

Fourth Quarter &  
Full Year 2023  
Earnings Call

February 29, 2024



# Safe Harbor

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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



# 2023 Highlights

- Record revenue, Consolidated Adjusted EBITDA<sup>(1)</sup> and Cash Flow from Operations
- Strong expansion in Operating Segment and Consolidated Adj. EBITDA<sup>(1)</sup> as percent of revenue
- Diluted Adj. EPS<sup>(1)</sup> increased 24% and Cash Flow from Operations more than doubled
- Customer revenue retention<sup>(2)</sup> remained high at 96% and cross-selling<sup>(2)</sup> revenues increased to 51% of total revenues
- Advanced R&D initiatives and IP portfolio with 9 unique patents filed
- Continued success consolidating fragmented industry with highly accretive acquisitions
- 2024 outlook reflects continued margin expansion and elevated organic growth

<sup>1)</sup> 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.

<sup>2)</sup> Customer revenue retention defined as the percentage of revenue excluding emergency response revenue from customers in 2022 that recurred in 2023. Emergency Environmental Response revenue is excluded from the calculation in light of episodic nature of emergency response work. Cross selling activity defined as the percentage of total revenue from customers purchasing two or more Montrose services within the same fiscal year.

<sup>3)</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.

# Full Year 2023

Revenue

**\$624.2M**

Up 14.7% YoY to an Annual Record

Diluted Adj. EPS<sup>(1)</sup>

**\$1.07**

Adjusted Net Income<sup>(1)</sup> of \$39.7M

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

**\$78.6M**

12.6% of Revenue

Total Operating Segments Adjusted EBITDA

**\$116.5M**

18.7% of Revenue

Operating Cash Flow

**\$56.0M**

Up \$35.4M YoY

Net Leverage<sup>(3)</sup>

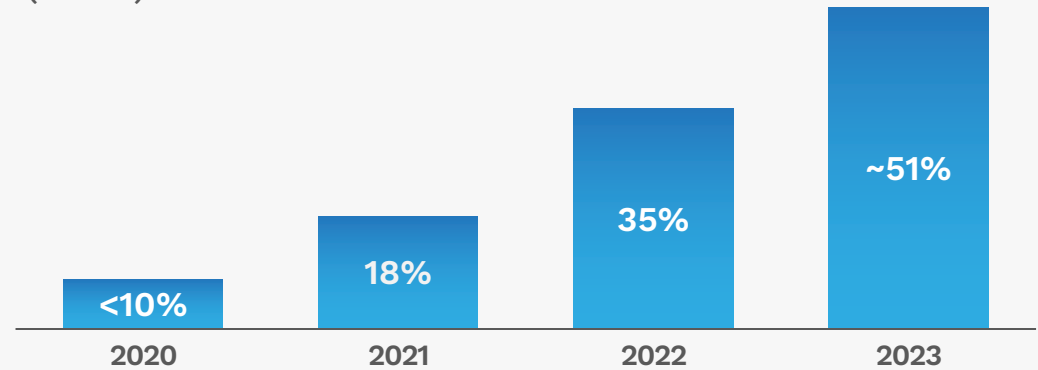
**1.9x**

At 12/31/2023

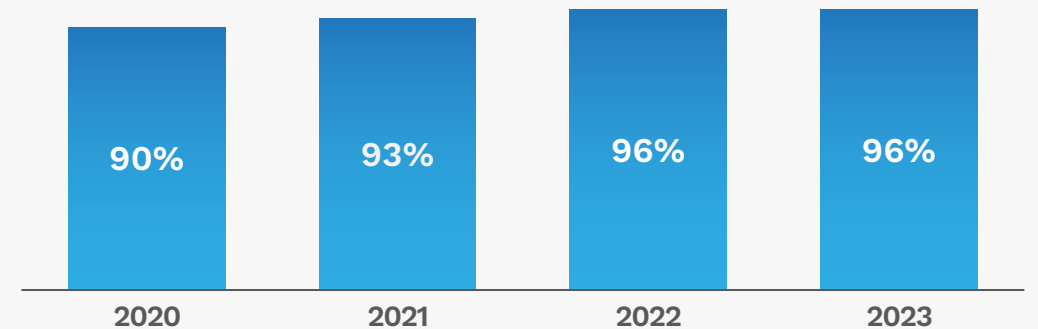
# Strong Revenue Retention and Increased Penetration of Existing Clients

- Successful cross-selling and customer revenue retention drive organic growth over time
  - Consistent growth of cross-selling<sup>(1)</sup> activity to over 50% of revenue in 2023
  - Customer revenue retention<sup>(1)</sup> remained at a solid level of 96% in 2023
- Cross-selling<sup>(1)</sup> with existing clients should increase over time given Montrose’s relatively small wallet share compared to overall environmental spend, and the opportunity to sell three or more services to a client
- Coupled with consistent, strong customer retention, revenue predictability continues to increase over time

**Cross-Selling as a Percent of Revenue<sup>(1)</sup>**  
(Dec FYE)



**Revenue Retention<sup>(1)</sup>**  
(Dec FYE)



<sup>1)</sup> Customer revenue retention defined as the percentage of revenue excluding CTEH revenue from customers in 2022 that recurred in 2023. Cross selling activity defined as the percentage of total revenue from customers purchasing two or more Montrose services within the same fiscal year.



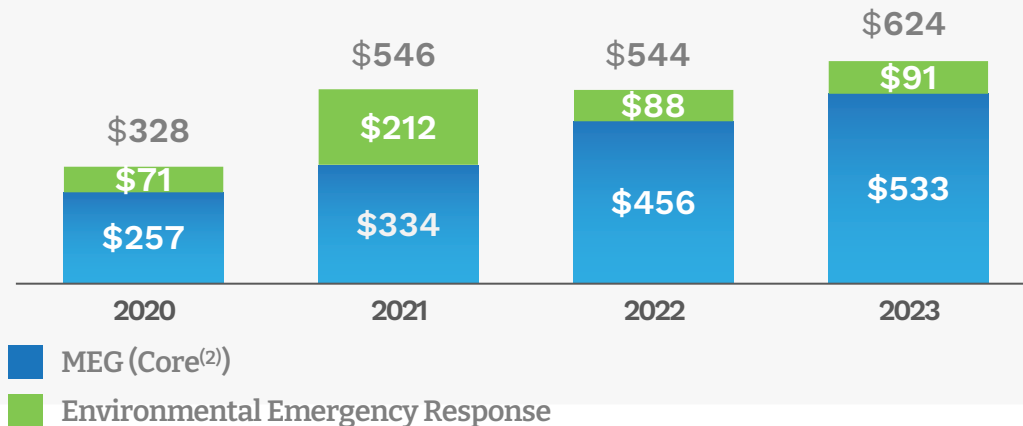
# Strong Record of Long-Term Growth

- Continued market share gains due to (i) integrated business model driving cross selling and (ii) patented technology
- 2023 organic growth builds on 15% average organic growth per year since 2020
  - 24% organic revenue growth in AP&R
  - 17% organic growth in M&A segments
  - 2% overall organic growth reflects planned portfolio shifts and delayed EPA PFAS regulations in R&R segment
- 2024E revenue outlook at midpoint assumes low double-digit organic growth
- Enhanced predictability of results through organic growth, acquisitions and portfolio optimization

1) Excludes discontinued services, which generated revenues of \$51.5 million in 2020, \$36.0 million in 2021, \$20.6 million in 2022, and \$8.8 million in 2023.  
 2) MEG (Core) excludes environmental emergency response revenues.  
 3) 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.  
 4) Consolidated Adj. EBITDA excludes Start-up Losses of \$2.2 million, \$4.4 million and \$2.3 million in 2020, 2021 and 2022, respectively.

