

First Quarter 2024 Earnings Call

May 8, 2024



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. 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, 2023, 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, reconciliations for historical periods thereof to the most directly comparable GAAP measures and certain matters related to forward-looking non-GAAP information.

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

- Record first quarter revenue and Consolidated Adjusted EBITDA⁽¹⁾ primarily due to strong organic revenue growth from:
 - Continued cross-selling success;
 - Contributions of new technologies (R&D successes), and;
 - Acquisitions
- Completed three accretive acquisitions in 2024 with strong M&A pipeline
- Key regulatory updates from US EPA continue to create significant tailwinds across service lines
- Affirm recently increased 2024 outlook given strong first quarter results and outlook for second half of 2024

¹⁾ Consolidated Adjusted EBITDA, Adjusted Net Income and Diluted Adjusted Net Income 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⁾ The Company's leverage ratio under its credit facility includes the impact of acquisition-related contingent earnout payments that may become payable in cash. As of March 31, 2024 and pro forma for the public offering of shares of its common stock in April 2024.

Q1 2024

Revenue

\$155.3M

Up 18.2% YoY to a
First Quarter Record

Total Operating Segments Adj. EBITDA

\$27.8M

17.9% of Revenue

Consolidated Adjusted EBITDA⁽¹⁾

\$16.9M

10.9% of Revenue

Diluted Adj. EPS⁽¹⁾

\$0.16

Adjusted Net Income⁽¹⁾
of \$8.4M

Acquired

3

Immediately Accretive
Businesses Year-to-Date

Net Leverage⁽²⁾

2.1x

Low Leverage
Profile

Capabilities Aligned With Sustainable and Secular Industry Tailwinds



	Advisory	Response	Testing	Water Treatment	Remediation	Renewable
Climate Change & Event Driven Response	✓	✓	✓	✓	✓	✓
Emerging Contaminant Regulation (e.g., PFAS)	✓	✓	✓	✓	✓	
Infrastructure and Defense Spending	✓	✓	✓	✓	✓	
Greenhouse Gas Mitigation & Air Quality	✓	✓	✓			✓
Increased Regulatory Enforcement (i.e., EPA, SEC)	✓		✓	✓	✓	
Renewable Energy and Reduced Carbon Intensity	✓					✓



Recent M&A Overview

- Successfully completed three value-enhancing acquisitions in 2024 which provide:
 1. Additive services and client opportunities
 2. Geographic expansion
- Demonstrated ability to effectively integrate, cross-sell and create synergies
- Acquisition pipeline remains robust
- Strong balance sheet



PFAS Total Addressable Market

We Provide Integrated Solutions for PFAS Management

Water Treatment Technology (ECT2)

Full range of PFAS treatment products and services including design & engineering of treatment systems

Air Quality Testing

Montrose's air testing teams utilize the cutting-edge innovations to determine PFAS from any emission source

Environmental Assessment & Project Quality Oversight (Env. Standards)

Multi-disciplinary PFAS investigation and sampling program; data defensibility and lab audits

Exposure & Health Risks (CTEH)

Toxicology and health risk assessment and communication expertise to ensure safety

Testing & Analysis (Enthalpy)

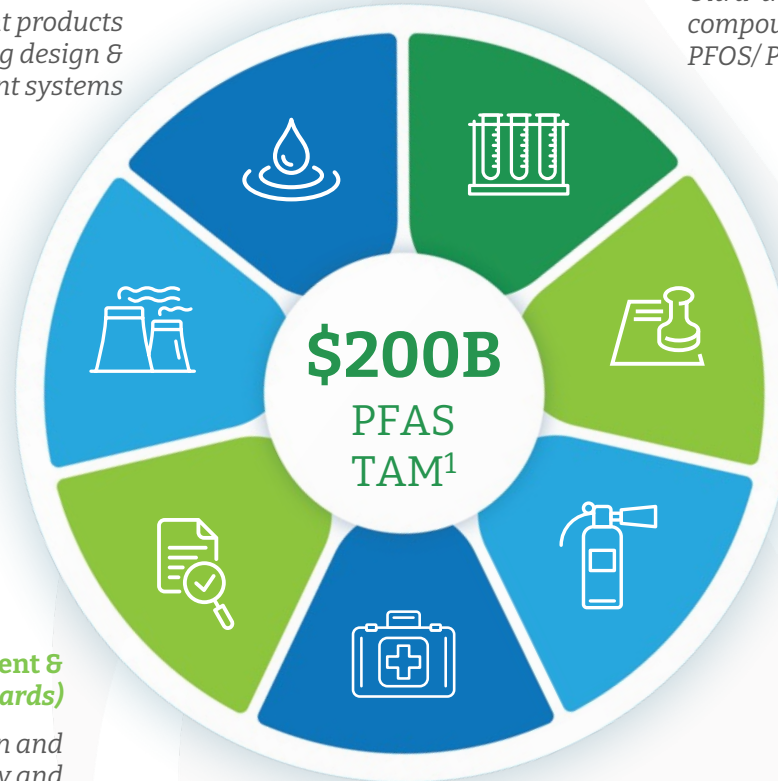
Ultra-trace laboratory tests for 70+ PFAS compounds, both legacy compounds (such as PFOS/PFOA) and newer "GenX" compounds

