially offset by pricing initiatives

### Q3 2022 Consolidated Adjusted EBITDA<sup>(1)</sup> (\$ in Millions)



### YTD Q3 2022 Consolidated Adjusted EBITDA<sup>(1)</sup> (\$ in Millions)



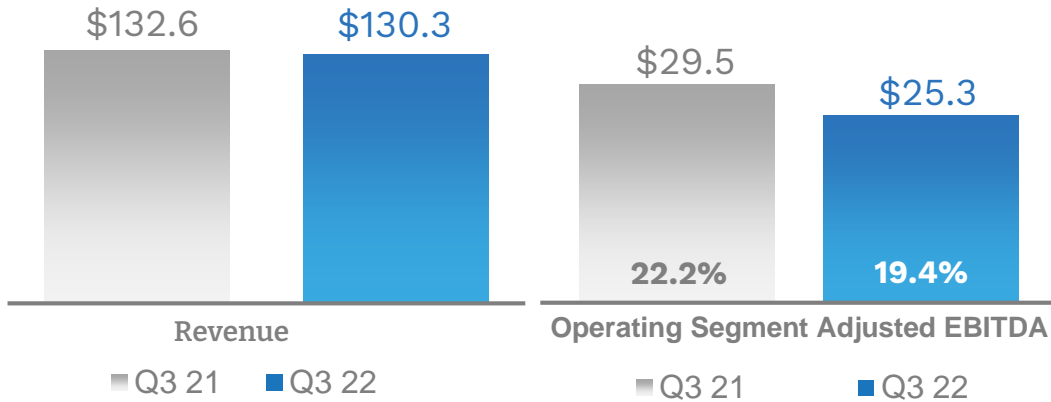
<sup>(1)</sup> Consolidated Adjusted EBITDA is a non-GAAP measure. See the appendix to this presentation for a discussion of this measure, including how it is calculated and the reasons why we believe it provides useful information to investors, and a reconciliation for historical periods to the most directly comparable GAAP measure.



# Q3 2022 Segment Performance

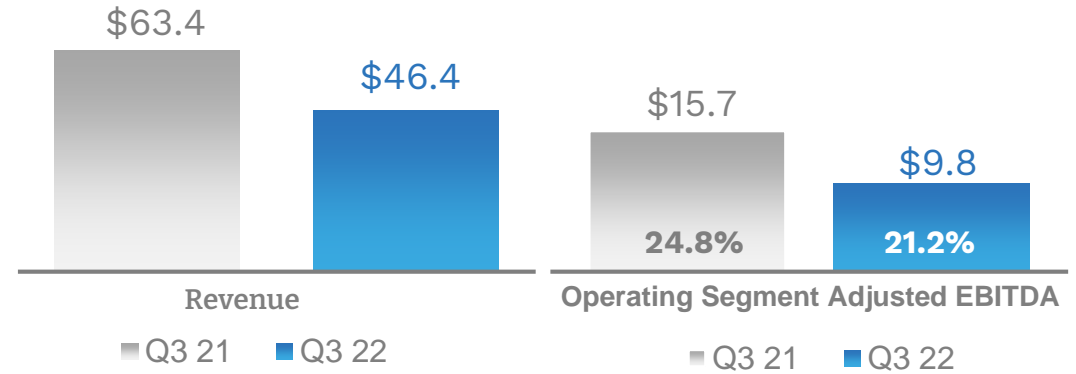
## Total Operating Segments

(\$ in mm; % of revenue)



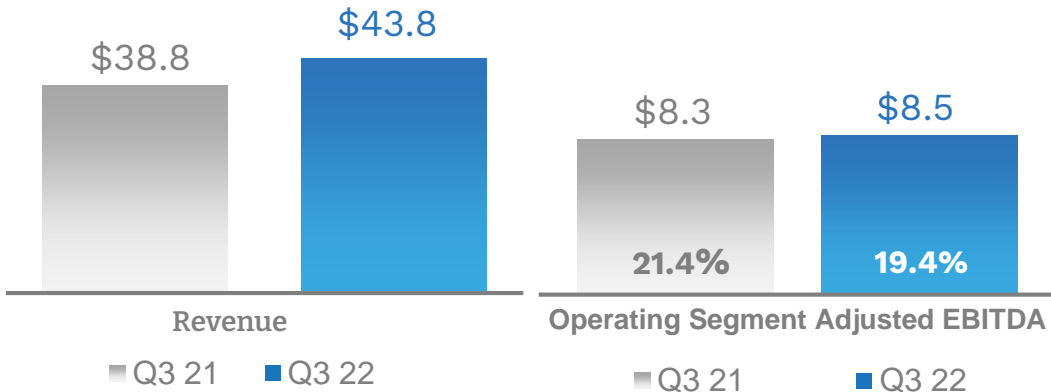
## Assessment, Permitting and Response

(\$ in mm; % of revenue)