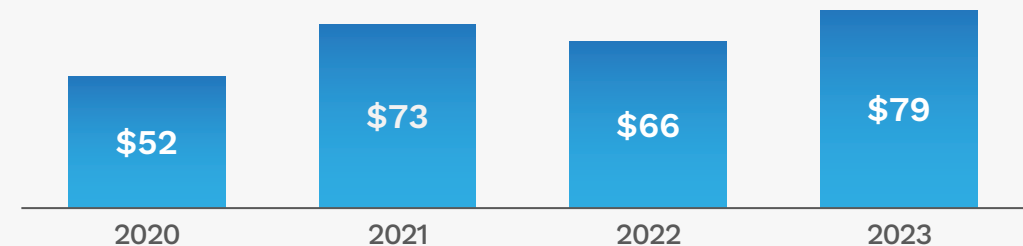
## Revenue

2020-2023 CAGR<sup>(1)</sup> (Core<sup>(2)</sup>): 37%  
 (\$ in Millions, Dec FYE)



## Consolidated Adj. EBITDA<sup>(3,4)</sup>

2020-2023 CAGR: 15%  
 (\$ in Millions, Dec FYE)



# Capabilities Aligned With Sustainable and Secular 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 seven value-enhancing acquisitions in 2023 and YTD 2024
- Consistently targeted additive services, geographies, clients and technologies
- Demonstrated ability to effectively integrate, cross-sell and create synergies
- Acquisition pipeline remains robust
- Strong balance sheet



# Matrix Solutions Acquisition: An Example of Value Creation



## Transaction Survey:

- In June 2023, we completed a \$48.6 million acquisition of Matrix Solutions, one of Canada's leading environmental engineering and consulting companies.
- With approximately 570 employees, 19 office locations and a blue-chip client base, Matrix is unique in its size, environmental focus and quality brand recognition in North America.
- Matrix complements our existing environmental services portfolio with substantive opportunities for cross-selling, best practices sharing and operational efficiencies.
- 2022 Revenues of ~\$70 million and Adjusted EBITDA<sup>(1)</sup> of ~\$3.3 million (4.6%) represented a margin improvement opportunity.

## Key Outcomes of the Matrix Solutions Acquisition

- **Margins:** Matrix Solutions Adjusted EBITDA<sup>(1)</sup> as a percent of revenue almost doubled since 2022.
  - Pricing initiatives account for ~30% of the increase. Operational efficiencies and back-office integration efforts are well underway and contributed to ~70% of the increase.
  - Matrix is on track to achieve a 13-15% percent Adjusted EBITDA<sup>(1)</sup> as a percent of revenue by end of 2024.
- **Revenue:** Client retention has been very strong despite targeted price increases. The acquisition enabled revenue synergies from cross-selling and cross-utilization and to expand our product offerings and market reach.
- **Returns:** The implied multiple paid for Matrix has already halved and will continue to decrease as the business integrates into MEG and continues to perform.

<sup>1)</sup> 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.

# Financial Overview



# Q4 and Full Year 2023 Revenue Performance

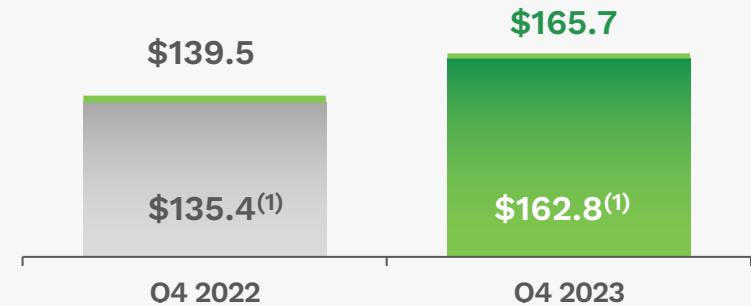
## Double-Digit Revenue Growth

- Q4 revenue up 18.8% to \$165.7M, as reported
- 2023 revenue grew 14.7% to \$624.2M, as reported
- Q4 and 2023 revenue growth driven by strong organic growth in AP&R and M&A segments, higher environmental emergency response revenues and strategic acquisitions
- R&R segment organic growth impacted in 2023 given portfolio optimization
- Q4 and 2023 revenue up 20.2% and 17.5%, respectively, excluding discontinued services<sup>(1)</sup>

<sup>1)</sup> Excludes revenue from discontinued services of \$2.9 million and \$4.1 million in Q4 2023 and Q4 2022, respectively. Excludes revenue of \$8.8 million and \$20.6 million in 2023 and 2022, respectively, from discontinued services.

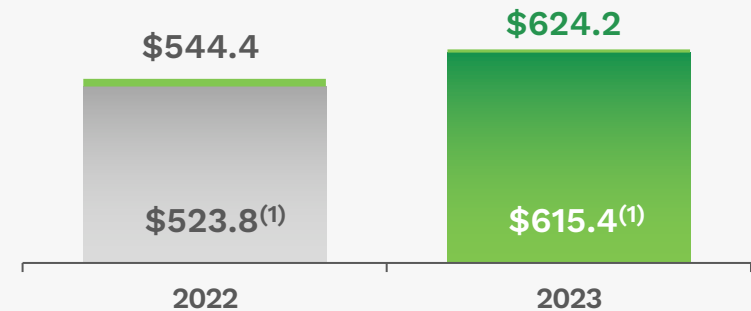
### Q4 2023 Revenue

As Reported and Excluding Discontinued Services<sup>(1)</sup>  
(\$ in Millions)



### Full Year 2023 Revenue

As Reported and Excluding Discontinued Services<sup>(1)</sup>  
(\$ in Millions)



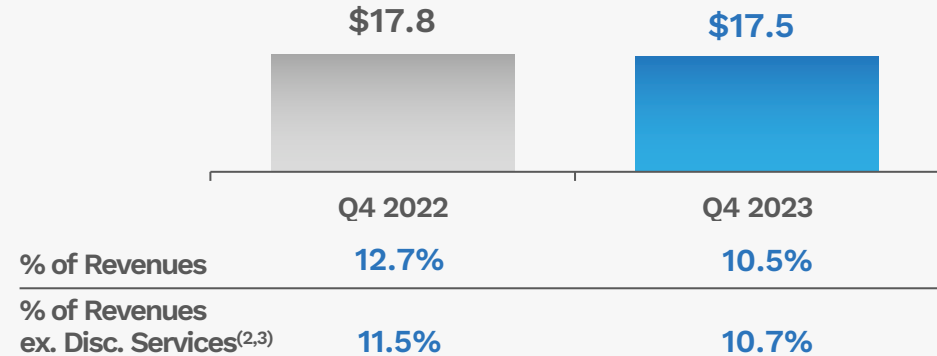
# Q4 and Full Year 2023 Consolidated Adjusted EBITDA<sup>(1)</sup> Performance