Environmental Compliance

Compliance and Regulatory advisory, including MCLs, NPDES permitting and potentially RCRA / CERCLA

Remediation Including Aqueous Film Forming Foam (AFFF) Solutions

Design, implementation and maintenance of PFAS remediation systems for Govt. and Industrial customers, including AFFF solutions for the DOD



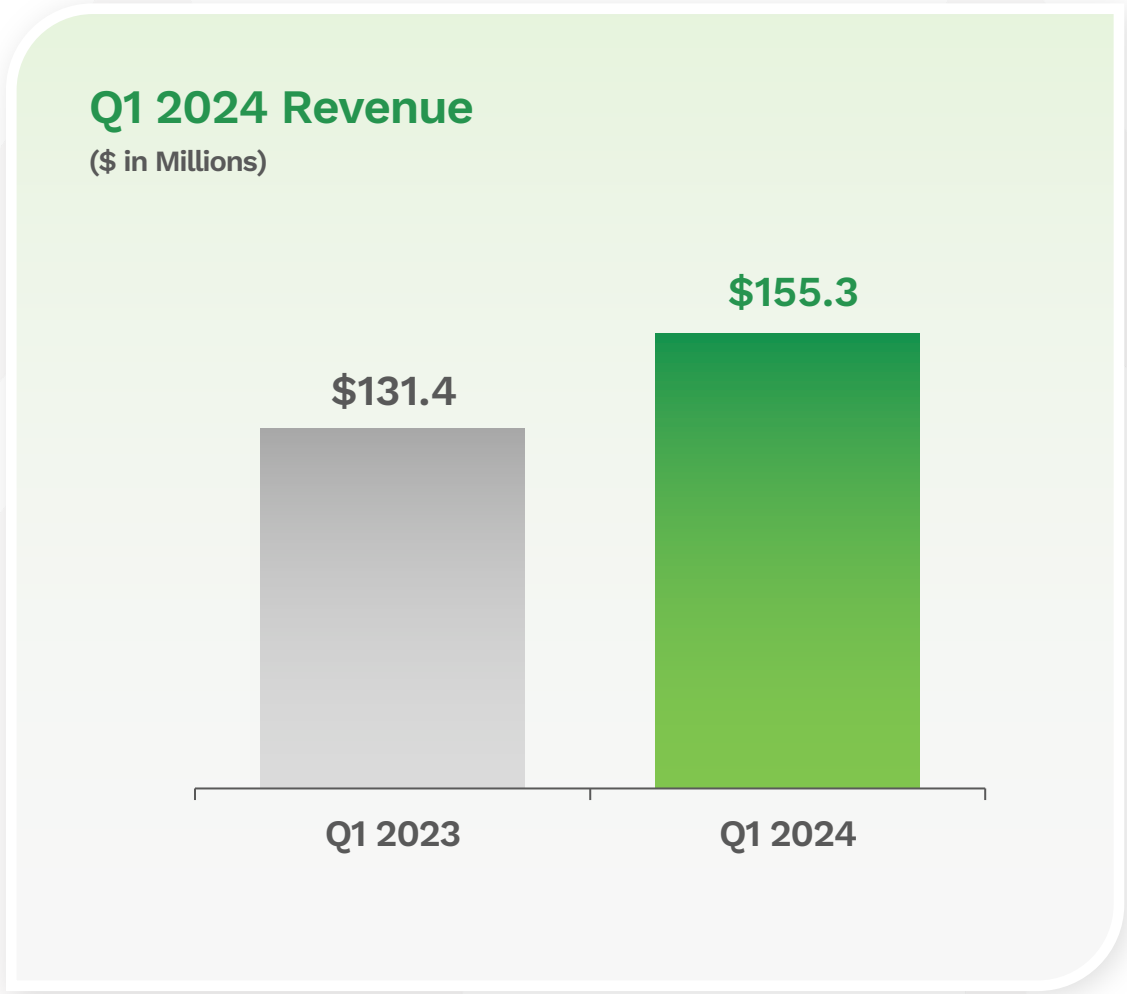
¹) Environmental Business Journal, Volume XXXV, Numbers 7/8, 2022, TAM over next 20-30 years

Financial Overview



Q1 2024 Revenue Performance

- Record Q1 revenue
- Revenue increased 18.2% to \$155.3M, as reported
- Q1 revenue growth driven by:
 - Strong organic growth in AP&R and M&A segments, and;
 - Contributions of completed acquisitions

