

# The Future of Environmental Solutions



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ENVIRONMENTAL

Investor Presentation  
December 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.

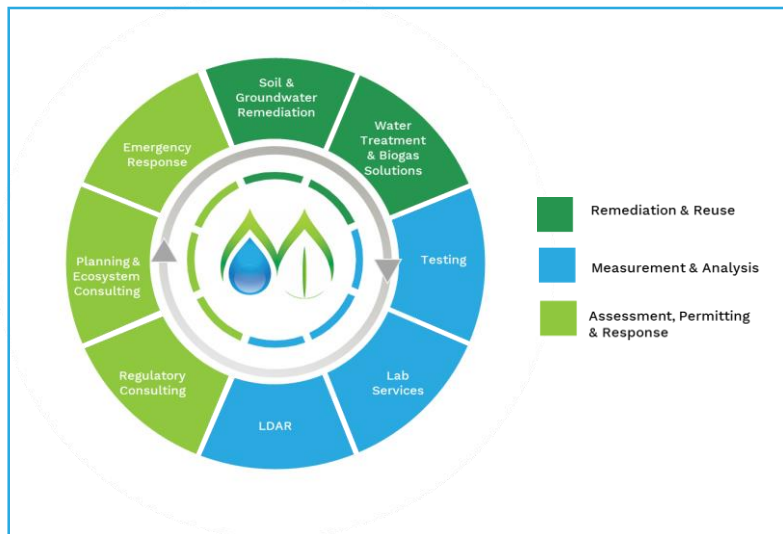
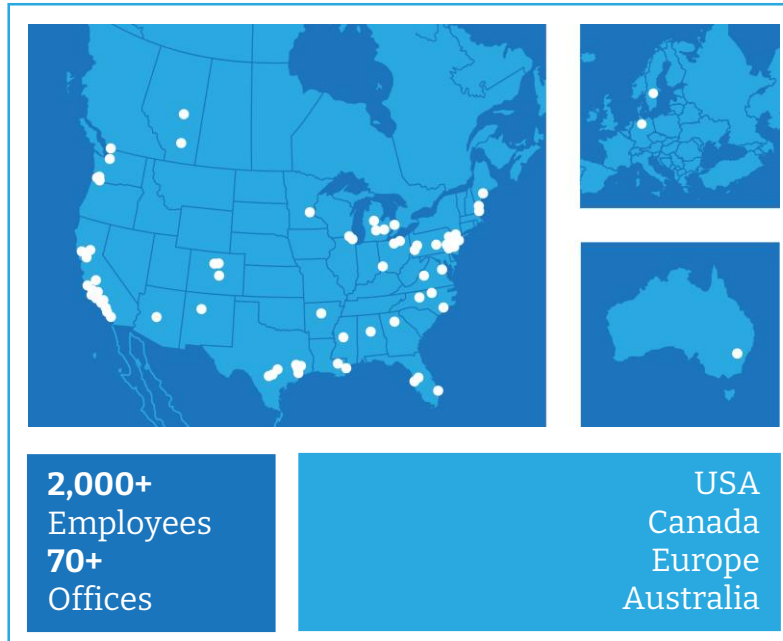


# Operating Overview



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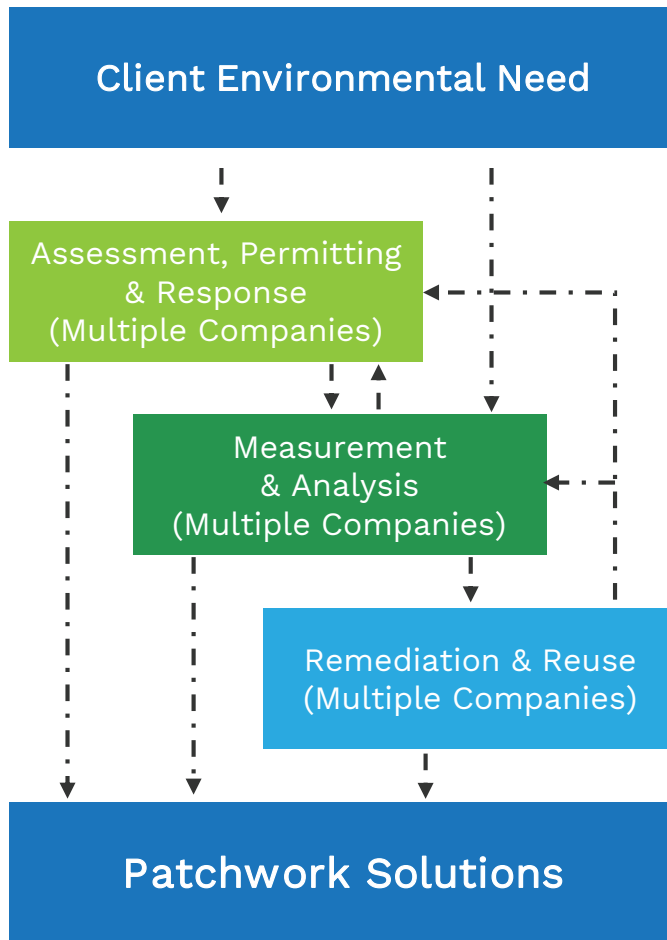
# Montrose Environmental at a Glance



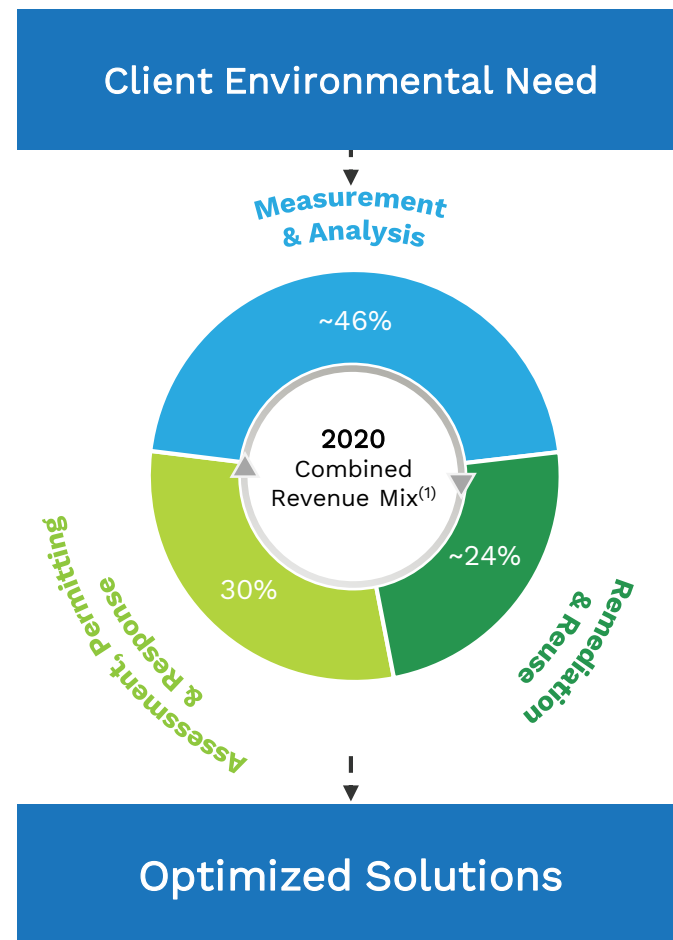
- Unique, high growth environmental solutions company with a focus on ESG excellence
- Large and growing addressable market
- Resilient revenue with repeat client base and diverse end markets
- Solid record of organic growth and innovation, even during Covid-19 pandemic
- Consistent record of strategically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

# Montrose Focus and Integration Optimizes Environmental Solutions

## Standard Industry Approach



## Montrose Value-Add



(1) Represents combined results for Montrose and CTEH.