## Consolidated Adjusted EBITDA<sup>(1)</sup> Growth and Margin Expansion in 2023

- Q4 Consolidated Adjusted EBITDA<sup>(1)</sup> lower primarily due to exit of discontinued services<sup>(2)</sup> and seasonally low margins from Matrix partly offset by higher revenues
- Q4 Consolidated Adjusted EBITDA<sup>(1)</sup> increased 12% YoY to \$17.5 million excluding discontinued services
- 2023 Consolidated Adjusted EBITDA<sup>(1)</sup> as a percentage of revenues up 40 bps YoY reflects solid execution despite lower but improving margins from integration of Matrix acquisition

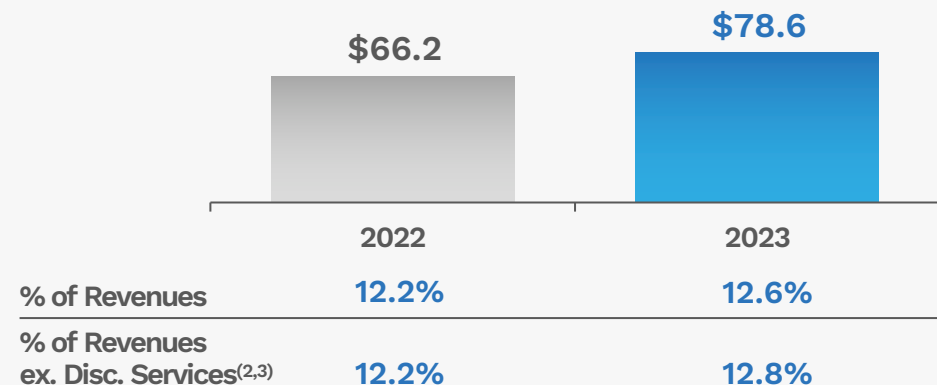
### Q4 2023 Consolidated Adjusted EBITDA<sup>(1)</sup>

As Reported and Excluding Discontinued Services and 2022 Start-up Losses<sup>(2)</sup>  
(\$ in Millions)



### Full Year 2023 Consolidated Adjusted EBITDA<sup>(1)</sup>

As Reported and Excluding Discontinued Services and 2022 Start-up Losses<sup>(2)</sup>  
(\$ in Millions)



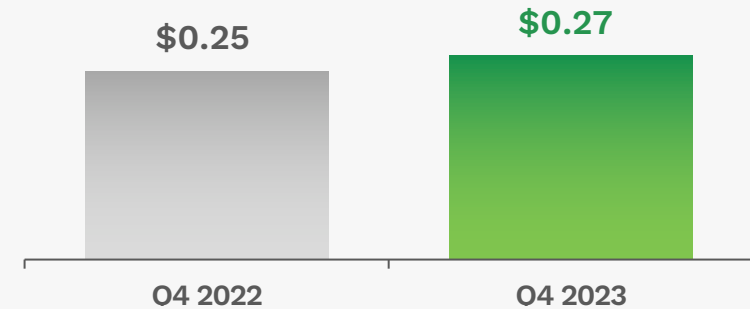
1) Consolidated Adjusted EBITDA is a non-GAAP measure. See the appendix to this presentation for a discussion of this measure, including how it is calculated and the reasons why we believe it provides useful information to investors, and a reconciliation for historical periods to the most directly comparable GAAP measure.  
 2) For Q4 2022, excludes \$2.2 million in Consolidated Adjusted EBITDA from discontinued services and \$(0.7) million in start-up losses. For 2022, excludes \$2.1 million in Consolidated Adjusted EBITDA loss from discontinued services and \$2.3 million in start-up losses.  
 3) Excludes revenue from discontinued services of \$2.9 million and \$4.1 million in Q4 2023 and Q4 2022, respectively. Excludes revenue of \$8.8 million and \$20.6 million in 2023 and 2022, respectively, from discontinued services.

# Q4 and Full Year 2023 Diluted Adjusted Net Income per Share<sup>(1)</sup>

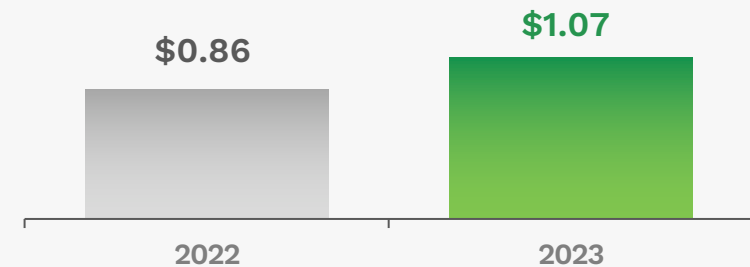
## Strong Adjusted Earnings<sup>(1)</sup> Growth

- Q4 Diluted Adj. EPS<sup>(1)</sup> up 8.0% to \$0.27
- 2023 Diluted Adj. EPS<sup>(1)</sup> grew 24.4% to \$1.07
- Q4 and 2023 Diluted Adj. EPS<sup>(1)</sup> growth driven by higher revenues
- Diluted Adj. EPS<sup>(1)</sup> calculated using Adjusted Net Income Attributable to Stockholders<sup>(1)</sup> divided by fully diluted shares

### Q4 2023 Diluted Adjusted Net Income per Share<sup>(1)</sup>



### Full Year 2023 Diluted Adjusted Net Income per Share<sup>(1)</sup>



<sup>1)</sup> 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.

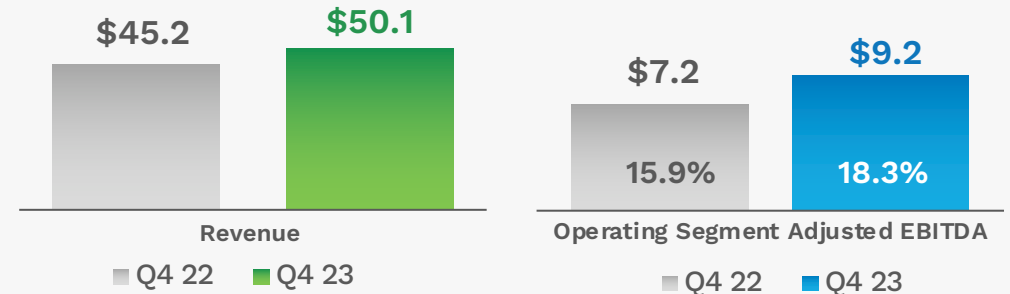


# Assessment, Permitting and Response Performance

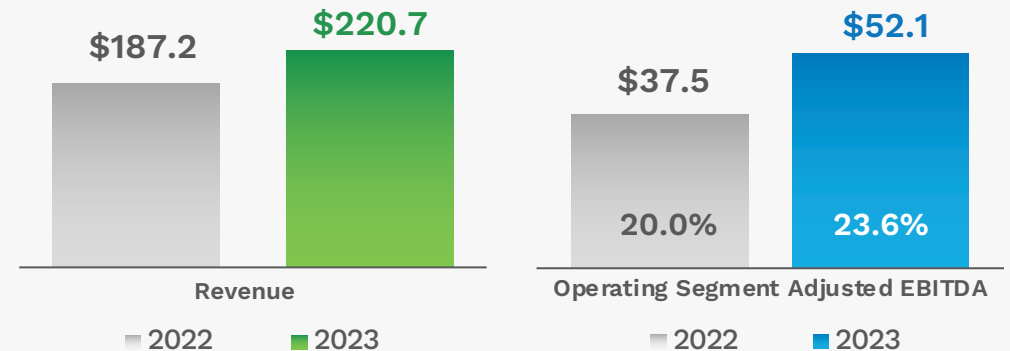
## Segment Commentary

- Revenue growth primarily due to strong organic growth in advisory services, positive contributions from acquisitions, and contributions from environmental emergency responses
- Margin growth driven by strong revenue growth