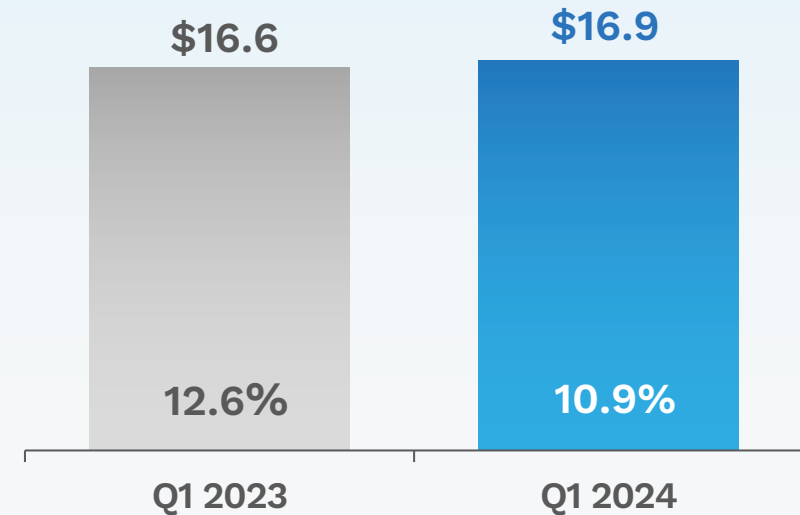


Q1 2024 Consolidated Adjusted EBITDA⁽¹⁾ Performance

Consolidated Adj. EBITDA⁽¹⁾ Growth

- Record Q1 Consolidated Adjusted EBITDA⁽¹⁾ up 1.9% on higher revenues
- Lower Q1 Consolidated Adjusted EBITDA⁽¹⁾ as a percentage of revenues due to business mix impacted by:
 - Expected and seasonally low margins from Matrix acquired in June 2023 (Matrix historically had low to negative earnings in Q1 of prior years)
 - A substantive emergency response project in the prior year period that did not recur
 - Significantly lower incentive comp expense in the prior year period

Q1 2024 Consolidated Adjusted EBITDA⁽¹⁾ (\$ in Millions)

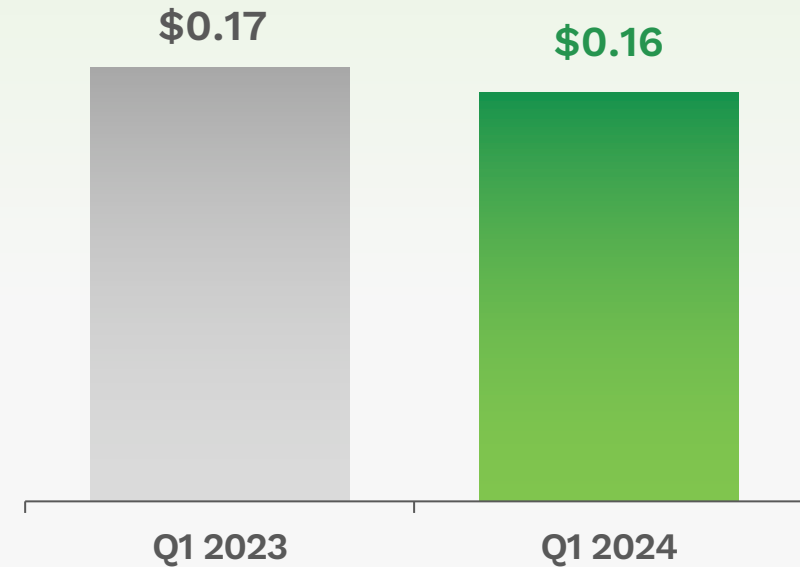


¹⁾ Consolidated Adjusted EBITDA is a non-GAAP measure. See the appendix to this presentation for a discussion of this measure, including how it is calculated and the reasons why we believe it provides useful information to investors, and a reconciliation for historical periods to the most directly comparable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

Q1 2024 Diluted Adjusted Net Income per Share⁽¹⁾

- Q1 Diluted Adj. EPS⁽¹⁾ of \$0.16 compared to \$0.17 in prior year quarter
- Q1 Diluted Adj. EPS⁽¹⁾ change driven by higher interest and depreciation
- Diluted Adj. EPS⁽¹⁾ calculated using Adjusted Net Income Attributable to Stockholders⁽¹⁾ divided by fully diluted shares

Q1 2024 Diluted Adj. Net Income per Share⁽¹⁾



¹⁾ Diluted Adjusted Net Income Per Share 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.

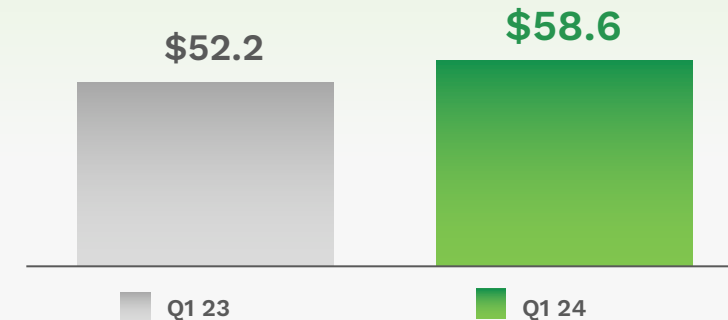


Assessment, Permitting and Response Segment Performance

- Revenue growth primarily due to strong organic growth in advisory services
- Margin growth driven by strong revenue growth and a favorable mix of revenues
- Q1 Revenue includes environmental emergency response revenues of \$15.7 million vs. \$23.2 million in prior year period

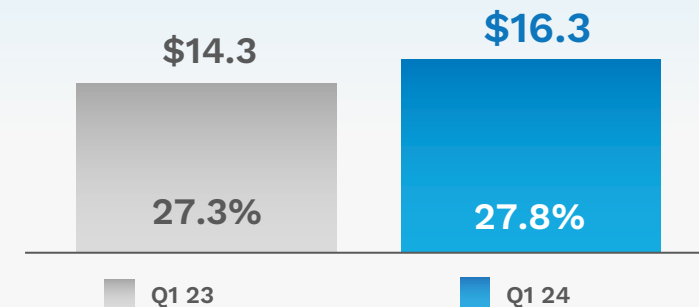
Q1 2024 Revenue

(\$ in Millions)