# Three Integrated Business Segments

Montrose provides holistic environmental solutions to clients

2020 Combined Revenue Mix <sup>(1)</sup>	Assessment, Permitting & Response	Measurement & Analysis	Remediation & Reuse
Exemplary Services	<p><b>Regulatory Consulting:</b></p> <ul style="list-style-type: none"> <li>• Air Quality</li> <li>• Water Quality</li> </ul> <p><b>Planning and Ecosystems Consulting:</b></p> <ul style="list-style-type: none"> <li>• NEPA Compliance Documents</li> <li>• Natural Resource Damage Assessment (NRDA)</li> <li>• Net Environmental Benefit Analysis (NEBA)</li> </ul> <p><b>Emergency Response:</b></p> <ul style="list-style-type: none"> <li>• Environmental Incident Response</li> <li>• Risk Assessment &amp; Mitigation</li> </ul>	<p><b>Air Testing:</b></p> <ul style="list-style-type: none"> <li>• Source Emissions</li> <li>• Ambient Air Monitoring</li> <li>• Fenceline Monitoring</li> </ul> <p><b>Lab Services:</b></p> <ul style="list-style-type: none"> <li>• Air, Soil, Water, Sediment Analysis</li> <li>• Ultratrace Analysis and PFAS</li> <li>• Environmental Toxicology</li> </ul> <p><b>Leak Detection and Repair (LDAR):</b></p> <ul style="list-style-type: none"> <li>• Detection &amp; Measurement</li> <li>• Consulting &amp; Support Services</li> <li>• Data Management and Reporting</li> </ul>	<p><b>Water Treatment and Renewable Energy (Biogas) Solutions:</b></p> <ul style="list-style-type: none"> <li>• Initial Project Assessments and Feasibility Studies</li> <li>• Integrated System Engineering and Design, Installation, Start-up and Commissioning and O&amp;M</li> </ul> <p><b>Soil and Groundwater Remediation:</b></p> <ul style="list-style-type: none"> <li>• Site Investigations and Assessments</li> <li>• Remediation System Engineering and Design, Installation and O&amp;M</li> <li>• Underground Storage Tank Closure and Management</li> </ul>
Revenue Model	Primarily time & materials	Primarily fixed price and, for out of scope work, time & materials	Primarily fixed price and, for out of scope work, time & materials

~30%

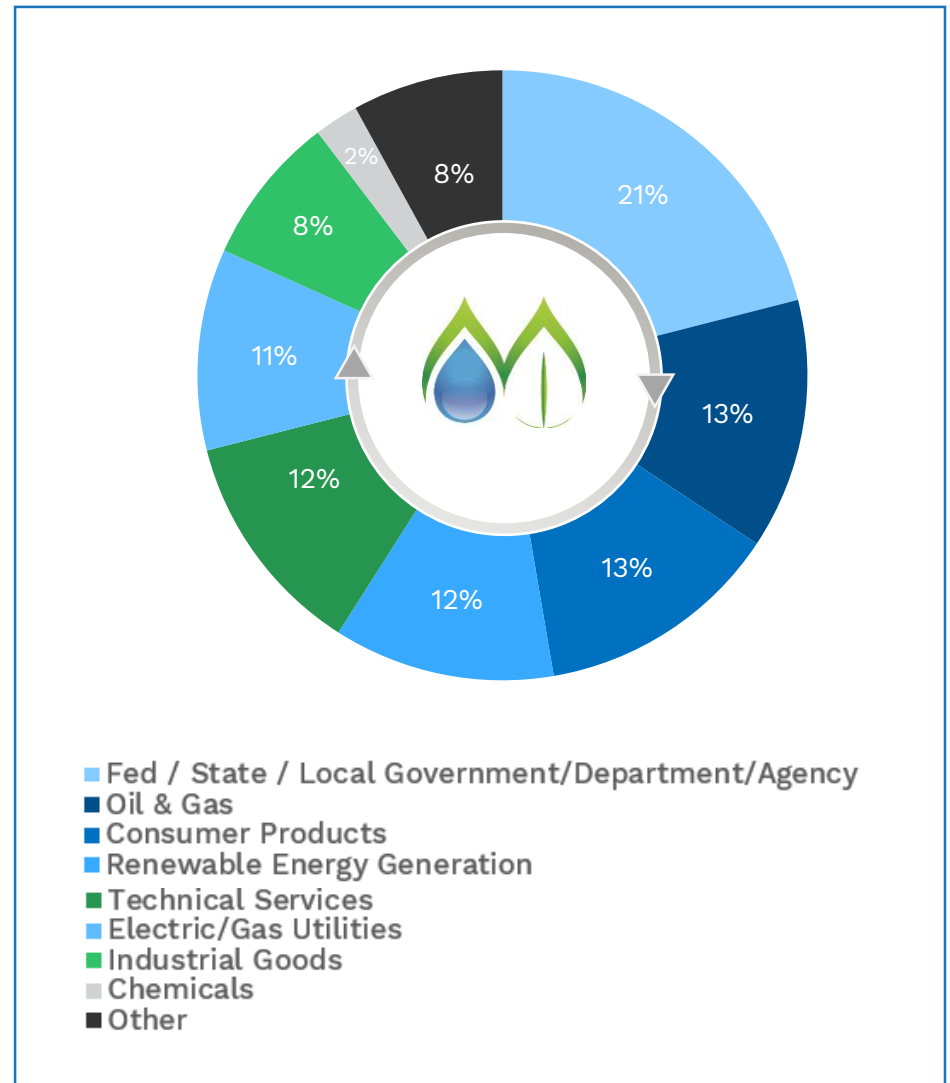
~46%

~24%

(1) Represents combined results for Montrose and CTEH.

# Long Term Relationships Across Diverse Customers and End Markets

- 5,000+ clients with largest client representing ~7% of FY2020 Revenue
- Long-standing relationships with a number of Fortune 1000 companies and government entities
- 86%/14% revenue split between private and public clients
- Clients generating **90%+** revenue in FY2019 repeated in FY2020 (and in FY2019 from FY2018)



# Key Drivers of Environmental Solutions Industry For Montrose



## Regulatory & Compliance

- Multimedia compliance audits and reporting in response to regulatory programs continue to generate ongoing consulting support needs.
- Regulatory focus on greenhouse gas reduction and other emissions concerns have led to expanding emissions inventories and air toxics impact assessments.
- Emerging contaminants (e.g., PFAS) are spurring a new generation of testing, site assessment, remedial design, and groundwater remediation and water treatment opportunities.
- Transition to a lower-carbon economy is leading to market shifts (e.g., coal to gas to solar) that create next compliance and remediation needs (e.g., CCR).



## Infrastructure

- Record-setting U.S. Government infrastructure bill funding will energize project development, including engineering & consulting services, across multiple sectors.
- Large development projects are triggering environmental impact (NEPA/CEQA) assessment needs.
- Expansion of construction activity has led to permitting, laboratory, geotechnical, and stormwater pollution control opportunities.
- Aging infrastructure and shifts to newer technologies have led to plant decommissioning and redevelopment opportunity.
- National defense complex continues to address legacy environmental impacts as part of ongoing installation modernization.