**Q4 2023 Revenue and Operating Segment Adj. EBITDA**  
(\$ in Millions, % as a Percent of Segment Revenue)



**Full Year 2023 Revenue and Operating Segment Adj. EBITDA**  
(\$ in Millions, % as a Percent of Segment Revenue)



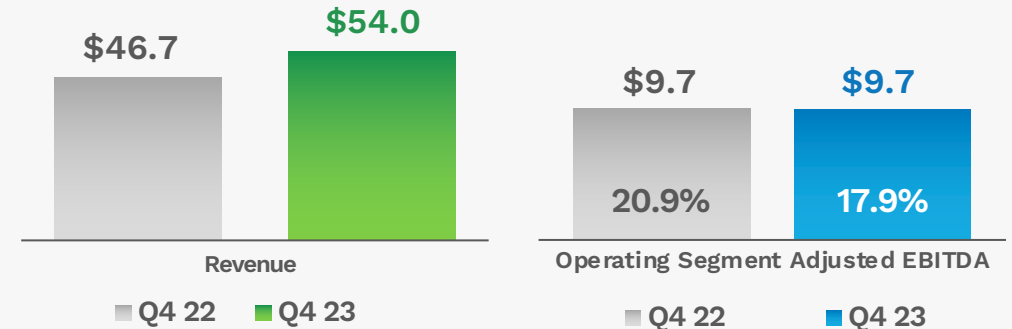
**Note:** For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Operating Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our consolidated financial statements included in our Form 10-K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

# Measurement & Analysis Performance

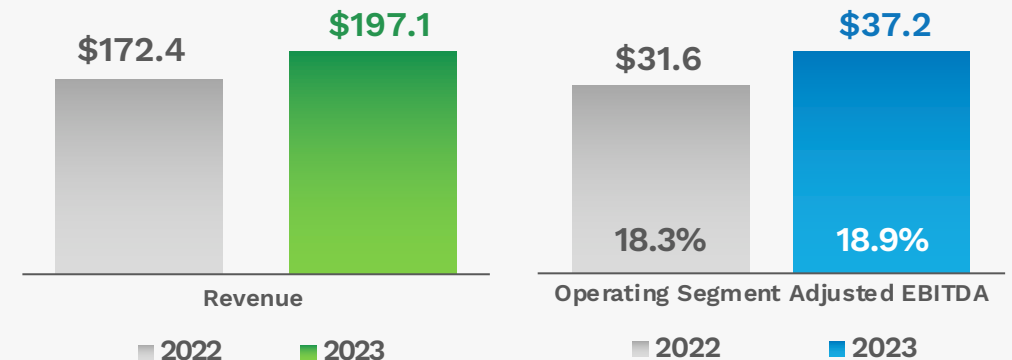
## Segment Commentary

- Revenue growth primarily driven by strong organic growth across lab and field services, with particular strength in air quality testing and greenhouse gas testing services
- Continued geographic expansion facilitates faster turnaround times and improved margins
- Software coupled with sensor networks continue to create new and differentiated opportunities
- Margin growth due to strong revenue growth

**Q4 2023 Revenue and Operating Segment Adj. EBITDA**  
(\$ in Millions, % as a Percent of Segment Revenue)



**Full Year 2023 Revenue and Operating Segment Adj. EBITDA**  
(\$ in Millions, % as a Percent of Segment Revenue)



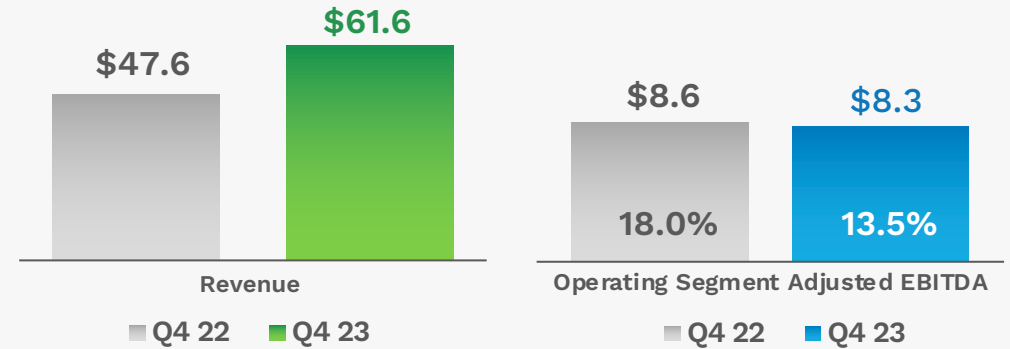
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# Remediation & Reuse Performance

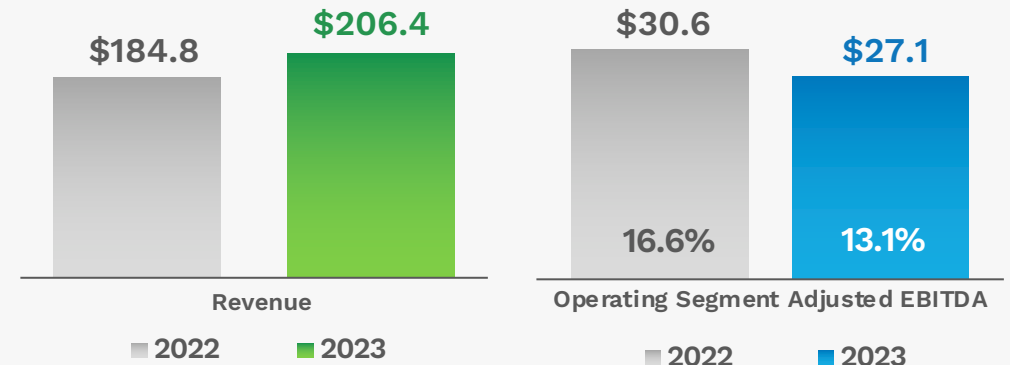
## Segment Commentary

- Revenue growth was primarily driven by acquisition of Matrix, and offset by (i) lower revenue in ECT2 given delays in PFAS regulations and (ii) shift towards higher margin biogas services
- Margins impacted primarily by low margin Matrix acquisition and lower ECT2 revenues