Q1 2024 Operating Segment Adj. EBITDA

(\$ in Millions, % as a Percent of Segment Revenue)



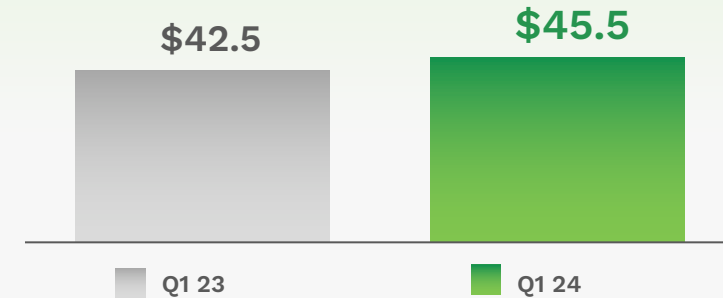
Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Operating Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2023.

Measurement & Analysis Segment Performance

- Revenue growth primarily driven by strong organic growth across lab services
 - Software coupled with sensor networks continue to create new and differentiated opportunities
- Lower margins during the quarter driven primarily by business mix
- Annual outlook for segment margins unchanged at 18-20%

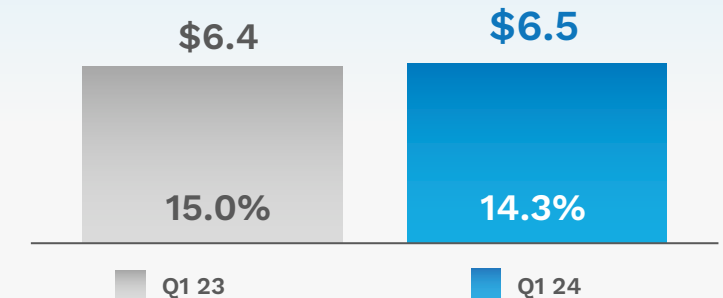
Q1 2024 Revenue

(\$ in Millions)



Q1 2024 Operating Segment Adj. EBITDA

(\$ in Millions, % as a Percent of Segment Revenue)



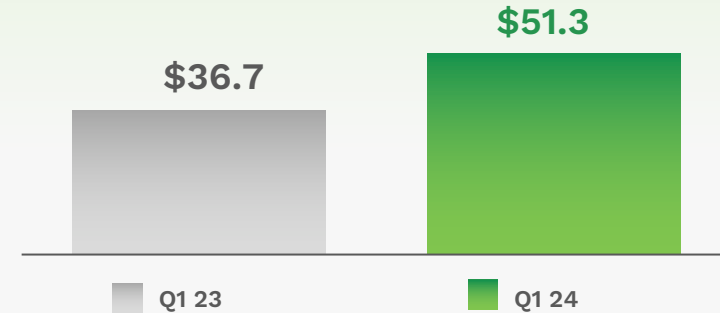
Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Operating Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2023.

Remediation & Reuse Segment Performance

- Revenue growth primarily driven by acquisition of Matrix, partially offset by lower revenue in ECT2 (given delays in PFAS regulations that were recently promulgated and the pivot towards higher margin biogas services which was completed at end of 2023)
- Margins impacted primarily by the acquisition of Matrix in June 2023 (which has historically generated no/negative earnings in the first quarter of prior years)
- Margin expansion expected in 2024 given anticipated growth in ECT2 and continued margin accretion in Matrix (margins have already doubled since acquisition)

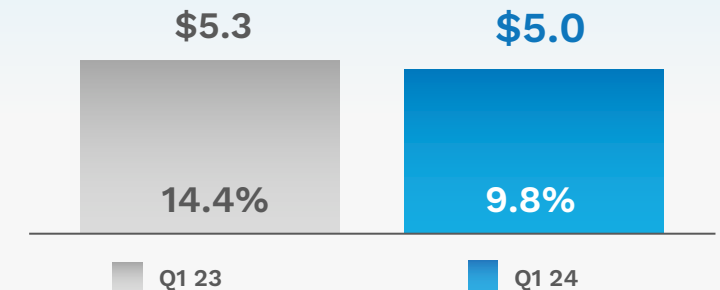
Q1 2024 Revenue

(\$ in Millions)



Q1 2024 Operating Segment Adj. EBITDA

(\$ in Millions, % as a Percent of Segment 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 19 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2023.