## Global Public Demands

- Service opportunities are emerging in response to clients' **ESG** needs for sustainability, resiliency, environmental justice, and corporate assurance.
- Emergency response, industrial hygiene, and toxicology support continue to increase for clients with safety consulting and adverse climate event needs.
- Public concern for drinking water quality and ecological impacts have led clients to implement PFAS water treatment projects.
- Renewable energy programs can create opportunities for biogas development as well as permitting services to support next-generation energy production.

# 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	✓	✓	✓	✓	✓			✓
Renewable Energy and Reduced Carbon Intensity	✓	✓					✓	
Increased EPA Regulatory Enforcement	✓	✓		✓	✓	✓		✓
Infrastructure and Defense Spending	✓	✓		✓	✓	✓		✓

# Consistent Creation of Economic Value

## Strategically Additive Acquisitions (+)

- Acquisitions represent a core part of growth strategy within a highly fragmented environmental market
  - Environmental services industry comprised of thousands of firms
- Strategic acquisitions purchased at attractive values can generate significant shareholder value over time given Montrose's unique platform with scale, differentiation and technology.
- M&A objective to acquire an expected \$10-15 million of annualized EBITDA per year at attractive multiples

## Organic Earnings Growth (+)

- Consistent growth since 2016:
  - Adjusted EBITDA<sup>(1)</sup> has grown at more than 2x the rate of our revenue
  - Since 2016, organic revenue growth averaging ~7% per year. With CTEH, our combined organic revenue growth is averaging ~9% per year<sup>(2)</sup>
- Revenue synergies have been more impactful than cost synergies
- Positioned to continue growing organic revenue at a mid-to-high single digit rate over the next several years

## Continued Investments (-)

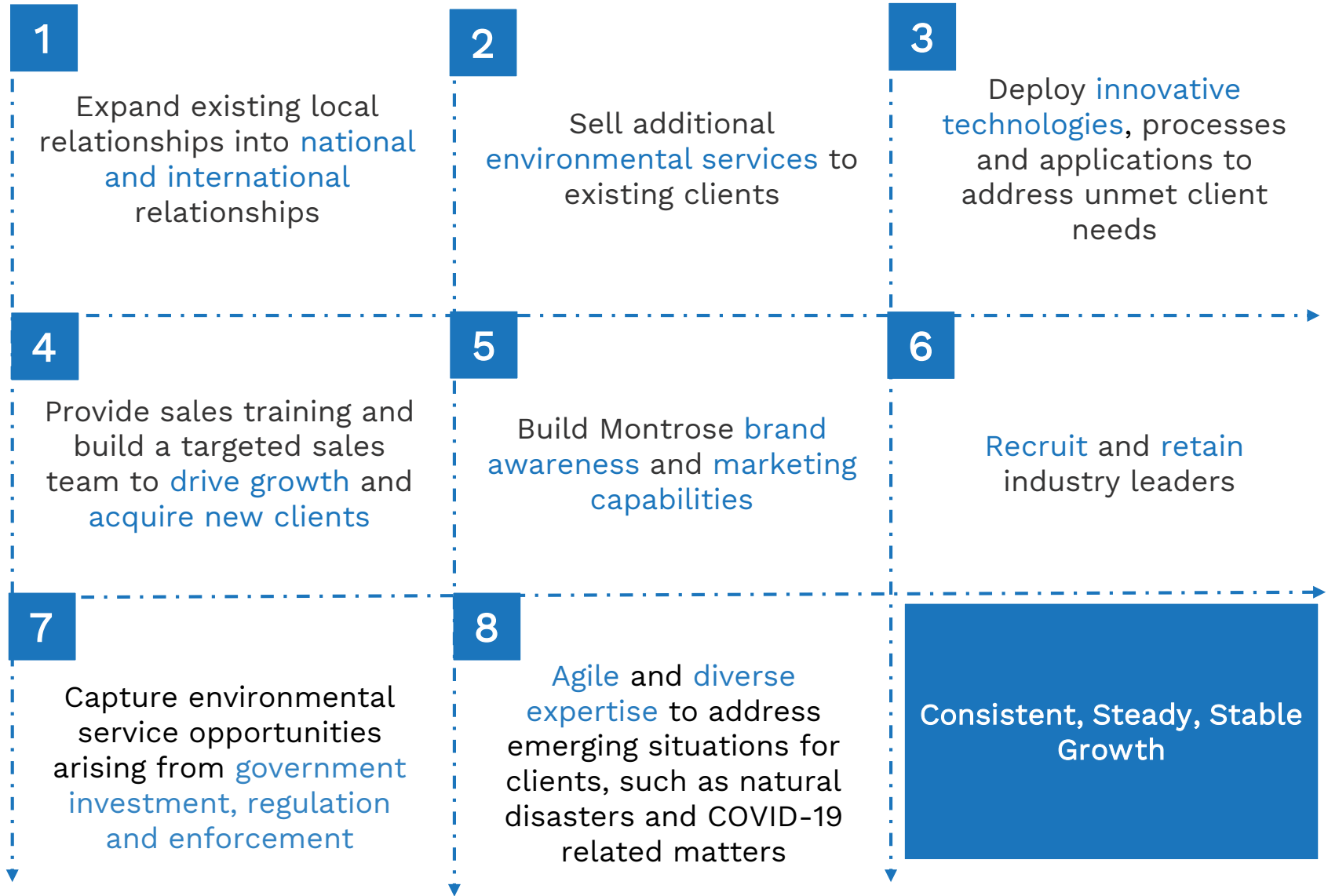
- Investments in corporate infrastructure and in new business lines and R&D offsets near term profits
  - Infrastructure is highly additive and enables (i) rapid integration of companies, (ii) better risk management, (iii) improved data management and security, and (iv) enhanced employee safety and development. Operating leverage from scale over corporate costs is a medium term opportunity and is evident in recent Adjusted EBITDA margin<sup>(1)</sup> trends
  - New business lines and R&D have helped create differentiation and competitive advantages for Montrose

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(2) We define organic growth as the change in revenues excluding revenues from acquisitions for the first twelve months following the date of acquisition. CTEH revenues exclude CTEH's revenues generated from major environmental events resulting in one or more projects contributing more than \$4.0 million of revenue in any year.