**Q4 2023 Revenue and Operating Segment Adj. EBITDA**  
(\$ in Millions, % as a Percent of Segment Revenue)



**Full Year 2023 Revenue and 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

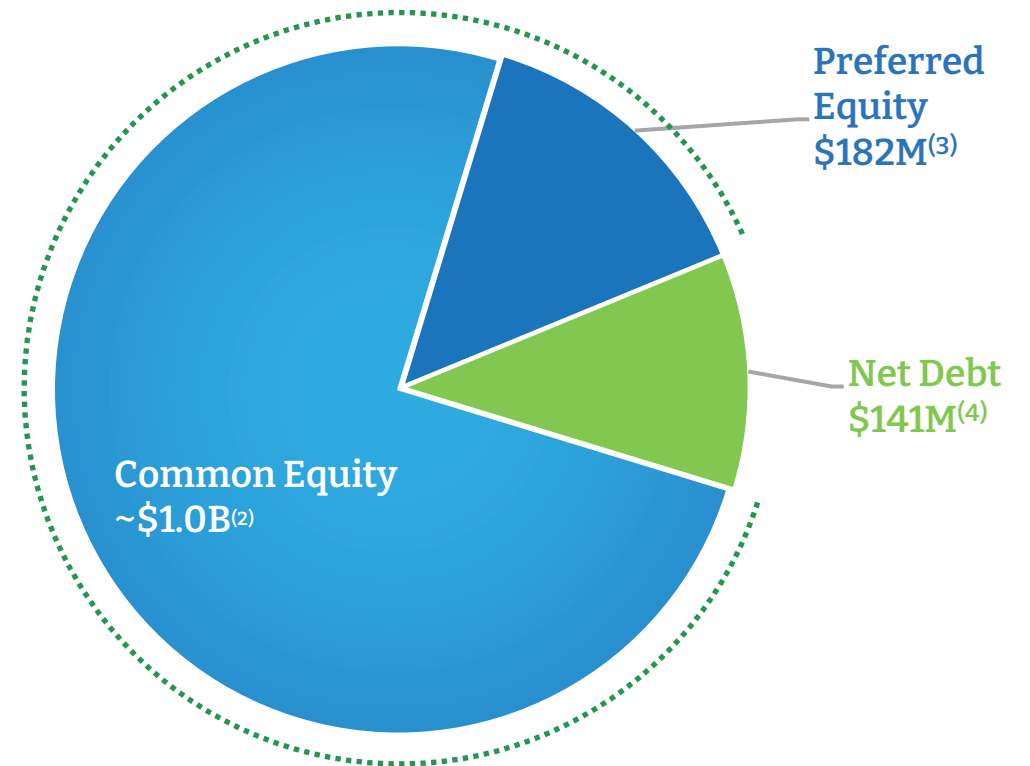
## Commentary

- Flexible balance sheet to further invest in innovation and acquisitions in highly fragmented industry
- Liquidity of \$148.2 million including \$23.2 million of cash and \$125.0 million of availability under revolver as of 12/31/23
- Net leverage<sup>(1)</sup> of 1.9x as of 12/31/23
- In January 2024 voluntarily redeemed \$60 million of Convertible and Redeemable Series A-2 Preferred Stock<sup>(3)</sup> using cash
- In February 2024 increased revolver by \$50 million to \$175 million and added \$50 million to term loan

## Equity Market Capitalization

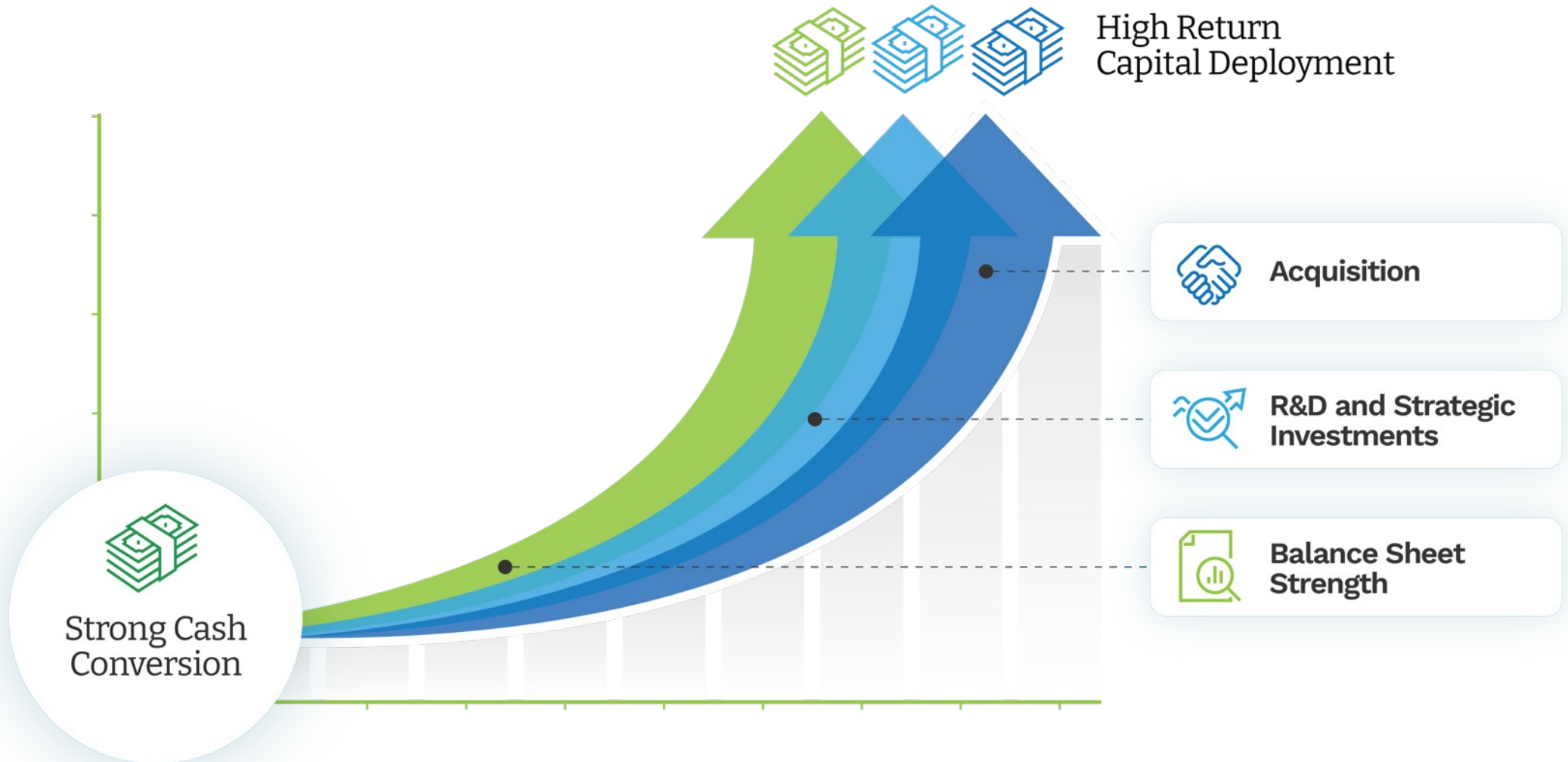
12/31/2023

Total Equity Capitalization  
~\$1.2B



<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 December 29, 2023.  
<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 \$164.6 million less cash on hand of \$23.2 million as of December 31, 2023. See the appendix to this presentation for a discussion of Net Debt.