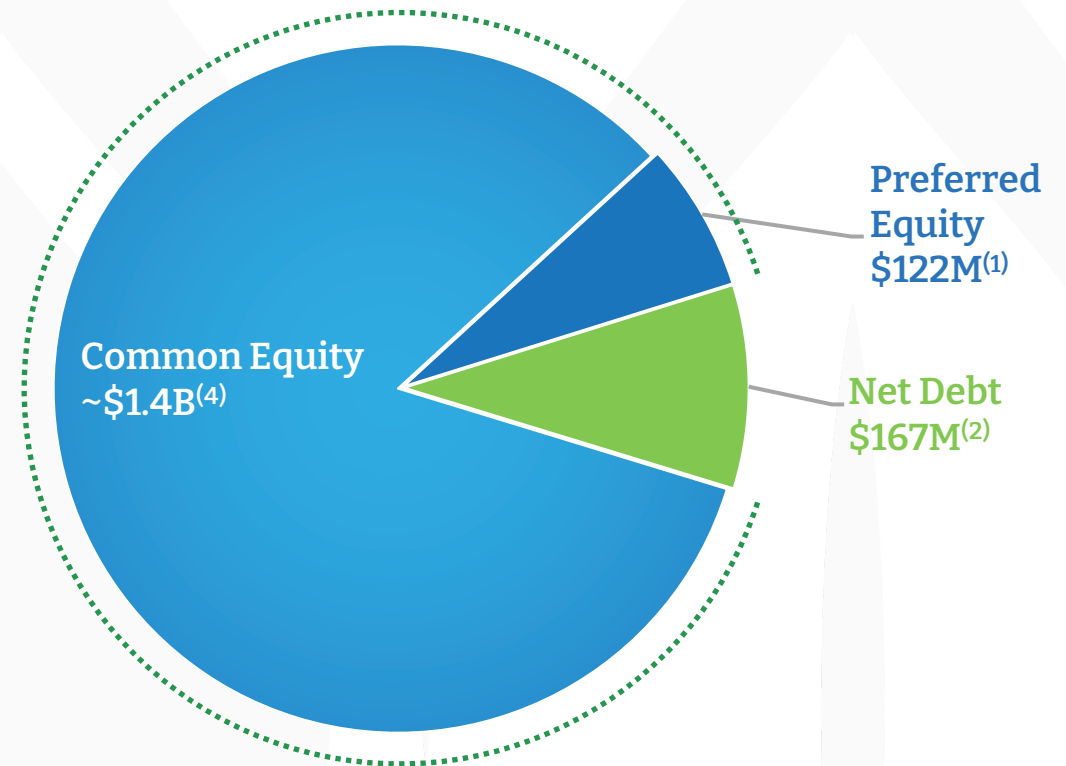
Attractive Capital Structure

Commentary

- Flexible balance sheet to further invest in innovation and acquisitions in highly fragmented industry
- In January 2024 voluntarily redeemed \$60 million of Convertible and Redeemable Series A-2 Preferred Stock⁽¹⁾ in cash
- In February 2024 increased revolver by \$50 million to \$175 million and added \$50 million to term loan
- In April 2024 completed a public offering of common stock, raising approximately \$122.4 million of net proceeds
- Pro forma net debt⁽²⁾ and net leverage⁽³⁾ of \$167 million and 2.1x, respectively, reflecting the equity offering

Equity Market Capitalization

Total Equity Capitalization
~\$1.5B



¹⁾ Includes Initial \$175M stated value and accrued interest through July 27, 2020 less \$60M redeemed by Montrose in January 2024.
²⁾ Net debt is a non-GAAP measure and is calculated as total debt (excluding deferred debt issuance costs) of \$299.2 million less cash on hand of \$9.6 million as of March 31, 2024. See the appendix to this presentation for a discussion of Net Debt. As of March 31, 2024 and pro forma for the public offering of shares of its common stock in April 2024.
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.
⁴⁾ As of April 30, 2024.

Outlook



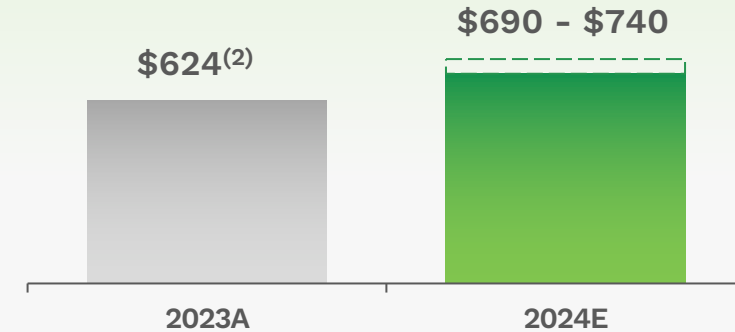
Updated 2024E Outlook Reiterated

Outlook Driven by Market Tailwinds, Growth Initiatives and Margin Optimization

- Revenue is expected to be in the range of \$690 - \$740 million and Consolidated Adjusted EBITDA⁽¹⁾ is expected to be in the range of \$95 - \$100 million
- Anticipate low double-digit organic growth for 2024, excluding environmental emergency response
- Environmental emergency response revenue expected to be within the range of \$50 - \$70 million, compared to \$91 million in 2023
- Expect to generate roughly 60% of 2024 Consolidated Adjusted EBITDA⁽¹⁾ in the back half of the year primarily due to Matrix and environmental emergency response

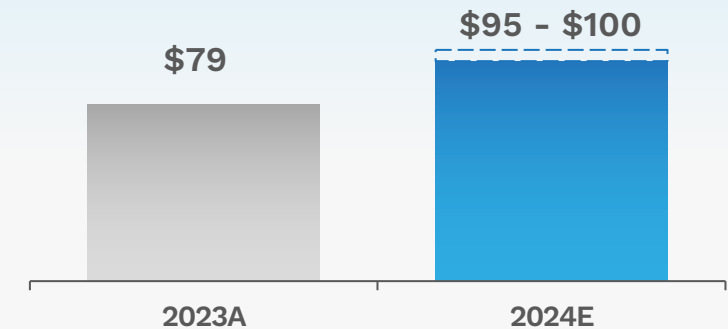
Q1 2024 Revenue

(\$ in Millions)