# Key Organic Growth Initiatives



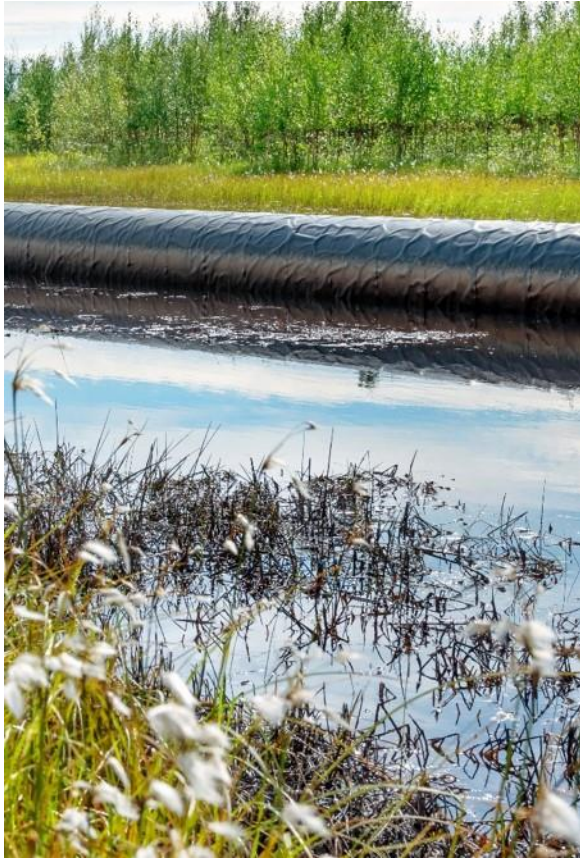
# 2021 M&A Overview

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

MEG Acquisitions and New Business		
Acquisition	Date	Rationale
	FY21 Q4	<ul style="list-style-type: none"> <li>• Environmental consulting firm specializing in planning, watershed science, and environmental compliance</li> <li>• Supplemented consulting presence in the US West Coast and deepened water resource knowledge</li> </ul>
	FY21 Q4	<ul style="list-style-type: none"> <li>• Full-service environmental laboratory</li> <li>• Augmented testing and analytical service capabilities in Texas and US Gulf Coast region</li> </ul>
	FY21 Q3	<ul style="list-style-type: none"> <li>• Technology platform that connects sensors and sources of environmental data to a central, proprietary database that enables real-time client interaction</li> <li>• Advanced ability to integrate environmental services and enhance environmental data analytics for clients</li> </ul>
	FY21 Q3	<ul style="list-style-type: none"> <li>• Environmental consulting company recognized for its innovative work in wildfire mitigation, biological assessments, and other environmental services</li> <li>• Enhanced ecological planning and service capabilities in California and the US West Coast</li> </ul>
	FY21 Q2	<ul style="list-style-type: none"> <li>• Premier environmental laboratory for the testing and analysis of polyfluoroalkyl substances (PFAS), dioxins and other persistent organic pollutants</li> <li>• Enhanced service capabilities (including PFAS accreditations) in California and the US West Coast</li> </ul>
	FY21 Q1	<ul style="list-style-type: none"> <li>• Leading provider of environmental services, primarily to the U.S. federal government</li> <li>• Strengthened federal customer base</li> </ul>

# Investment Highlights





# Financial Overview



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# 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

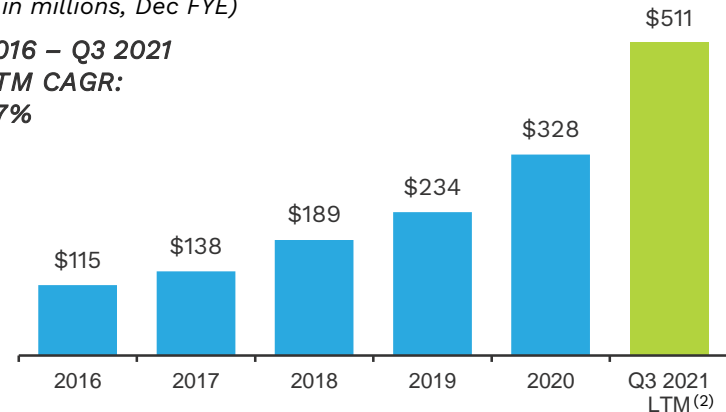
### MARGIN EXPANSION

Corporate Operating Leverage  
Revenue Growth

### Revenue

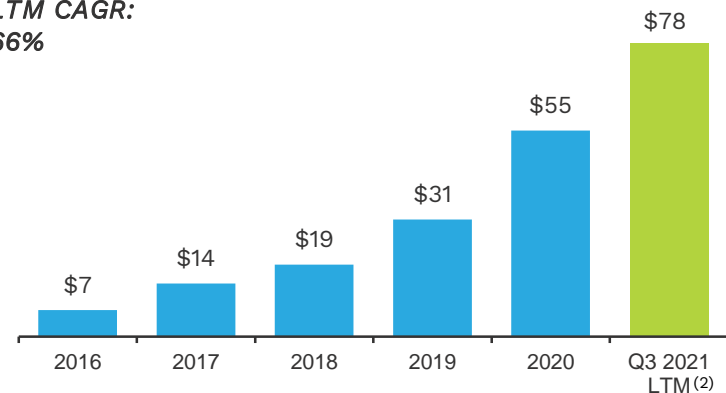
(\$ in millions, Dec FYE)

2016 – Q3 2021  
LTM CAGR:  
37%



### Adjusted EBITDA<sup>(1)</sup>

2016 – Q3 2021  
LTM CAGR:  
66%

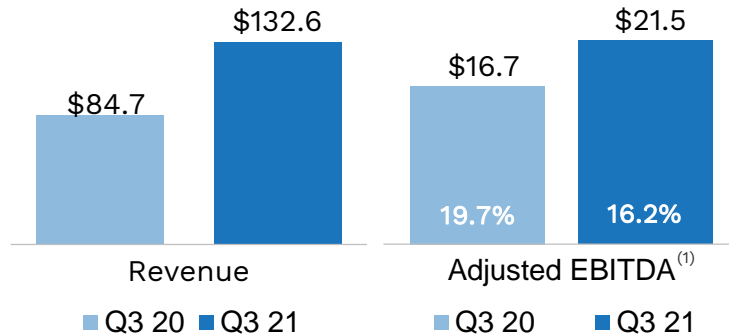


- (1) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA adds back non-recurring expenses. See the appendix to this presentation for a discussion of this measure and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.
- (2) Presentation of financial information on a 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.

# Q3 2021 Segment Performance

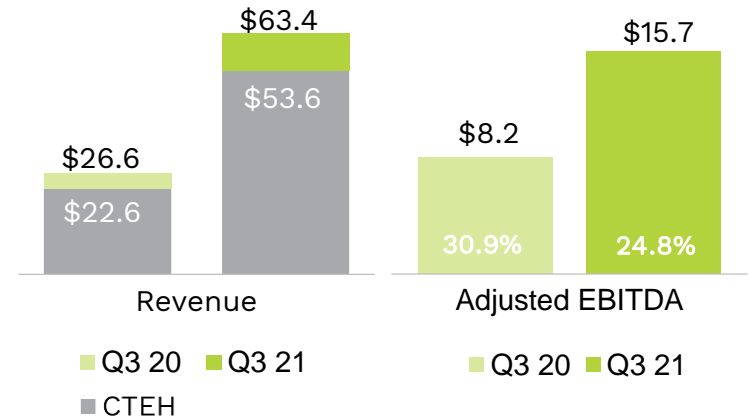
## Total

(\$ in mm; % of revenue)



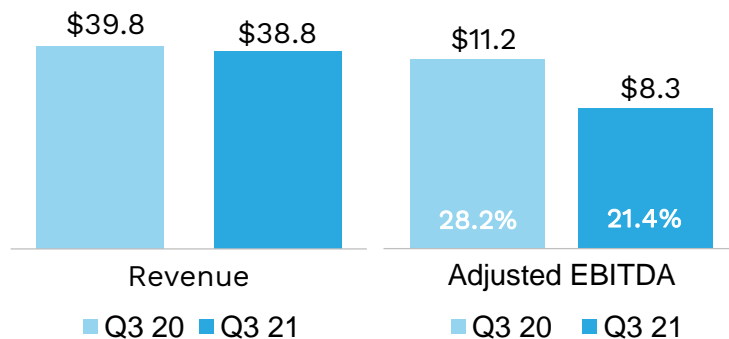
## Assessment, Permitting and Response

(\$ in mm; % of revenue)