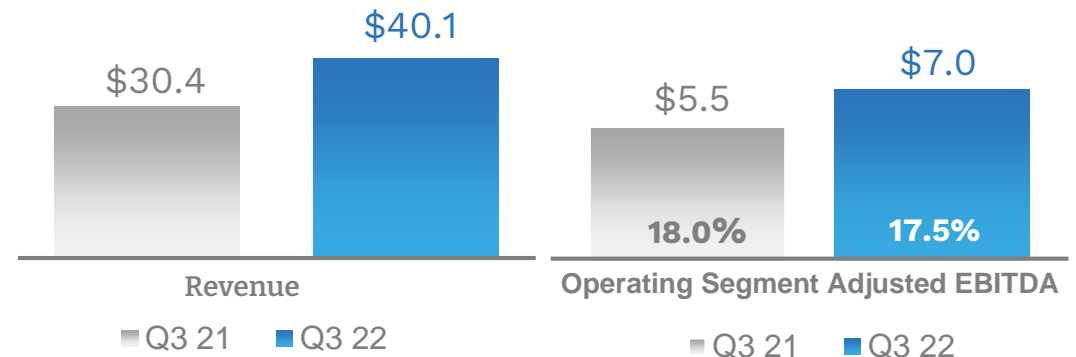
## Measurement & Analysis

(\$ in mm; % of revenue)



## Remediation & Reuse

(\$ in mm; % of revenue)



Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Operating Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 18 to our condensed consolidated financial statements included in our Form 10-Q for the quarter ended September 30, 2022.