# Disciplined Capital Allocation Approach to Drive Strong Returns



# Outlook

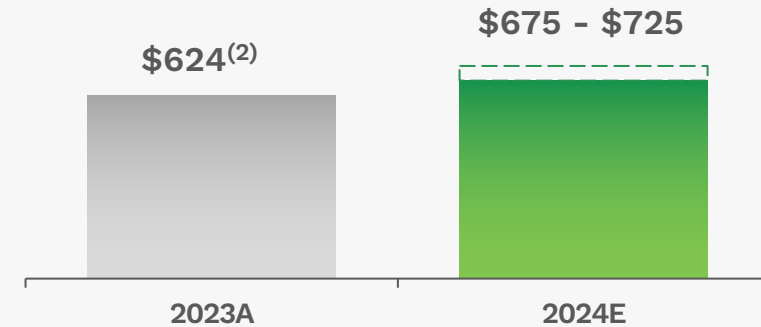


# 2024E Outlook

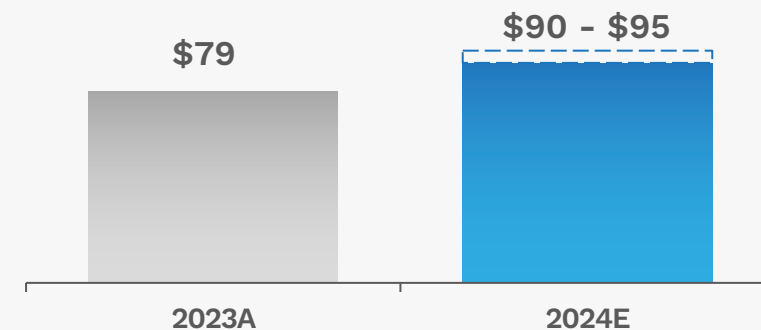
## Outlook Driven by Market Tailwinds, Growth Initiatives and Margin Optimization

- Revenue is expected to be in the range of \$675 - \$725 million and Consolidated Adjusted EBITDA<sup>(1)</sup> is expected to be in the range of \$90 - \$95 million
- Anticipate low double-digits organic growth
- Environmental emergency response revenue expected to be within the range of \$50 - \$70 million, compared to \$91 million in 2023
- Expectations for Q1 2024:
  - Revenue to be up mid teens year-over-year
  - Consolidated Adj. EBITDA<sup>(1)</sup> as a percent of revenue to be 50 - 100 bps higher than Q4 2023
- 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>(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 discussion of certain matters related to forward-looking non-GAAP information.

<sup>2)</sup> Includes discontinued services, which generated revenues of \$8.8 million in 2023.

# 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**

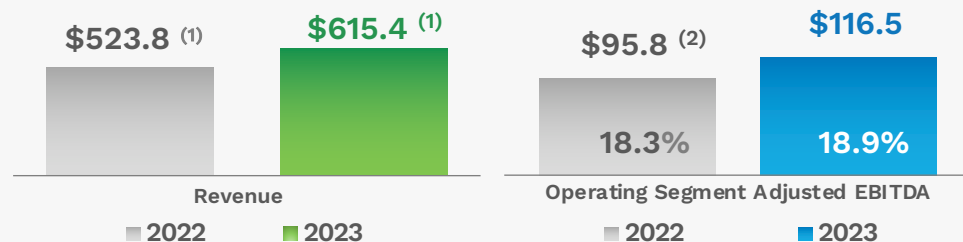
# Appendix



# Full Year 2023 Segment Performance, Excluding Discontinued Services and Adjustment for Prior Year Start-up Losses

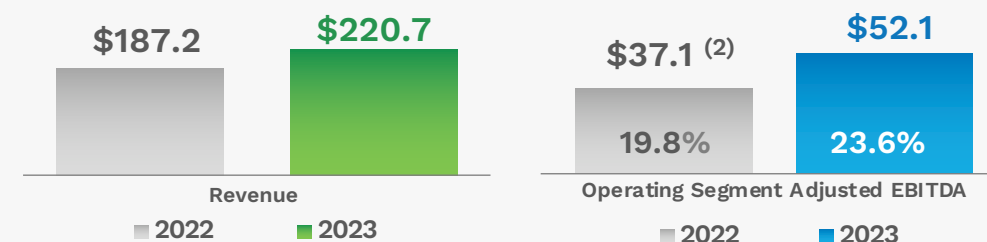
## Total Operating Segments

(\$ in mm; % of revenue)



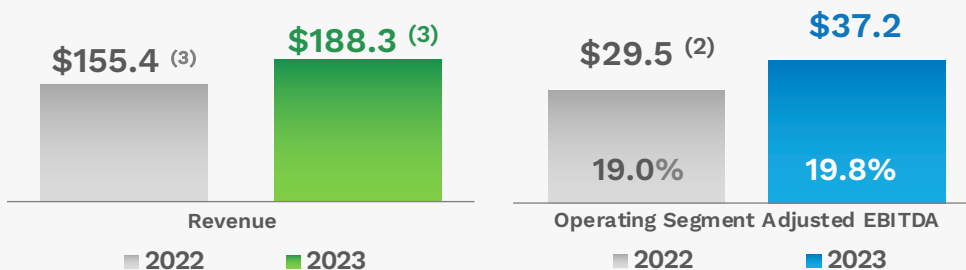
## Assessment, Permitting and Response

(\$ in mm; % of revenue)



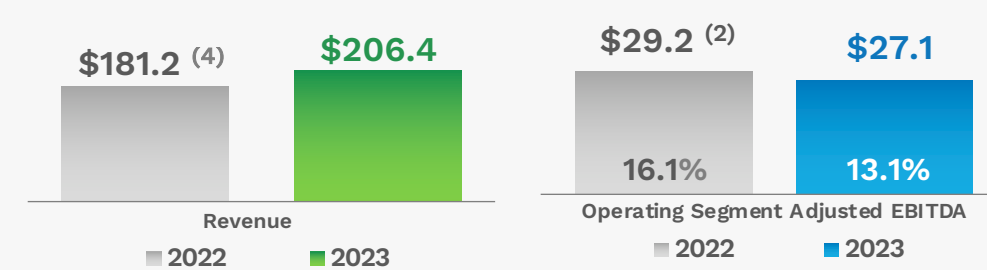
## Measurement & Analysis

(\$ in mm; % of revenue)



## Remediation & Reuse

(\$ in mm; % of revenue)



**Note:** Adjusted segment results to exclude discontinued services and to include the impact of start-up losses, which were previously backed out in the calculation of Segment Adjusted EBITDA, is a non-GAAP presentation. We believe this presentation is useful to investors because it allows for a bridge to future results, which do not include the results of the discontinued services and will reflect the impact of start-up losses. See slides 11, 12, 14, 15, and 16 for reconciliations to the reported amounts. 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.

<sup>1)</sup> Excludes revenue of \$8.8 million and \$20.6 million from discontinued services in 2023 and 2022, respectively

<sup>2)</sup> Excludes Segment Adjusted EBITDA from Measurement & Analysis discontinued services of \$2.1 million and the addback for start-up losses of the following: Assessment, Permitting and response \$0.4 million, Measurement & Analysis of zero and Remediation & Reuse of \$1.4 million.