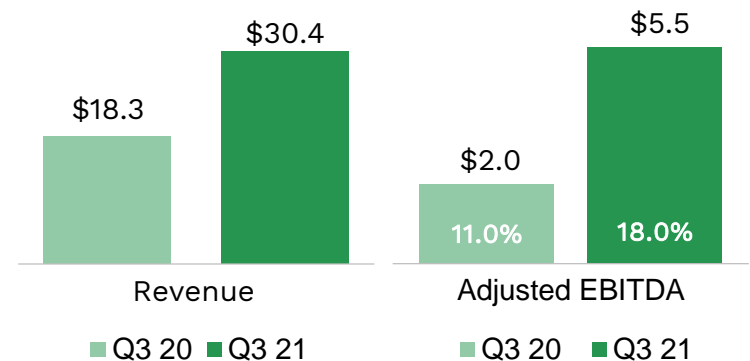
## Measurement & Analysis

(\$ in mm; % of revenue)



## Remediation & Reuse

(\$ in mm; % of revenue)

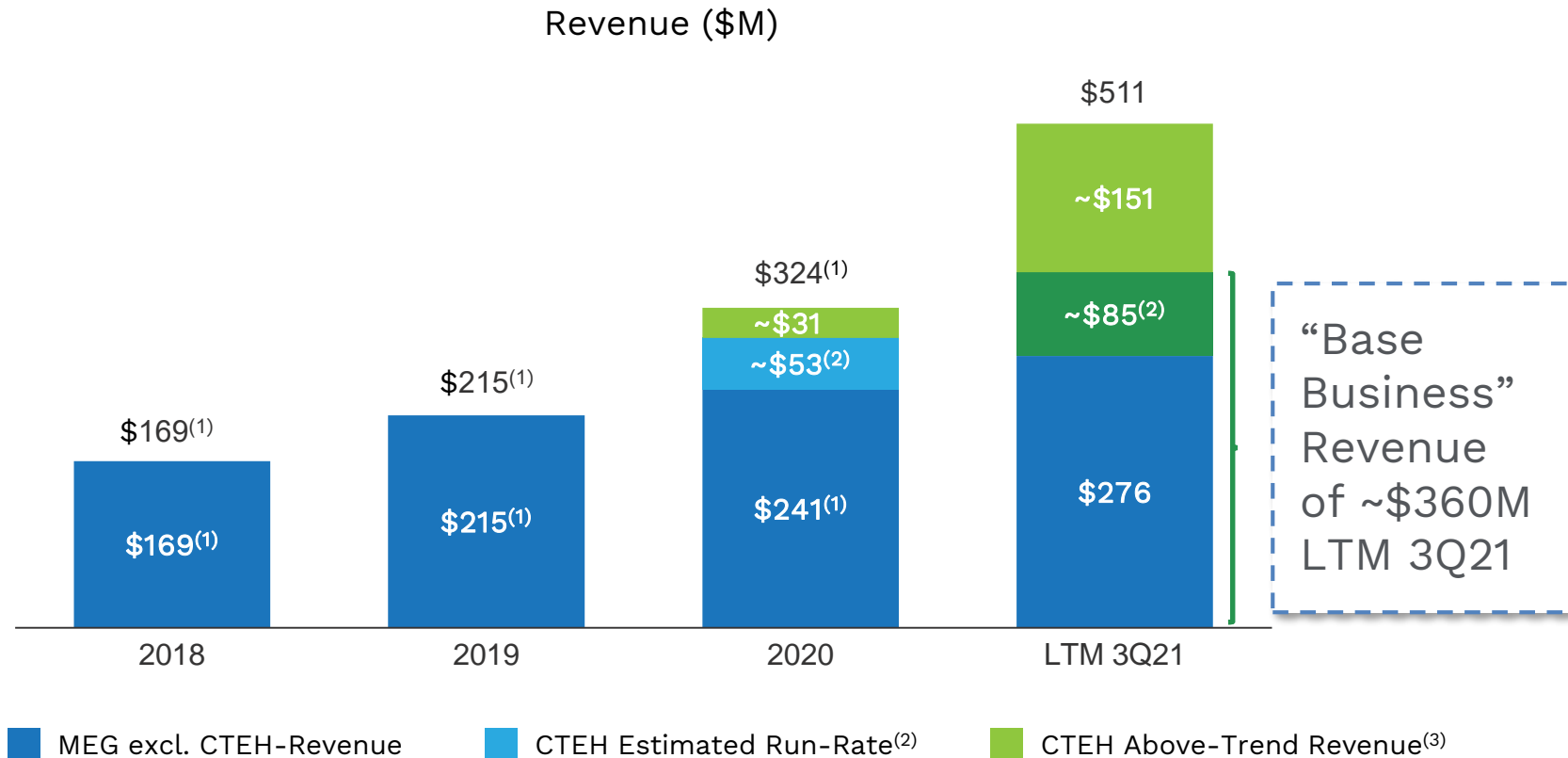


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Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 20 to our condensed consolidated financial statements included in our Form 10-Q for the quarter ended September 30, 2021.

# Base Business Revenues on Solid Trajectory into 2022

Well Positioned for Further Growth in Base Business Revenue into 2022



(1) Excludes discontinued service lines, which generated revenues of \$19.8 million in 2018, \$18.4 million in 2019, and \$3.8 million in 2020.

(2) 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 LTM 3Q21 represents the midpoint of an estimated \$75 million to \$95 million range for the period.

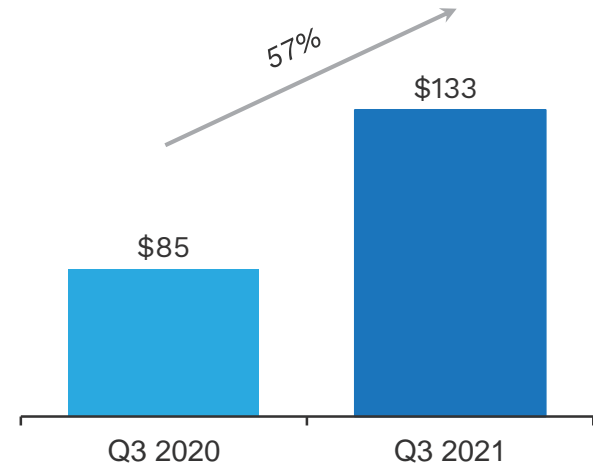
(3) CTEH above-trend revenue is the difference between CTEH actual revenue and CTEH estimated run-rate revenue, representing, for example, heightened demand for COVID-19 related CTEH services that are expected to taper in future periods.