Consolidated Adjusted EBITDA⁽¹⁾

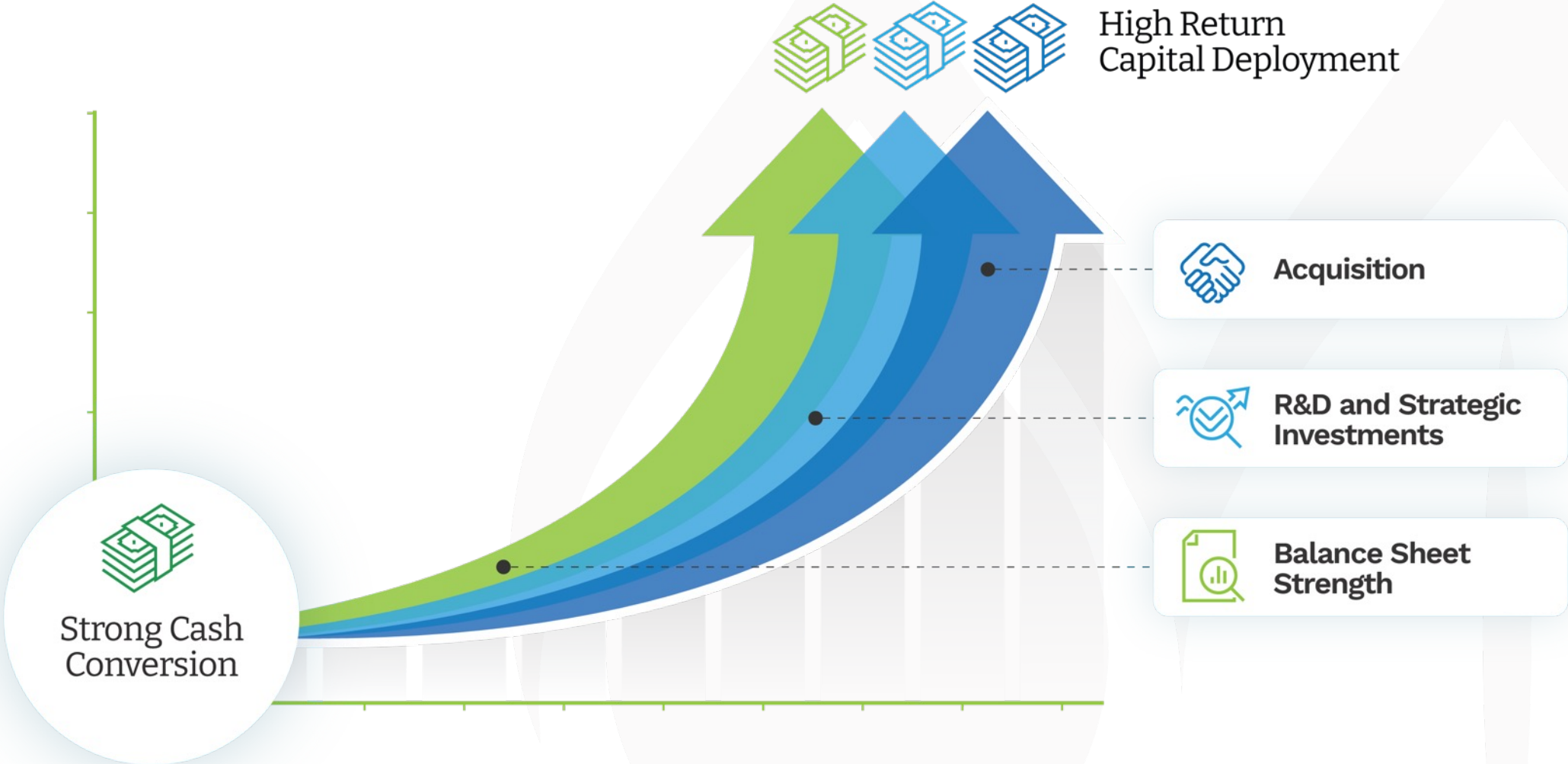
(\$ in Millions, % as a Percent of Segment Revenue)



¹⁾ 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 discussion of certain matters related to forward-looking non-GAAP information.

²⁾ Includes discontinued specialty lab, which generated revenues of \$8.8 million in 2023.

Disciplined Capital Allocation Approach to Drive Strong Returns



Investment Highlights



Unique, vertically integrated environmental company



Significant scale with global reach serving repeat client base



Large TAM and secular tailwinds backed by regulatory and corporate initiatives



Consistent record of strategically and financially accretive acquisitions **coupled with strong organic growth**



Consistently resilient across political and economic cycles with diverse customers and end markets



Record of strong financial performance & cash flow generation



Differentiated, patent protected technology, processes and software providing significant competitive advantages in a highly fragmented industry



Experienced management team coupled with a **team-centric culture**

Appendix



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
- In January 2024, Montrose voluntarily redeemed \$60 million of Series A-2 Preferred Equity

Post-IPO Terms

- No fixed maturity date
 - Repayable in cash at Company's option (subject to certain minimum amounts)
- 9.0% annual cash dividend, payable quarterly
- Beginning in April 2024, a portion of principal balance becomes convertible (with prior notice) into common stock during each of years 4, 5 and 6 at Oaktree's option (converts at 15.0% discount to market)
- In January 2024 we elected to redeem \$60mm of principal, leaving \$122mm outstanding

Governance

- Oaktree has the right to appoint one representative 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, Consolidated Adjusted EBITDA margin, Adjusted Net Income and Diluted Adjusted Net Income 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 Consolidated Adjusted EBITDA margin as Consolidated Adjusted EBITDA divided by revenue. We calculate Adjusted Net Income 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. Diluted Adjusted Net Income per Share represents Adjusted Net Income attributable to stockholders divided by the fully diluted 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 and Diluted Adjusted Net Income 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 and Diluted Adjusted Net Income 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 and Diluted Adjusted Net Income 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 and Diluted Adjusted Net Income per Share in conjunction with the related GAAP measures.