<sup>3)</sup> Excludes revenue of \$8.8 million and \$17.0 million from discontinued services in 2023 and 2022, respectively.

<sup>4)</sup> Excludes revenue of \$3.6 million from discontinued services in 2022.

# 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 and returns)
- 9.0% annual cash dividend, payable quarterly
- Beginning in April 2024, 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

- 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 Quarter Ended December 31,		For the Year Ended December 31,	
	2023	2022	2023	2022
Net loss	\$ (1,441)	\$ (10,812)	\$ (30,859)	\$ (31,819)
Amortization of intangible assets <sup>(1)</sup>	7,621	8,474	30,130	36,053
Stock-based compensation <sup>(2)</sup>	11,658	10,915	47,267	43,290
Acquisition costs <sup>(3)</sup>	1,960	537	6,930	1,891
Fair value changes in financial instruments <sup>(4)</sup>	(5,943)	1,268	(4,129)	(3,396)
Expenses related to financing transactions <sup>(5)</sup>	28	—	35	7
Fair value changes in business acquisition contingencies <sup>(6)</sup>	(330)	245	84	(3,227)
Discontinued Specialty Lab <sup>(7)</sup>	791	—	6,112	—
Other losses or expenses <sup>(8)</sup>	328	2,494	543	4,459
Tax effect of adjustments <sup>(9)</sup>	—	—	—	—
<b>Adjusted Net Income</b>	<b>\$ 14,672</b>	<b>\$ 13,121</b>	<b>\$ 56,113</b>	<b>\$ 47,258</b>
Preferred Dividend Series A-2	(4,100)	(4,100)	(16,400)	(16,400)
<b>Adjusted Net Income attributable to stockholders</b>	<b>\$ 10,572</b>	<b>\$ 9,021</b>	<b>\$ 39,713</b>	<b>\$ 30,858</b>
<b>Net loss per share attributable to stockholders</b>	<b>\$ (0.18)</b>	<b>\$ (0.50)</b>	<b>\$ (1.57)</b>	<b>\$ (1.62)</b>
<b>Basic Adjusted Net Income per Share <sup>(10)</sup></b>	<b>\$ 0.35</b>	<b>\$ 0.30</b>	<b>\$ 1.32</b>	<b>\$ 1.04</b>
<b>Diluted Adjusted Net Income per Share <sup>(11)</sup></b>	<b>\$ 0.27</b>	<b>\$ 0.25</b>	<b>\$ 1.07</b>	<b>\$ 0.86</b>
Weighted average common shares outstanding	30,185	29,720	30,058	29,688
Fully diluted shares	38,589	35,686	37,128	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) Reflects the difference between the expected settlement value of business acquisition contingencies at the time of the closing of acquisitions and the expected (or actual) value of these contingencies at the end of the relevant period.

7) Amounts consist of operating losses before depreciation related to the Discontinued Specialty Lab, which include \$2.2 million in current expected credit losses on the promissory note receivable issued upon the sale and a \$1.8 million gain on the sale of its assets.

8) In 2023, amounts are primarily comprised of lease abandonment charges and expenses related to an aircraft accident, partially offset by a gain on the surrender of a lease and an aircraft insurance gain. In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business.

9) The Company determined none of the adjustments have any tax impact since we are in a full deferred tax asset valuation allowance due to being in a cumulative 3-year pre-tax loss position as of December 31, 2023. Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.

10) Represents Adjusted Net Income attributable to stockholders divided by the weighted average number of shares of common stock outstanding.

11) Represents Adjusted Net Income attributable to stockholders divided by fully diluted number of shares of common stock.

# 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
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2023
Net loss	\$ (1,441)	\$ (7,525)	\$ (7,174)	\$ (14,719)	\$ (10,812)	\$ (5,720)	\$ (7,751)	\$ (7,536)	\$ (30,859)
Amortization of intangible assets <sup>(1)</sup>	7,621	7,922	7,350	7,240	8,474	8,668	9,492	9,419	30,130
Stock-based compensation <sup>(2)</sup>	11,658	11,484	11,090	13,035	10,915	11,018	10,932	10,425	47,267
Acquisition costs <sup>(3)</sup>	1,960	1,499	2,696	775	537	368	519	467	6,930
Fair value changes in financial instruments <sup>(4)</sup>	(5,943)	806	(865)	1,873	1,268	(1,808)	(407)	(2,449)	(4,129)
Expenses related to financing transactions <sup>(5)</sup>	28	3	—	4	—	—	—	7	35
Fair value changes in business acquisition contingencies <sup>(6)</sup>	(330)	459	353	(398)	245	59	(3,510)	(21)	84
Discontinued Specialty Lab <sup>(7)</sup>	791	1,302	1,583	2,436	—	—	—	—	6,111
Other losses (gains) or expenses <sup>(8)</sup>	328	(1)	82	134	2,494	482	1,216	267	544
Tax effect of adjustments <sup>(9)</sup>	—	—	—	—	—	—	—	—	—
<b>Adjusted Net Income</b>	<b>\$ 14,672</b>	<b>\$ 15,949</b>	<b>\$ 15,115</b>	<b>\$ 10,380</b>	<b>\$ 13,121</b>	<b>\$ 13,067</b>	<b>\$ 10,491</b>	<b>\$ 10,579</b>	<b>\$ 56,113</b>
Preferred Dividend Series A-2	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(4,100)	(16,400)
<b>Adjusted Net Income attributable to stockholders</b>	<b>\$ 10,572</b>	<b>\$ 11,849</b>	<b>\$ 11,015</b>	<b>\$ 6,280</b>	<b>\$ 9,021</b>	<b>\$ 8,967</b>	<b>\$ 6,391</b>	<b>\$ 6,479</b>	<b>\$ 39,713</b>
<b>Net Loss per share attributable to stockholders</b>	<b>(0.18)</b>	<b>(0.39)</b>	<b>(0.38)</b>	<b>(0.63)</b>	<b>\$ (0.50)</b>	<b>\$ (0.33)</b>	<b>\$ (0.40)</b>	<b>\$ (0.39)</b>	<b>\$ (1.57)</b>
<b>Basic Adjusted Net Income per Share<sup>(10)</sup></b>	<b>0.35</b>	<b>0.39</b>	<b>0.16</b>	<b>0.21</b>	<b>\$ 0.30</b>	<b>\$ 0.30</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>\$ 1.32</b>
<b>Diluted Adjusted Net Income per Share<sup>(11)</sup></b>	<b>0.27</b>	<b>0.32</b>	<b>0.13</b>	<b>0.17</b>	<b>\$ 0.25</b>	<b>\$ 0.25<sup>(a)</sup></b>	<b>\$ 0.18<sup>(a)</sup></b>	<b>\$ 0.18<sup>(a)</sup></b>	<b>\$ 1.07</b>
Weighted average common shares outstanding	30,185	30,143	30,047	29,857	29,720	29,691	29,678	29,662	30,058
Fully diluted shares	38,589	36,952	37,079	35,891	35,686	36,147 <sup>(a)</sup>	36,361 <sup>(a)</sup>	35,795 <sup>(a)</sup>	37,128

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) Amounts consist of operating losses before depreciation related to the Discontinued Specialty Lab, which include \$2.2 million in bad debt expense on the promissory note receivable issued upon the sale and a \$1.8 million gain on the sale of its assets.