# Q3 and YTD Q3 2021 Revenue Performance

- Solid revenue growth of 57% YoY during Q3 and 83% in YTD Q3 2021
- Excluding discontinued service lines<sup>(1)</sup>, revenue increased 87% YoY in YTD Q3 2021
- YTD growth in all segments<sup>(1)</sup>
- Exceptional organic growth in YTD Q3 2021 reflects regulatory mandates and success of business initiatives
- Resilient financial performance through COVID-19

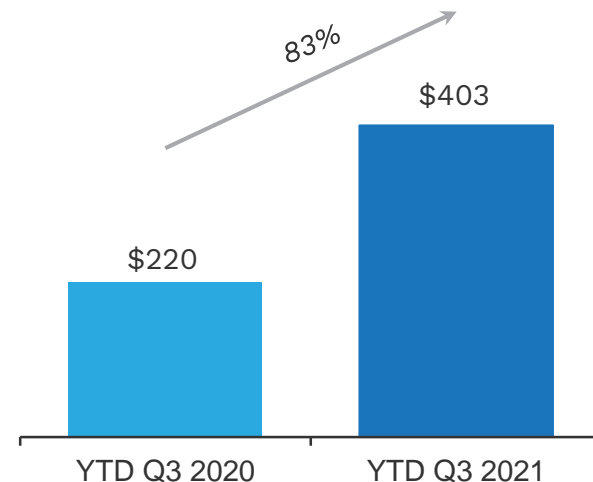
## Q3 2021 Revenue

(\$ in mm)



## YTD Q3 2021 Revenue

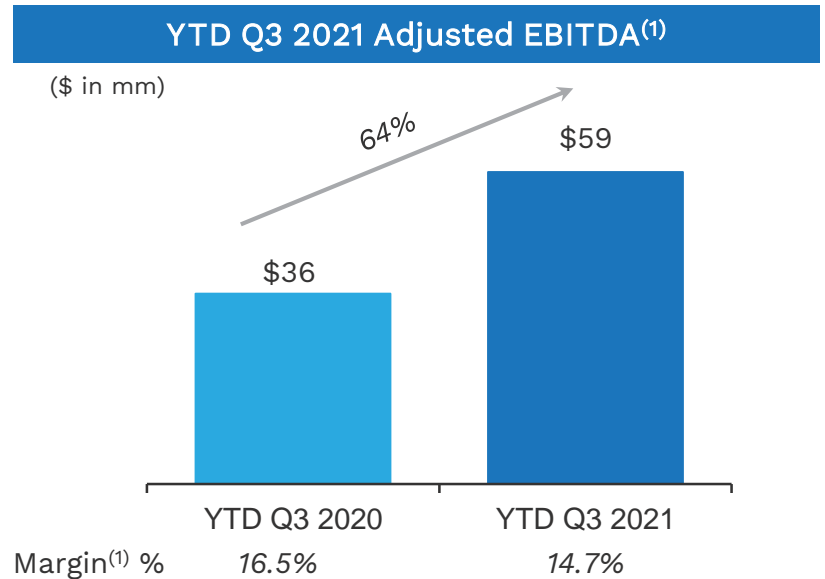
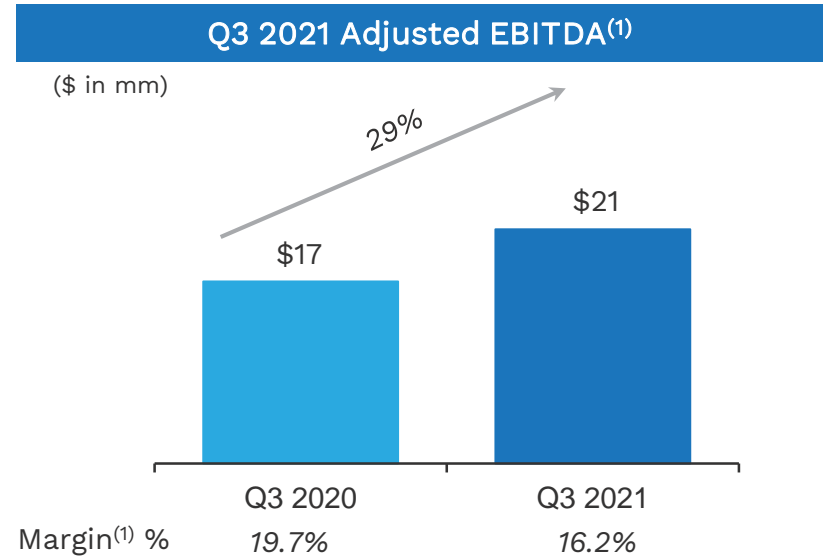
(\$ in mm)



(1) Excluding discontinued services, which generated revenues of \$3.8 million in YTD Q3 2020.

# Q3 and YTD Q3 2021 Adjusted EBITDA<sup>(1)</sup> Performance

- Solid Q3 Adjusted EBITDA<sup>(1)</sup> growth
  - Up 29% YoY to \$21.5 million
- Strong YTD Q3 Adjusted EBITDA<sup>(1)</sup>
  - Up 64% YoY to \$59.3 million
- Margin decline as a result of unfavorable business mix

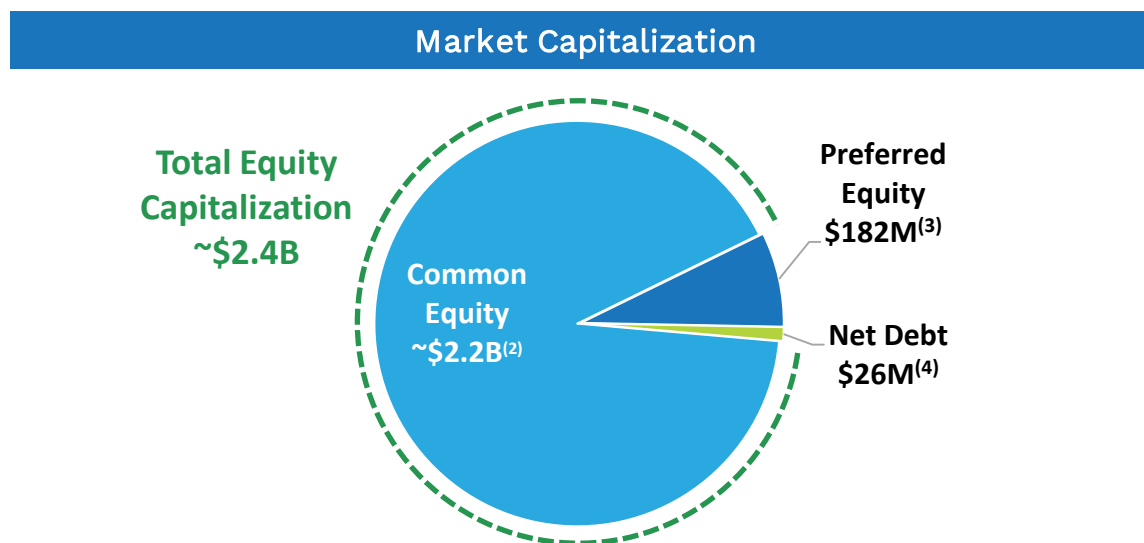


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# Attractive Capital Structure

## Commentary

- Flexible balance sheet to pursue investments in innovation and acquisitions in highly fragmented industry
- In October, completed follow-on equity offering, raising net proceeds of \$169.8 million
- Net leverage<sup>(1)</sup> of 2.8x as of 9/30/21 and 0.8x pro forma for the follow-on stock issuance in October 2021
- Equity capitalization of ~\$2.4 billion<sup>(2)</sup> consisting of 1) 29.4 million shares of common stock outstanding plus 2) \$182.2 million of A-2 Preferred Equity held by Oaktree<sup>(3)</sup>



(1) The Company's leverage ratio under its current credit facility is consistent with the calculation methodology under the prior credit facility and includes the impact of acquisition-related contingent earnout payments that may become payable in cash.