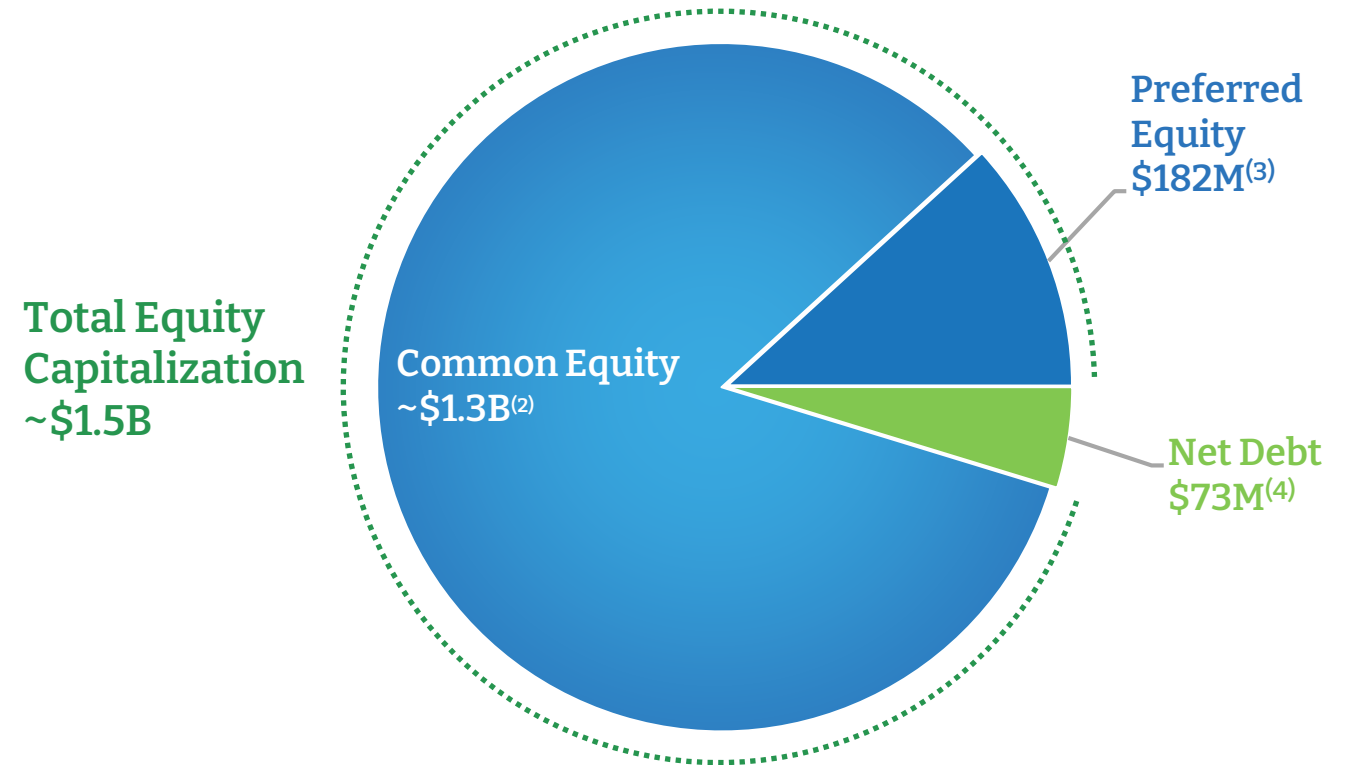


# Attractive Capital Structure

## Commentary

- Flexible balance sheet to pursue investments in innovation and acquisitions in highly fragmented industry
- Montrose has \$218.6 million of liquidity, including \$93.6 million of cash and \$125.0 million of availability under its revolving credit facility as of 9/30/22
- Net leverage<sup>(1)</sup> of 1.2x as of 9/30/22
- Equity capitalization of ~\$1.5 billion<sup>(2)</sup> consisting of 1) 29.7 million shares of common stock outstanding plus 2) \$182.2 million of A-2 Preferred Equity held by Oaktree<sup>(3)</sup>

## Market Capitalization



<sup>(1)</sup> The Company's leverage ratio under its credit facility includes the impact of acquisition-related contingent earnout payments that may become payable in cash.

<sup>(2)</sup> As of November 3, 2022.

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

<sup>(4)</sup> Net debt is a non-GAAP measure and is calculated as total debt (excluding deferred debt issuance costs) of \$166.3 million less cash on hand of \$93.6 million as of September 30, 2022. See the appendix to this presentation for a discussion of Net Debt.