8) In 2023, amounts are primarily comprised of lease abandonment charges and expenses related to an aircraft accident, partially offset by a gain on the surrender of a lease and an aircraft insurance gain. In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business.

9) The Company determined none of the adjustments have any tax impact since we are in a full deferred tax asset valuation allowance due to being in a cumulative 3-year pre-tax loss position as of December 31, 2023. Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.

10) Represents Adjusted Net Income attributable to stockholders divided by the weighted average number of shares of common stock outstanding.

11) Represents Adjusted Net Income attributable to stockholders divided by fully diluted number of shares of common stock.

a) Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.

# Montrose Environmental Group, Inc.

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

	For the Quarter Ended December 31,		For the Year Ended December 31,	
	2023	2022	2023	2022
Net loss	\$ (1,441)	\$ (10,812)	\$ (30,859)	\$ (31,819)
Interest expense	2,286	1,229	7,793	5,239
Income tax (benefit) expense	(3,822)	358	(980)	2,250
Depreciation and amortization	11,964	11,551	45,780	47,479
<b>EBITDA</b>	<b>\$ 8,987</b>	<b>\$ 2,326</b>	<b>\$ 21,734</b>	<b>\$ 23,149</b>
Stock-based compensation <sup>(1)</sup>	11,658	10,915	47,267	43,290
Acquisition costs <sup>(2)</sup>	1,960	537	6,930	1,891
Fair value changes in financial instruments <sup>(3)</sup>	(5,943)	1,268	(4,129)	(3,396)
Expenses related to financing transactions <sup>(4)</sup>	28	—	35	7
Fair value changes in business acquisition contingencies <sup>(5)</sup>	(330)	245	84	(3,227)
Discontinued Specialty Lab <sup>(6)</sup>	791	—	6,112	—
Other losses or expenses <sup>(7)</sup>	328	2,494	543	4,459
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 17,479</b>	<b>\$ 17,785</b>	<b>\$ 78,576</b>	<b>\$ 66,173</b>
<b>Net Loss Margin</b>	<b>(0.9)%</b>	<b>(7.7)%</b>	<b>(4.9)%</b>	<b>(5.8)%</b>
<b>Consolidated Adjusted EBITDA Margin</b>	<b>10.5%</b>	<b>12.7%</b>	<b>12.6%</b>	<b>12.2%</b>

<sup>1)</sup> 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.

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

<sup>3)</sup> 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.

<sup>4)</sup> Amounts represent non-capitalizable expenses associated with refinancing and amending our debt facilities.

<sup>5)</sup> Reflects the difference between the expected settlement value of business acquisition contingencies at the time of the closing of acquisitions and the expected (or actual) value of these contingencies at the end of the relevant period.

<sup>6)</sup> Amounts consist of operating losses before depreciation related to the Discontinued Specialty Lab, which include \$2.2 million in bad debt expense on the promissory note receivable issued upon the sale and a \$1.8 million gain on the sale of its assets.

<sup>7)</sup> In 2023, amounts are primarily comprised of lease abandonment charges and expenses related to an aircraft accident, partially offset by a gain on the surrender of a lease and an aircraft insurance gain. In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business.

# Montrose Environmental Group, Inc.

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

	Quarter Ended								Year Ended
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022 <sup>(a)</sup>	December 31, 2023
Net loss	\$ (1,441)	\$ (7,525)	\$ (7,174)	\$ (14,719)	\$ (10,812)	\$ (5,720)	\$ (7,751)	\$ (7,536)	\$ (30,859)
Interest expense	2,286	2,089	1,877	1,541	1,229	1,400	1,518	1,092	7,793
Income tax (benefit) expense	(3,822)	1,324	151	1,367	358	(208)	831	1,269	(980)
Depreciation and amortization	11,964	11,863	11,398	10,555	11,551	11,504	12,280	12,144	45,780
<b>EBITDA</b>	<b>\$ 8,987</b>	<b>\$ 7,751</b>	<b>\$ 6,252</b>	<b>\$ (1,256)</b>	<b>\$ 2,326</b>	<b>\$ 6,976</b>	<b>\$ 6,878</b>	<b>\$ 6,969</b>	<b>\$ 21,734</b>
Stock-based compensation <sup>(1)</sup>	11,658	11,484	11,090	13,035	10,915	11,018	10,932	10,425	47,267
Acquisition costs <sup>(2)</sup>	1,960	1,499	2,696	775	537	368	519	467	6,930
Fair value changes in financial instruments <sup>(3)</sup>	(5,943)	806	(865)	1,873	1,268	(1,808)	(407)	(2,449)	(4,129)
Expenses related to financing transactions <sup>(4)</sup>	28	3	—	4	—	—	—	7	35
Fair value changes in business acquisition contingencies <sup>(5)</sup>	(330)	459	353	(398)	245	59	(3,510)	(21)	84
Discontinued Specialty Lab <sup>(6)</sup>	791	1,302	1,583	2,436	—	—	—	—	6,112
Other losses (gains) or expenses <sup>(7)</sup>	328	(1)	82	134	2,494	482	1,216	267	543
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 17,479</b>	<b>\$ 23,303</b>	<b>\$ 21,191</b>	<b>\$ 16,603</b>	<b>\$ 17,785</b>	<b>\$ 17,095</b>	<b>\$ 15,628</b>	<b>\$ 15,665</b>	<b>\$ 78,576</b>
<b>Net Loss Margin</b>	<b>(0.9)%</b>	<b>(4.5)%</b>	<b>(4.5)%</b>	<b>(11.2)%</b>	<b>(7.7)%</b>	<b>(4.4)%</b>	<b>(5.5)%</b>	<b>(5.6)%</b>	<b>(4.9)%</b>
<b>Consolidated Adjusted EBITDA Margin</b>	<b>10.5%</b>	<b>13.9%</b>	<b>13.3%</b>	<b>12.6%</b>	<b>12.7%</b>	<b>13.1%</b>	<b>11.2%</b>	<b>11.6%</b>	<b>12.6%</b>

<sup>1)</sup> 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.

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

<sup>3)</sup> 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.

<sup>4)</sup> Amounts represent non-capitalizable expenses associated with refinancing and amending our debt facilities.

<sup>5)</sup> Reflects the difference between the expected settlement value of business acquisition contingencies at the time of the closing of acquisitions and the expected (or actual) value of these contingencies at the end of the relevant period.

<sup>6)</sup> Amounts consist of operating losses before depreciation related to the Discontinued Specialty Lab, which include \$2.2 million in bad debt expense on the promissory note receivable issued upon the sale and a \$1.8 million gain on the sale of its assets.

<sup>7)</sup> In 2023, amounts are primarily comprised of lease abandonment charges and expenses related to an aircraft accident, partially offset by a gain on the surrender of a lease and an aircraft insurance gain. In 2022, amounts include costs associated with the closing of a lab and severance costs related to a restructuring within our soil remediation business.

<sup>a)</sup> Prior period amounts have been recalculated from amounts originally disclosed using the current methodology.