(2) As of November 8, 2021.

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

(4) Net debt is a non-GAAP measure and is calculated as total debt (excluding deferred debt issuance costs) of \$212.0 million less cash on hand of \$16.0 million as of September 30, 2021 less net proceeds of \$169.8 million of cash raised from the completed follow-on equity offering in October 2021.

# 2021 Growth Outlook

Adjusted EBITDA<sup>(1)</sup> guidance increased by \$5.0 million at the midpoint.

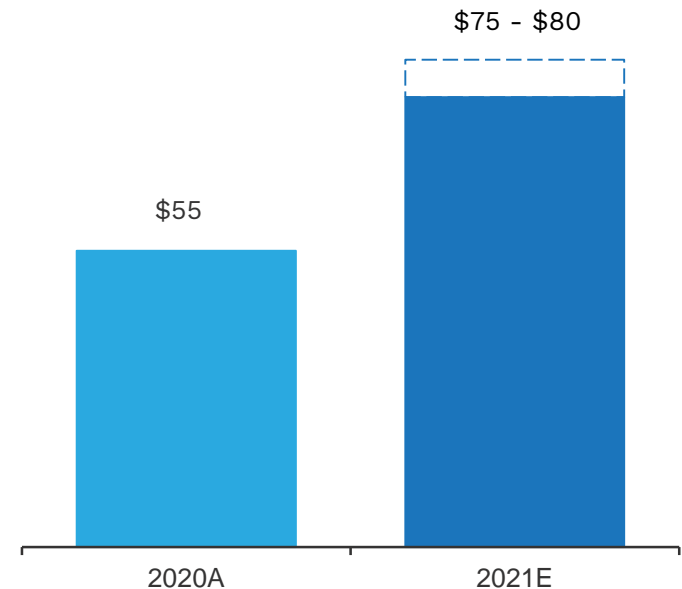
2021E outlook assumes revenue growth comprised of mid-to-high single digit organic growth, CTEH outperformance plus the contribution of completed acquisitions.

Continued strength in 2021 and ongoing business resilience, though impact of pandemic on our business and people remains a key focus.

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

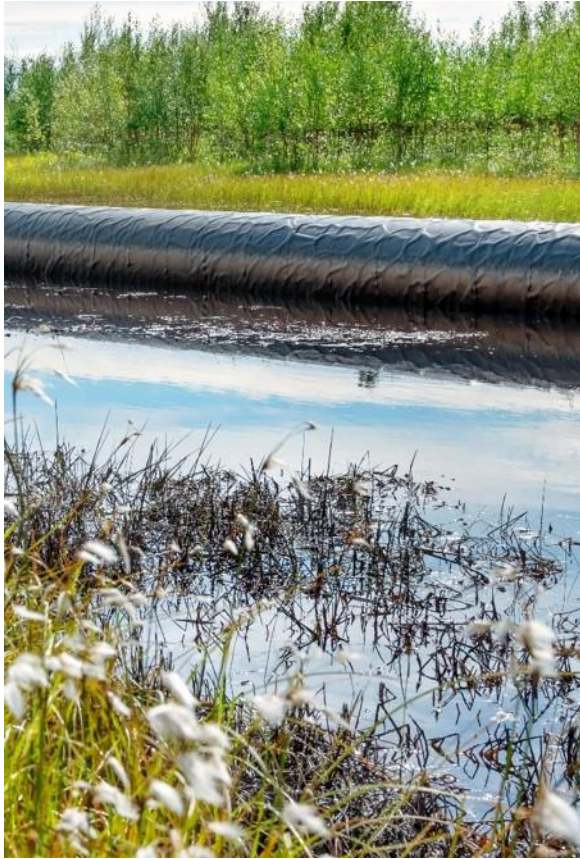
## Adjusted EBITDA<sup>(1)</sup>

(\$ in mm)



Current Outlook Aligned With Long-term Expectation for Base Business Revenue Growth on Average 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.



# Case Studies: Optimized Environmental Solutions



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# OGI Case Study: Using Optical Gas Imaging (OGI) to Comply with EPA Regulations



## Opportunity

In June 2017, new regulations from the Environmental Protection Agency (EPA) for the monitoring of natural gas compressor stations went into effect. The new rule, which EPA labels as Subpart OOOOa to 40 CFR Part 60 and is widely referred to as Quad OA, requires quarterly checks for methane leaks at any compressor station that has been newly constructed or modified since September 2015. Stations have the option of performing the monitoring using Method 21, an older approach that uses a “sniffer” to detect the presence of hydrocarbon gases, or using optical gas imaging with an IR camera, the more modern option, which has been designated by the EPA as the “best system of emission reduction.”

## Challenge

While EPA’s concern with respect to the monitoring of natural gas compressor stations is the reduction of emissions of methane, experience began to suggest that regular testing using optical gas imaging might save companies money and improve worker safety, as well. Montrose conducted a study to explore whether implementing these new quarterly checks for the purpose of complying with EPA rules would also deliver financial- and safety-related benefits when performed using optical gas imaging.

## Solution

During the four quarters of 2017 and the first quarter of 2018, Montrose performed a total of 224 inspections at 104 facilities, housing an average of 2.4 compressors per facility, in nine different states owned by five compressor companies, using an OGI camera. Over the five-quarter period, inspectors discovered a total of 1,977 leaks, 65% of which were of low severity, 32% of which were of medium severity, and 3% of which were of high severity. Over all 104 facilities, a total of more than \$360,000 worth of gas was saved annually as a result of the discovery of these leaks by optical gas imaging. In addition, 22 leaks were identified as potential safety hazards, with seven of those being high hazards and three considered extreme. Finally, the emissions reduction benefit was the discovery of a total amount of methane equivalent to 59,000 metric tons of carbon dioxide per year. In short, optical gas imaging not only enables compressor companies meet regulatory requirements, it also saves them money and makes their facilities safer.



# Biogas Case Study: Public Utility District Renewal Natural Gas (RNG) Project



## Opportunity

A long-term public utility client that has teamed with Montrose to manage several site upgrades related to their 2010 Landfill Gas (LFG) Turbine Cogeneration Project at a regional municipal solid waste landfill located in Washington State. In 2016, the public utility partnered with Montrose engineers in their Renewal Natural Gas (RNG) Project to look at alternative uses for LFG.

## Challenge

The Montrose Biogas project team worked with the public utility client, beginning at initial project conception, to detail out how to transition the plant from a turbine cogeneration project to a direct pipeline RNG plant. The Montrose team was subsequently selected to lead detailed design and engineering, technology selection, construction oversight, and plant commissioning for the project. Throughout the process, the primary challenge centered around how to efficiently and cost-effectively clean and purify the landfill gas in order to meet the required pipeline tariff specifications.