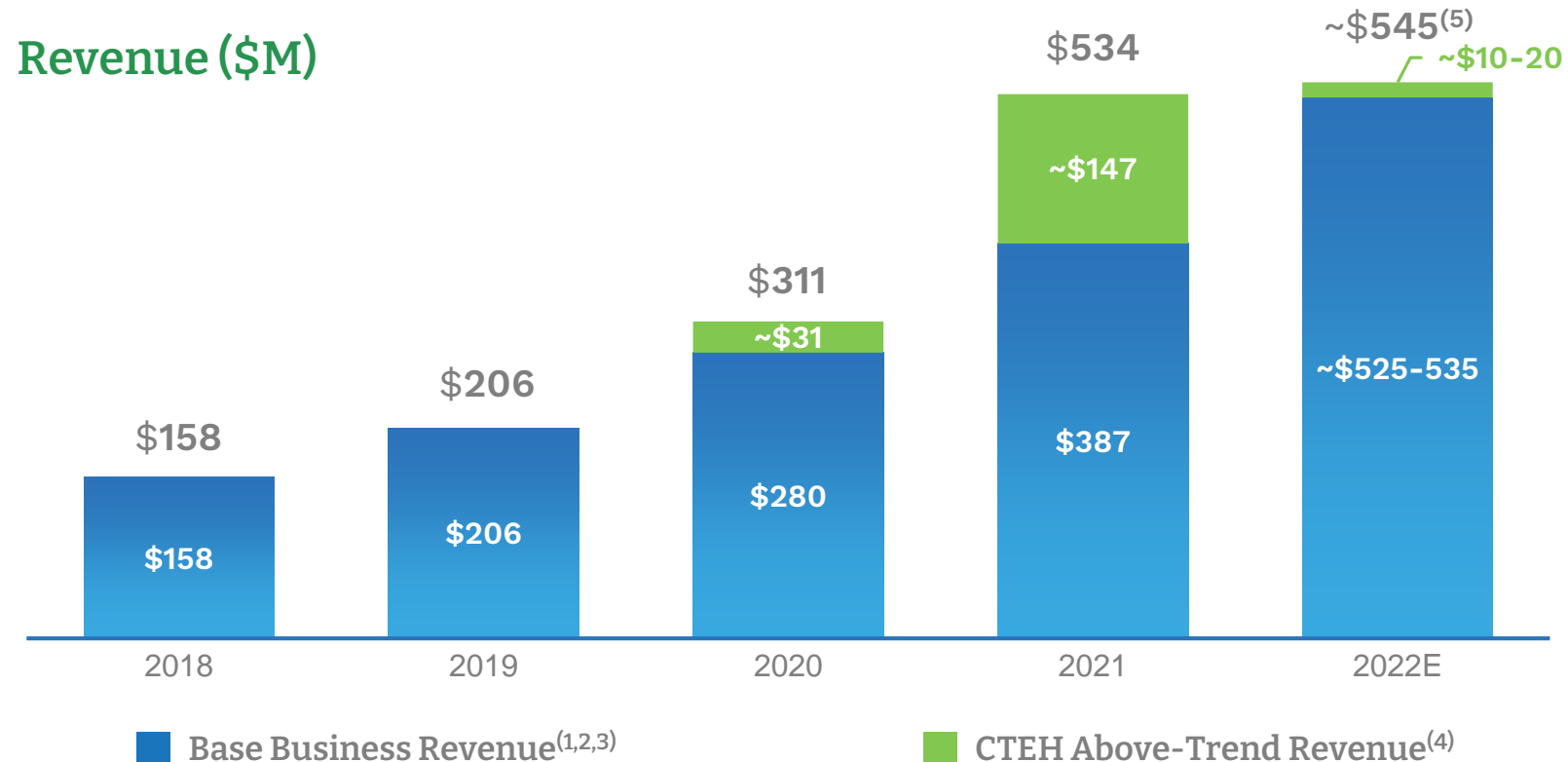
# Outlook



**MONTROSE**  
ENVIRONMENTAL

# Base Business<sup>(1)</sup> Revenues on Solid Trajectory in 2022

## Well Positioned for Growth in Base Business<sup>(1)</sup> Revenue in 2022



(1) Base business revenues represent total revenues less CTEH above-trend revenues in a year, including revenues from acquisitions completed in that year. See footnote 3.

(2) Excludes discontinued service lines, which generated revenues of \$30.8 million in 2018, \$27.8 million in 2019, \$17.1 million in 2020, \$12.0 million in 2021, and \$3.1 million in YTD Q3 2022.

(3) Base business includes CTEH run-rate revenue based on management estimates over certain periods of time. CTEH run-rate revenue in 2020 represents the midpoint of an estimated \$60 million to \$80 million full year range, prorated for the 9 month period beginning on the date of the CTEH acquisition on April 1, 2020. CTEH run-rate revenue in 2021 and projected revenue for 2022 assume the midpoint of an estimated \$75 million to \$95 million full year range.

(4) CTEH above-trend revenue is the difference between CTEH actual revenue and CTEH estimated run-rate revenue, representing, for example, heightened demand for COVID-19 related CTEH services that are expected to continue tapering in future periods.

(5) Midpoint of 2022E outlook range for revenue between \$535-\$555 million, does not include any benefit from future acquisitions that have not yet been completed. In historical periods, revenues generated by businesses acquired during the year are included in base business revenue.

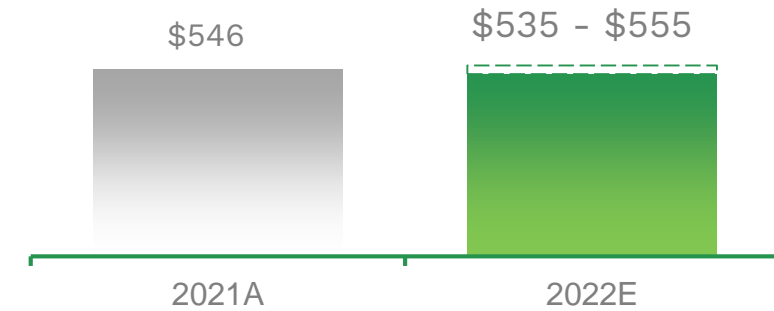


# 2022 Outlook

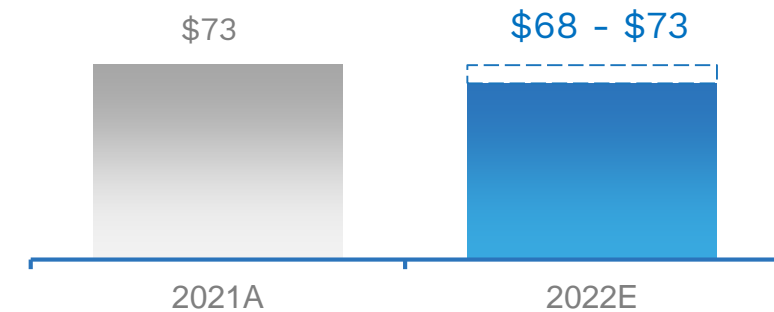
## Current Outlook Aligned With Long-term Expectation for Base Business Revenue<sup>(1)</sup> Growth on Average in Excess of 20% Per Year For Foreseeable Future

- 2022E outlook assumes revenue double-digit organic growth excluding CTEH plus accretive acquisitions, offset by an expected decline in CTEH revenues.
- Revenue expected to be in the range of \$535-\$555 million. Consolidated Adjusted EBITDA<sup>(2)</sup> is expected to be in the range of \$68.0 million to \$73.0 million.
- Business is better assessed on yearly results as demand for environmental services is not driven by specific or predictable patterns in one or more fiscal quarters.