Additionally, we have provided estimates regarding Consolidated Adjusted EBITDA for 2024. 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.

In this presentation we also reference our organic growth. We define organic growth as the change in revenues excluding revenues from i) our environmental emergency response business, ii) acquisitions for the first twelve months following the date of acquisition, and iii) businesses held for sale, disposed of or discontinued. As a result of the growth in CTEH non-emergency response work, which is similar to services provided in our advisory businesses, we are including CTEH revenues from non-emergency response work in organic growth. This change did not impact previously reported organic growth. 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 over the long term and expect to continue to do so.

Montrose Environmental Group, Inc.

Reconciliation of Net Loss to Adj. Net Income and Diluted Adj. Net Income per Share

(In thousands except per share amounts)

	For the Three Months Ended March 31,	
	2024	2023
Net loss	\$ (13,357)	\$ (14,719)
Amortization of intangible assets ⁽¹⁾	7,429	7,240
Stock-based compensation ⁽²⁾	11,272	13,035
Acquisition costs ⁽³⁾	2,525	775
Fair value changes in financial instruments ⁽⁴⁾	(297)	1,873
Expenses related to financing transactions ⁽⁵⁾	144	4
Fair value changes in business acquisition contingencies ⁽⁶⁾	106	(398)
Discontinued Specialty Lab ⁽⁷⁾	596	2,436
Other (gains) losses and expenses ⁽⁸⁾	481	134
Tax effect of adjustments ⁽⁹⁾	(465)	-
Adjusted Net Income	\$ 8,435	\$ 10,380
Preferred dividends Series A-2	(2,814)	(4,100)
Adjusted Net Income attributable to stockholders	\$ 5,621	\$ 6,280
Net Loss per share attributable to stockholders	\$ (0.53)	\$ (0.63)
Adjusted Net Income per share ⁽¹⁰⁾	\$ 0.19	\$ 0.21
Diluted Adjusted Net Income per share ⁽¹¹⁾	\$ 0.16	\$ 0.17
Weighted average common shares outstanding	30,381	29,857
Fully diluted shares	35,686	35,891

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 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⁾ Amounts consist of operating losses before depreciation related to the lab we discontinued.

⁸⁾ Amount includes costs associated with a lease abandonment.

⁹⁾ The Company applied the estimated effective tax rate on portions of the adjustments related to our significant foreign entities, and determined the US portion of the adjustments do not have any tax impact since we are in a full deferred tax asset valuation allowance as of March 31, 2024. Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.

¹⁰⁾ Represents Adjusted Net (Loss) Income attributable to stockholders divided by the weighted average common shares outstanding.

¹¹⁾ Represents Adjusted Net (Loss) Income attributable to stockholders divided by fully diluted shares.

Montrose Environmental Group, Inc.

Reconciliation of Net Loss to Adj. Net Income and Diluted Adj. Net Income per Share

(In thousands except per share amounts)

	Quarter Ended								Year Ended
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	December 31, 2023
Net loss	\$ (13,357)	\$ (1,441)	\$ (7,525)	\$ (7,174)	\$ (14,719)	\$ (10,812)	\$ (5,720)	\$ (7,751)	\$ (30,859)
Amortization of intangible assets ⁽¹⁾	7,429	7,621	7,922	7,350	7,240	8,474	8,668	9,492	30,133
Stock-based compensation ⁽²⁾	11,272	11,658	11,484	11,090	13,035	10,915	11,018	10,932	47,267
Acquisition costs ⁽³⁾	2,525	1,960	1,499	2,696	775	537	368	519	6,930
Fair value changes in financial instruments ⁽⁴⁾	(297)	(5,943)	806	(865)	1,873	1,268	(1,808)	(407)	(4,129)
Expenses related to financing transactions ⁽⁵⁾	144	28	3	—	4	—	—	—	35
Fair value changes in business acquisition contingencies ⁽⁶⁾	106	(330)	459	353	(398)	245	59	(3,510)	84
Discontinued Specialty Lab ⁽⁷⁾	596	791	1,302	1,583	2,436	—	—	-	6,111
Other losses (gains) or expenses ⁽⁸⁾	481	328	(1)	82	134	2,494	482	1,216	544
Tax effect of adjustments ⁽⁹⁾	(465)	(38)	(213)	(301)	-	-	-	-	(553)
Adjusted Net Income	\$ 8,435	\$ 14,634	\$ 15,736	\$ 14,814	\$ 10,380	\$ 13,121	\$ 13,067	\$ 10,491	\$ 55,563
Preferred Dividend Series A-2	(2,814)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(16,400)
Adjusted Net Income (Loss) attributable to stockholders	\$ 5,621	\$ 10,534	\$ 11,636	\$ 10,714	\$ 6,280	\$ 9,021	\$ 8,967	\$ 6,391	\$ 39,163
Net Loss per share attributable to stockholders	(0.53)	(0.38)	(0.39)	\$ (0.38)	\$ (0.63)	\$ (0.50)	\$ (0.33)	\$ (0.40)	\$ (1.59)
Adjusted Net Income per share⁽¹⁰⁾	0.19	0.16	0.39	\$ 0.36	\$ 0.21	\$ 0.30	\$ 0.30	\$ 0.22	\$ 1.32
Diluted Adjusted Net Income per share⁽¹¹⁾	0.16	0.13	0.31	\$ 0.29	\$ 0.17	\$ 0.25	\$ 0.25	\$ 0.18	\$ 1.09
Weighted average common shares outstanding	30,381	30,185	30,143	30,047	29,857	29,720	29,691	29,678	29,688
Fully diluted shares	35,686	38,589	36,952	37,079	35,891	35,686	36,147	36,361	35,997