## Solution

On November 1, 2018 KPUD and the Montrose team successfully commissioned and started up the unique, Montrose-led RNG plant. The system features a combination of a cryogenic Nitrogen Rejection Unit (NRU) and Iron Chelate system that represents the first such combination in the United States for the treatment of H<sub>2</sub>S. Other components of the process include dehydration, compression and removal of H<sub>2</sub>S, siloxanes, CO<sub>2</sub>, O<sub>2</sub> and N<sub>2</sub>. The resulting gas quality at the plant outlet is in excess of 990 BTU/SCF, meeting any natural gas tariff in the United States. The system has been converting 8,000 standard cubic feet per minute (SCFM) of landfill gas to 6,000 MMBTU of RNG per day, which is then injected into an 800 psig pipeline approximately three miles from the facility. The Montrose team was on site throughout the entire process and was instrumental in the successful completion and startup of this innovative approach and unique deployment of technology in the biogas industry.



# PFAS Case Study: A Field Study Coupling Regenerable Ion Exchange Resin with Electrochemical Oxidation of PFAS Waste



## Opportunity

A U.S. Federal Agency funded a field study coupling Regenerable Ion Exchange Resin (IXR) with Electrochemical Oxidation (EO). This study aimed to prove the ability to capture PFAS compounds on IXR and regenerate the resin using a solvent-based solution to produce a concentrated PFAS stream. The concentrated liquid would then be distilled to recover the solvent and produce still bottoms, highly concentrated in PFAS, that would then be subjected to EO to destroy the PFAS compounds. This study would represent a first-of-its-kind onsite demonstration.

## Challenge

ECT2, a Montrose Company, was subcontracted to design, build, install, commission and optimize, and train field staff to operate a 5 gpm forward flow demonstration unit coupled with regeneration and distillation equipment. The end objective was to generate 50 gallons of concentrated PFAS still bottoms from contaminated groundwater at a designated area on a U.S. military base in the Midwest.

## Solution

A purpose-built regenerable resin pilot system (RPS-1) was developed using ECT2's SORBIX RePURE ion exchange resin, fabricated inside a Conex shipping container, mobilized to the base and set up to treat the specified water. When the lead regenerable vessel approached a predetermined time frame, the vessel was taken offline and regenerated with the accompanying regeneration system situated alongside the RPS-1 system. Because the regeneration and distillation process involved a solvent/brine mix, particular design considerations for safety had to be taken into account. Several cycles of treatment and regeneration were repeated until the specified supply of concentrated still bottoms had been recovered. In addition to successfully providing the still bottoms, the study showed that the system effectively removed PFAS from the contaminated water and that the resin was successfully regenerated, demonstrating ECT2's ability to quickly design and execute effective pilot studies onsite at client facilities.



# CBR Case Study: Responding to Environmental and Safety Challenges Arising from Crude by Rail (CBR) Emergencies



**Assessment, Permitting & Response**

## Opportunity

On December 22, 2020, 10 cars carrying crude oil derailed and subsequently caught on fire near the Canadian border north of Seattle, WA.

## Challenge

Incidents involving CBR typically involve heat-induced tears of the car's jacket, releasing crude oil into the environment. Safety considerations for employees, first responders, contractors, and the community at large include risk of fire spreading to spilled crude, flash fire and thermal hazards, and inhalation of particulate matter and VOCs. Impacts to the environment typically involve air, soil, surface water and groundwater contamination, as well as wildlife damage. Another challenge, the variety of crude oils, introduces variation into the incident-specific health, safety, and environmental challenges inherent in a particular CBR incident.

## Solution

CTEH mobilized immediately to assist the railroad shipper. A full complement of responders from CTEH consisting of a toxicologist, data manager, project manager, and multiple environmental scientists were engaged to monitor air in the community, as well as for worker exposure, especially during the wrecking and re-railing operations and hot work. In addition to these field activities, CTEH's command post presence included a PhD-level toxicologist, responsible for developing the incident-specific air monitoring plan consistent with the Northwest Area Contingency Plan and regulations provided by the Washington State Department of Ecology. Timely, actionable, and defensible data generated by CTEH during this incident documented chemical concentrations in the air to help with the emergency response and to protect the affected people, environment, and wildlife.



# Appendix



**MONTROSE**  
ENVIRONMENTAL



# 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 Q3 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 Q3 2021 has been calculated by taking the relevant reported financial information from Fiscal 2020 and adding the reported financial information for the nine months ended September 30, 2021, and then subtracting the reported financial information for the nine months ended September 30, 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 filed on March 24, 2021 and Quarterly Report on Form 10-Q to be filed on November 10, 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 (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.

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 may 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, typically on an annual basis. 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.

# Adjusted EBITDA Reconciliation

(in thousands)	For the Year Ended December 31,					For the Three Months Ended September,		For the Nine Months Ended September,		LTM
	2020	2019	2018	2017	2016	2021	2020	2021	2020	September 30, 2021
<b>Net (loss) income</b>	\$ (57,949)	\$ (23,557)	\$ (16,491)	\$ (10,549)	\$ (8,946)	\$ 2,226	\$ (30,737)	(23,853)	(58,761)	(23,041)
Interest expense	13,819	6,755	11,085	5,815	3,072	1,722	3,043	11,208	10,896	14,131
Income tax expense (benefit)	851	(3,121)	(4,968)	(7,196)	(4,124)	902	3,348	648	(1,563)	3,062
Depreciation and amortization	37,274	27,705	23,915	18,828	15,023	11,471	9,740	33,145	27,084	43,335
<b>EBITDA</b>	<b>(6,005)</b>	<b>7,782</b>	<b>13,541</b>	<b>6,898</b>	<b>5,025</b>	<b>16,321</b>	<b>(14,606)</b>	<b>21,148</b>	<b>(22,344)</b>	<b>37,487</b>
Stock-based compensation <sup>(1)</sup>	4,849	4,345	5,794	6,490	2,572	2,365	1,149	6,587	3,439	7,997
Start-up losses and investment in new services <sup>(2)</sup>	2,182	1,044	181	1,534	811	1,186	602	3,276	1,283	4,175
Acquisition costs <sup>(3)</sup>	4,344	3,474	1,589	1,323	317	913	6	1,656	3,767	2,233
Fair value changes in financial instruments <sup>(4)</sup>	20,319	11,160	(352)	—	—	531	9,710	1,651	17,492	4,478
Expenses related to financing transactions <sup>(5)</sup>	378	—	398	152	110	—	—	50	277	151
Fair value changes in business acquisitions contingent consideration <sup>(6)</sup>	12,942	1,392	(158)	(1,312)	—	—	13,404	24,035	17,387	19,590
Insurance gain <sup>(7)</sup>	—	—	—	(1,700)	(1,281)	—	—	—	—	—
Short term purchase accounting fair value adjustment to deferred revenue <sup>(8)</sup>	243	858	—	—	—	—	—	—	243	—
IPO expense and secondary offering costs <sup>(9)</sup>	7,657	610	—	—	—	—	6,378	—	6,908	749
Discontinued service lines and closing of Berkley lab <sup>(10)</sup>	5,662	577	(1,680)	(352)	(650)	—	30	—	7,526	(1,864)
Other losses and expenses (income) <sup>(11)</sup>	1,905	—	—	800	425	171	33	846	179	2,572
<b>Adjusted EBITDA</b>	<b>\$ 54,476</b>	<b>\$ 31,242</b>	<b>\$ 19,313</b>	<b>\$ 13,833</b>	<b>\$ 7,329</b>	<b>\$ 21,487</b>	<b>\$ 16,706</b>	<b>59,249</b>	<b>36,157</b>	<b>77,568</b>

(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 non-capitalizable costs related to the implementation of a new ERP and net of insurance gain.