Revenue (\$ in Millions)



Consolidated Adjusted EBITDA<sup>(2)</sup> (\$ in Millions)



<sup>(1)</sup> Base business revenues represent total revenues less CTEH above-trend revenues in a year, including revenues from acquisitions completed in that year. See slide 15.

<sup>(2)</sup> Consolidated Adjusted EBITDA is a non-GAAP measure. See the appendix to this presentation for a discussion of this measure, including how it is calculated and the reasons why we believe it provides useful information to investors, and a reconciliation for historical periods to the most directly comparable GAAP measure.



# Investment Highlights



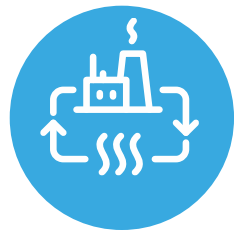
**ESG is who we are – the environment is our business**



**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



**MONTROSE**  
ENVIRONMENTAL

# Working Across Montrose to Help Solve the Global GHG Problem



**Detection + Data + Integrated Solutions  
= Achieving GHG Reduction Goals**

## Environmental Challenge:

O&G industry's operations represent 9% of human-made greenhouse gas (GHG) emissions. Stakeholders, including the SEC's newly proposed climate change disclosure rules, are pushing companies to disclose **consistent, comparable, and reliable data** while working towards climate-change goals.<sup>(1)</sup>

## Remediation Outlook:

The drive towards low-carbon and low-cost is the industry paradigm and we believe those who are able to achieve it will enjoy a competitive advantage.<sup>(2)</sup> **In 2020, Oil and Gas Climate Initiative members invested over \$7B in low carbon solutions.**<sup>(3)</sup>

## Integrated GHG Solutions :

- **Advisory Services** – Establishing the best frameworks to determine accurate and actionable GHG emission footprints and plans
- **Testing** - Cutting-edge GHG detection and measurement from our established air quality testing and laboratory business lines
- **Data management** – Software to enable real time data capture, analytics and visualization
- **Mitigation** (e.g., Biogas development)

(1) [https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-is-now-how-oil-and-gas-companies-can-decarbonize#:~:text=The%20industry's%20operations%20account%20for,global%20emissions%20\(Exhibit%202\).](https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-is-now-how-oil-and-gas-companies-can-decarbonize#:~:text=The%20industry's%20operations%20account%20for,global%20emissions%20(Exhibit%202).)  
(2) [https://www.weforum.org/agenda/2021/08/oil-gas-industry-lifecycle-approach-reducing-emissions/.](https://www.weforum.org/agenda/2021/08/oil-gas-industry-lifecycle-approach-reducing-emissions/)  
(3) [https://www.ogci.com/about-us/.](https://www.ogci.com/about-us/)



# Working Across Montrose to Help Solve the Global PFAS Problem



**Our Team of Engineers, Geologists, Chemists, Scientists, Toxicologists, Risk Assessors, and Field Technicians Provide an Integrated, Cross-functional Continuum of Services to Address the Complexities Surrounding PFAS**

## Environmental Challenge:

PFAS are widely used, long lasting chemicals components which break down very slowly over time in water, air and soil

## Remediation Outlook:

PFAS remediation expenditures in the U.S. are estimated to surpass \$160 billion<sup>(1)</sup> at over 40,000 sites over the next 20-30 years

## Montrose Integrated PFAS Solutions:

- Human health and environmental risk communication
- Front-end planning
- Site characterization sampling and evaluation
- Laboratory testing
- Toxicology and risk assessment
- Regulatory compliance
- Air testing
- Water and soil remediation
- Water treatment design and installation



# 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 of financial performance that are not required by, or presented in accordance with, GAAP, including, Consolidated Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share. We calculate Consolidated Adjusted EBITDA as 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. We calculate Adjusted Net Income (Loss) as net income (loss) before amortization of intangible assets, stock-based compensation expense, fair value changes to financial instruments and contingent earnouts, and other gain or losses, as set forth in greater detail in this appendix. Adjusted Net Income (Loss) per Share represents Adjusted Net Income (Loss) attributable to stockholders divided by the weighted average number of shares of common stock outstanding during the applicable period.

Consolidated Adjusted EBITDA is one of the primary metrics used by management to evaluate our financial performance and compare it to that of our peers, evaluate the effectiveness of our business strategies, make budgeting and capital allocation decisions and in connection with our executive incentive compensation. Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are useful metrics to evaluate ongoing business performance after interest and tax. 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 operating results because they allow for more consistent comparisons of financial performance between periods by excluding gains and losses that are non-operational in nature or outside the control of management, and, in the case of Consolidated Adjusted EBITDA, by excluding 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 net income (loss), earnings (loss) per share or any other performance measure derived in accordance with GAAP. Our presentation of Consolidated Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share 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, Consolidated Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share 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. Management compensates for these limitations by using these measures as supplemental financial 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 Consolidated Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share in conjunction with the related GAAP measures.