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 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) Amounts consist of operating losses before depreciation related to the lab we discontinued.

8) Amount includes costs associate with a lease abandonment.

9) The Company applied the estimated effective tax rate on portions of the adjustments related to our significant foreign entities, and determined the US portion of the adjustments do not have any tax impact since we are in a full deferred tax asset valuation allowance as of March 31, 2024. Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.

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

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

Montrose Environmental Group, Inc.

Reconciliation of Net Loss to Consolidated Adjusted EBITDA (In thousands)

	For the Three Months Ended March 31,	
	2024	2023
Net loss	\$ (13,357)	\$ (14,719)
Interest expense	3,306	1,541
Income tax expense (benefit)	493	1,367
Depreciation and amortization	11,653	10,555
EBITDA	\$ 2,095	\$ (1,256)
Stock-based compensation ⁽¹⁾	11,272	13,035
Acquisition costs ⁽²⁾	2,525	775
Fair value changes in financial instruments ⁽³⁾	(297)	1,873
Expenses related to financing transactions ⁽⁴⁾	144	4
Fair value changes in business acquisition contingencies ⁽⁵⁾	106	(398)
Discontinuing Specialty Lab ⁽⁶⁾	596	2,436
Other (gains) losses and expenses ⁽⁷⁾	481	134
Consolidated Adjusted EBITDA	\$ 16,922	\$ 16,603
Net Loss Margin	(8.6)%	(11.2)%
Consolidated Adjusted EBITDA Margin	10.9%	12.6%

- 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 instruments 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) Amounts consist of operating losses before depreciation related to the lab we discontinued.
- 7) Amount in 2024 consists of costs associated with a lease abandonment.

Montrose Environmental Group, Inc.

Reconciliation of Net Loss to Consolidated Adjusted EBITDA (In thousands)

	Quarter Ended								Year Ended
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	December 31, 2023
Net loss	\$ (13,357)	\$ (1,441)	\$ (7,525)	\$ (7,174)	\$ (14,719)	\$ (10,812)	\$ (5,720)	\$ (7,751)	\$ (30,859)
Interest expense	3,306	2,286	2,089	1,877	1,541	1,229	1,400	1,518	7,793
Income tax expense (benefit)	493	(3,822)	1,324	151	1,367	358	(208)	831	(980)
Depreciation and amortization	11,653	11,964	11,863	11,398	10,555	11,551	11,504	12,280	45,780
EBITDA	\$ 2,095	\$ 8,987	\$ 7,751	\$ 6,252	\$ (1,256)	\$ 2,326	\$ 6,976	\$ 6,878	\$ 21,734
Stock-based compensation ⁽¹⁾	11,272	11,658	11,484	11,090	13,035	10,915	11,018	10,932	47,267
Acquisition costs ⁽²⁾	2,525	1,960	1,499	2,696	775	537	368	519	6,930
Fair value changes in financial instruments ⁽³⁾	(297)	(5,943)	806	(865)	1,873	1,268	(1,808)	(407)	(4,129)
Expenses related to financing transactions ⁽⁴⁾	144	28	3	—	4	—	—	—	35
Fair value changes in business acquisition contingencies ⁽⁵⁾	106	(330)	459	353	(398)	245	59	(3,510)	84
Discontinued Specialty Lab ⁽⁶⁾	596	791	1,302	1,583	2,436	—	—	—	6,112
Other (gains) losses and expenses ⁽⁷⁾	481	328	(1)	82	134	2,494	482	1,216	543
Consolidated Adjusted EBITDA	\$ 16,922	\$ 17,479	\$ 23,303	\$ 21,191	\$ 16,603	\$ 17,785	\$ 17,095	\$ 15,628	\$ 78,576
Net Loss Margin	(8.6)%	(0.9)%	(4.5)%	(4.5)%	(11.2)%	(5.5)%	(4.4)%	(5.9)%	(4.9)%
Consolidated Adjusted EBITDA Margin	10.9%	10.5%	13.9%	13.3%	12.6%	12.7%	13.1%	12.0%	12.6%

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 instruments 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⁾ Amounts consist of operating losses before depreciation related to the lab we discontinued.

⁷⁾ Amount in 2024 consists of costs associated with a lease abandonment.