Additionally, we have provided estimates regarding Consolidated Adjusted EBITDA for 2022. These projections account for estimates of revenue, operating margins and corporate and other costs. However, we cannot reconcile our projection of Consolidated 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 Consolidated 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 future 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 (excluding deferred debt issuance costs) 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.

This presentation also includes Adjusted Operating Cash Flow, a non-GAAP measure which represents cash flow provided by (used in) operating activities less amounts paid for acquisition-related contingent consideration. Payments for acquisition-related consideration are not part of the Company's day-to-day operations and management uses this measure to assess the Company's operating cash flow without the impact of these unique, non-operational payments. This measure does, however, have certain limitations as the excluded acquisition-related payments are typically paid in cash and, as a result, impact the Company's liquidity as a whole, and should therefore not be considered as an alternative to or in isolation from cash flow provided by (used in) operating activities or any other liquidity measure calculated in accordance with GAAP. Other companies, including other companies in our industry, may not use this measure in the same way or may calculate it differently than as presented herein.

This presentation also presents revenues 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 Q3 2022) 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 Q3 2022 has been calculated by taking the relevant reported financial information from Fiscal 2021 and adding the reported financial information for the nine months ended September 30, 2022, and then subtracting the reported financial information for the nine months ended September 30, 2021. 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 filed on March 1, 2022 and Quarterly Report on Form 10-Q to be filed on November 9, 2022, respectively, for the historical amounts used to calculate the LTM information presented.

In this presentation we also reference our organic growth. 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 CTEH to Montrose, and the potential annual volatility in CTEH's revenues due to the emergency response aspect of their business, we also disclose organic growth without the annual organic revenue growth of CTEH. We expect to continue to disclose organic revenue growth with and without CTEH. Management uses organic growth as one of the means by which it assesses our results of operations. Organic growth is not, however, a measure of revenue growth calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and should be considered in conjunction with revenue growth calculated in accordance with GAAP. We have grown organically and expect to continue to do so.



# Reconciliation Tables

## Montrose Environmental Group, Inc. Reconciliation of Net (Loss) Income to Adjusted Net Income (in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (5,720)	\$ 2,226	\$ (21,007)	\$ (23,853)
Amortization of intangible assets <sup>(1)</sup>	8,668	8,936	27,579	25,938
Stock-based compensation <sup>(2)</sup>	11,018	2,365	32,375	6,587
Acquisition costs <sup>(3)</sup>	368	913	1,354	1,656
Fair value changes in financial instruments <sup>(4)</sup>	(1,808)	531	(4,664)	1,651
Expenses related to financing transactions <sup>(5)</sup>	—	—	7	50
Fair value changes in business acquisition contingencies <sup>(6)</sup>	59	—	(3,472)	24,035
Other losses and expenses <sup>(7)</sup>	482	171	1,965	846
Tax effect of adjustments <sup>(8)</sup>	(5,260)	(3,616)	(15,440)	(17,014)
<b>Adjusted Net Income</b>	<b>\$ 7,807</b>	<b>\$ 11,526</b>	<b>\$ 18,697</b>	<b>\$ 19,896</b>
Preferred Dividend Series A-2	(4,100)	(4,100)	(12,300)	(12,300)
<b>Adjusted Net Income attributable to stockholders</b>	<b>\$ 3,707</b>	<b>\$ 7,426</b>	<b>\$ 6,397</b>	<b>\$ 7,596</b>
<b>Net Loss per share attributable to stockholders</b>	<b>\$ (0.33)</b>	<b>\$ (0.07)</b>	<b>\$ (1.12)</b>	<b>\$ (1.40)</b>
<b>Adjusted Net Income per share <sup>(9)</sup></b>	<b>\$ 0.12</b>	<b>\$ 0.28</b>	<b>\$ 0.22</b>	<b>\$ 0.29</b>
<b>Diluted Adjusted Net Income per share <sup>(10)</sup></b>	<b>\$ 0.09</b>	<b>\$ 0.23</b>	<b>\$ 0.17</b>	<b>\$ 0.23</b>
Weighted average common shares outstanding	29,691	26,220	29,677	25,798
Fully diluted shares	39,690	32,339	38,235	32,378

(1) Represents amortization of intangible assets.

(2) Represents non-cash stock-based compensation expenses related to (i) option awards issued to employees, (ii) restricted stock grants issued to directors and selected employees, (iii) and stock appreciation rights grants issued to selected employees.

(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 interest rate swap instrument and the embedded derivative attached to the Series A-2 preferred stock.

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

(6) Amounts also reflect 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) In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business. In 2021, amounts include non-operational charges incurred due to the remeasurement of finance leases as a result of the adoption of ASC 842 and costs related to the implementation of a new ERP and net of insurance gains.

(8) Applies Montrose's marginal tax rate of 28.0% to non-GAAP adjustments above, which are each pre-tax.

(9) Represents Adjusted Net Income attributable to stockholders divided by the weighted average common shares outstanding.

(10) Represents Adjusted Net Income attributable to stockholders divided by fully diluted shares.



# Montrose Environmental Group, Inc.

## Reconciliation of Net (Loss) Income to Adjusted Net Income

(in thousands)

	Quarter Ended						Year Ended
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2021
Net (loss) income	\$ (7,751)	\$ (7,536)	\$ (1,472)	\$ 2,226	\$ (13,148)	\$ (12,931)	\$ (25,325)
Amortization of intangible assets <sup>(1)</sup>	9,492	9,419	9,216	8,936	8,407	8,595	35,154
Stock-based compensation <sup>(2)</sup>	10,932	10,425	3,734	2,365	2,417	1,805	10,321
Acquisition costs <sup>(3)</sup>	519	467	432	913	506	237	2,088
Fair value changes in financial instruments <sup>(4)</sup>	(407)	(2,449)	544	531	518	602	2,195
Expenses related to financing transactions <sup>(5)</sup>	—	7	—	—	—	50	50
Fair value changes in business acquisition contingencies <sup>(6)</sup>	(3,510)	(21)	337	—	12,971	11,064	24,372
Other losses and expenses <sup>(7)</sup>	1,216	267	553	171	157	519	1,400
Tax effect of adjustments <sup>(8)</sup>	(5,108)	(5,072)	(4,148)	(3,616)	(6,993)	(6,404)	(21,161)
<b>Adjusted Net Income</b>	<b>\$ 5,383</b>	<b>\$ 5,507</b>	<b>\$ 9,196</b>	<b>\$ 11,526</b>	<b>\$ 4,835</b>	<b>\$ 3,537</b>	<b>\$ 29,094</b>
Preferred Dividend Series A-2	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(16,400)
<b>Adjusted Net Income (Loss) attributable to stockholders</b>	<b>\$ 1,283</b>	<b>\$ 1,407</b>	<b>\$ 5,096</b>	<b>\$ 7,426</b>	<b>\$ 735</b>	<b>\$ (563)</b>	<b>\$ 12,694</b>
<b>Net Loss per share attributable to stockholders</b>	<b>\$ (0.40)</b>	<b>\$ (0.39)</b>	<b>\$ (0.19)</b>	<b>\$ (0.07)</b>	<b>\$ (0.66)</b>	<b>\$ (0.68)</b>	<b>\$ (1.56)</b>
<b>Adjusted Net Income (Loss) per share<sup>(9)</sup></b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ 0.17</b>	<b>\$ 0.28</b>	<b>\$ 0.03</b>	<b>\$ (0.02)</b>	<b>\$ 0.48</b>
<b>Diluted Adjusted Net Income (Loss) per share<sup>(10)</sup></b>	<b>\$ 0.03</b>	<b>\$ 0.04</b>	<b>\$ 0.15</b>	<b>\$ 0.23</b>	<b>\$ 0.02</b>	<b>\$ (0.02)</b>	<b>\$ 0.38</b>
Weighted average common shares outstanding	29,678	29,662	29,503	26,220	26,056	25,117	26,724
Fully diluted shares	37,822	37,194	34,940	32,339	32,462	32,333	33,019

(1) Represents amortization of intangible assets.

(2) Represents non-cash stock-based compensation expenses related to (i) option awards issued to employees, (ii) restricted stock grants issued to directors and selected employees, (iii) and stock appreciation rights grants issued to selected employees.

(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 interest rate swap instrument and the embedded derivative attached to the Series A-2 preferred stock.

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

(6) Amounts also reflect 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) In 2022, amounts include costs associated with the closing of a lab. In 2021, amounts include non-operational charges incurred due to the remeasurement of finance leases as a result of the adoption of ASC 842 and costs related to the implementation of a new ERP.

(8) Applies Montrose's marginal tax rate of 28.0% to non-GAAP adjustments above, which are each pre-tax.

(9) Represents Adjusted Net Income attributable to stockholders divided by the weighted average common shares outstanding.

(10) Represents Adjusted Net Income attributable to stockholders divided by fully diluted shares.



# Montrose Environmental Group, Inc.

## Reconciliation of Net (Loss) Income to Consolidated Adjusted EBITDA

(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021 <sup>(a)</sup>	2022	2021 <sup>(a)</sup>
Net (loss) income	\$ (5,720)	\$ 2,226	\$ (21,007)	\$ (23,853)
Interest expense	1,400	1,722	4,010	11,208
Income tax (benefit) expense	(208)	902	1,892	648
Depreciation and amortization	11,504	11,471	35,928	33,145
<b>EBITDA</b>	<b>\$ 6,976</b>	<b>\$ 16,321</b>	<b>\$ 20,823</b>	<b>\$ 21,148</b>
Stock-based compensation <sup>(1)</sup>	11,018	2,365	32,375	6,587
Acquisition costs <sup>(2)</sup>	368	913	1,354	1,656
Fair value changes in financial instruments <sup>(3)</sup>	(1,808)	531	(4,664)	1,651
Expenses related to financing transactions <sup>(4)</sup>	—	—	7	50
Fair value changes in business acquisition contingencies <sup>(5)</sup>	59	—	(3,472)	24,035
Other losses and expenses <sup>(6)</sup>	482	171	1,965	846
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 17,095</b>	<b>\$ 20,301</b>	<b>\$ 48,388</b>	<b>\$ 55,973</b>

(a) Prior period amounts have been recalculated from amounts originally disclosed using the current methodology. See the Company's Q2 2022 earnings release dated August 8, 2022 for a discussion of the change in methodology.

(1) Represents non-cash stock-based compensation expenses related to (i) option awards issued to employees, (ii) restricted stock grants issued to directors and selected employees, (iii) and stock appreciation rights grants issued to selected employees.

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

(3) Amounts relate to the change in fair value of the interest rate swap instrument and the embedded derivative attached to the Series A-2 preferred stock.

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

(5) 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.

(6) In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business. In 2021, amounts include non-operational charges incurred due to the remeasurement of finance leases as a result of the adoption of ASC 842 and costs related to the implementation of a new ERP and net of insurance gains.



# Montrose Environmental Group, Inc.

## Reconciliation of Net (Loss) Income to Consolidated Adjusted EBITDA (in thousands)

	Quarter Ended						Year Ended
	June 30, 2022	March 31, 2022 <sup>(a)</sup>	December 31, 2021 <sup>(a)</sup>	September 30, 2021 <sup>(a)</sup>	June 30, 2021 <sup>(a)</sup>	March 31, 2021 <sup>(a)</sup>	December 31, 2021 <sup>(a)</sup>
Net (loss) income	\$ (7,751)	\$ (7,536)	\$ (1,472)	\$ 2,226	\$ (13,148)	\$ (12,931)	\$ (25,325)
Interest expense	1,518	1,092	407	1,722	6,798	2,688	11,615
Income tax expense (benefit)	831	1,269	1,061	902	(256)	2	1,709
Depreciation and amortization	12,280	12,144	11,665	11,471	9,878	11,796	44,810
<b>EBITDA</b>	<b>\$ 6,878</b>	<b>\$ 6,969</b>	<b>\$ 11,661</b>	<b>\$ 16,321</b>	<b>\$ 3,272</b>	<b>\$ 1,555</b>	<b>\$ 32,809</b>
Stock-based compensation <sup>(1)</sup>	10,932	10,425	3,734	2,365	2,417	1,805	10,321
Acquisition costs <sup>(2)</sup>	519	467	432	913	506	237	2,088
Fair value changes in financial instruments <sup>(3)</sup>	(407)	(2,449)	544	531	518	602	2,195
Expenses related to financing transactions <sup>(4)</sup>	—	7	—	—	—	50	50
Fair value changes in business acquisition contingencies <sup>(5)</sup>	(3,510)	(21)	337	—	12,971	11,064	24,372
Other losses and expenses <sup>(6)</sup>	1,216	267	553	171	157	519	1,400
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 15,628</b>	<b>\$ 15,665</b>	<b>\$ 17,261</b>	<b>\$ 20,301</b>	<b>\$ 19,841</b>	<b>\$ 15,832</b>	<b>\$ 73,235</b>

(a) Prior period amounts have been recalculated from amounts originally disclosed using the current methodology. See the Company's Q2 2022 earnings release dated August 8, 2022 for a discussion of the change in methodology.

(1) Represents non-cash stock-based compensation expenses related to (i) option awards issued to employees, (ii) restricted stock grants issued to directors and selected employees, (iii) and stock appreciation rights grants issued to selected employees.

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

(3) Amounts relate to the change in fair value of the interest rate swap instrument and the embedded derivative attached to the Series A-2 preferred stock.

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

(5) 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.

(6) In 2022, amounts include costs associated with the closing of a lab. In 2021, amounts include non-operational charges incurred due to the remeasurement of finance leases as a result of the adoption of ASC 842 and costs related to the implementation of a new ERP.

