

CECO Environmental Corp. Reports First Quarter 2015 Financial Results

Achieves record quarterly revenue and bookings

PR Newswire

CINCINNATI

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- Revenue of \$81.0 million for the first quarter was up 41.6% from the same period last year; organic revenue was up 8.6% on a constant currency basis compared to the same period last year.
- Achieved record bookings in the first quarter of \$93.9 million, including 9.3% year-over-year organic growth; backlog grew 9.2% sequentially.
- Gross profit of \$21.0 million (25.9% gross margin) for the first quarter was up 6.6%, from \$19.7 million (34.5% gross margin) in the prior-year period.
- Operating income of \$3.0 million (3.7% operating margin) for the first quarter was down 45.4%, from \$5.5 million (9.6% operating margin) in the prior-year period. Non-GAAP operating income was \$7.5 million (9.3% non-GAAP operating margin) for the first quarter, down 9.6% from \$8.3 million (14.5% non-GAAP operating margin) in the prior-year period.
- Adjusted EBITDA was \$8.6 million for the first quarter, down from \$9.4 million in the prior-year period.
- Net income per diluted share of \$0.01 for the first quarter, compared with net income per diluted share of \$0.12 in the prior-year period. Non-GAAP net income per diluted share was \$0.21 for the first quarter of 2015, compared with \$0.19 for the prior-year period.

CECO Environmental Corp. (NasdaqGM:CECE), a leading global environmental, energy and fluid handling technology company, today reported its financial results for the first quarter of 2015.

Revenue in the first quarter of 2015 was \$81.0 million, up 41.6% from revenue of \$57.2 million in the prior-year's first quarter. Recent acquisitions contributed \$20.5 million of

revenue in the first quarter. Organic revenue increased 8.6% on a constant currency basis compared to last year.

Net income was \$0.2 million in the first quarter of 2015 as compared to net income of \$3.0 million in the first quarter of 2014. Excluding acquisition and integration expenses, amortization and earn-out expenses, inventory and plant, property and equipment valuation adjustments attributable to recent acquisitions, and foreign currency re-measurement, non-GAAP net income increased 14.0% to \$5.7 million. Net income per diluted share was \$0.01 in the first quarter of 2015 as compared with net income per diluted share of \$0.12 in the first quarter of 2014. Non-GAAP net income per diluted share, adjusted as noted above, was \$0.21 per diluted share in the first quarter 2015 share compared with \$0.19 in the first quarter of 2014.

Cash and cash equivalents were \$19.0 million and bank debt was \$114.6 million as of March 31, 2015 compared to \$19.4 million and \$114.2 million, respectively, as of December 31, 2014.

BACKLOG AND BOOKINGS

Total backlog at March 31, 2015 was \$153.0 million as compared with \$140.1 million on December 31, 2014, and \$104.9 million on March 31, 2014. Bookings were \$93.9 million in the first quarter of 2015, compared with \$63.6 million in the first quarter of 2014, an increase of 47.6%. Bookings increased 9.3% on an organic basis versus last year.

QUARTERLY DIVIDEND

On May 6, 2015, CECO's Board of Directors approved a quarterly dividend of \$0.066 per share. The dividend will be paid on June 26, 2015 to all stockholders of record at the close of business on June 12, 2015. CECO initiated a Dividend Reinvestment Plan ("DRIP") in 2012 that provides for the voluntary reinvestment of dividends by its stockholders.

OPERATIONAL SUMMARY

"I am proud of the team's focus on our Sales Excellence and OneCECO initiatives, which helped drive 8.6% organic revenue growth and 9.3% organic bookings growth over the first quarter of 2014," said Jeff Lang, Chief Executive Officer of CECO. "We continue to place an intense effort on these initiatives and I am proud of the progress we are making. However, I am disappointed with our gross margins in the quarter. We expected a lower gross margin due primarily to an anticipated mix shift related to the previously discussed

large order in our Energy segment and the acquisitions made in 2014. Notwithstanding, we did not expect lower contributions from Emtrol and Effox related to the timing of some lower margin backlog being processed. These factors more than offset margin improvements made in the Fluid Handling segment. We expect margins to improve throughout the year as we process through our current backlog, which is at higher gross and operating margins."

Jeff Lang also commented, "We are also excited by the opportunity to bring PMFG's product portfolio into the CECO family, which will be a key strategic addition to our business. We believe the combination of the sales and cost synergies are very compelling and will help to drive long-term shareholder value."

Jeff Lang, Chief Executive Officer, and Ed Prajzner, Chief Financial Officer, will discuss the Company's first quarter results during a conference call scheduled for Thursday, May 7, 2015 at 8:30 a.m. EDT (7:30 a.m. Central Time).

[CLICK HERE](https://viaid.webcasts.com/starthere.jsp?ei=1062481) (or copy and paste this link: <https://viaid.webcasts.com/starthere.jsp?ei=1062481>) to register for, and listen to the live Earnings Call Webcast. The webcast of the live call and a copy of the presentation to be used during the call can also be accessed from the homepage of CECO's website at <http://www.cecoenviro.com>.

You may also participate by calling the US/Canada Dial-In # 1-888-438-5524 (Toll-Free) or the International Dial-In # 1-719-457-1035 (Conference ID 1888082) at 8:20 AM ET.

A taped replay of the conference call will be available from 11:30 AM ET on the day of the call until Thursday, May 21, 2015 at 11:59 PM ET. To access the taped replay, call the US/Canada Dial-In # 1-877-870-5176 or the International Dial-In # 1-858-384-5517 and enter conference ID 1888082.

ABOUT CECO ENVIRONMENTAL

CECO Environmental is a leading global environmental, energy and fluid handling technology company. Through its well-known brands, CECO provides a wide spectrum of products and services including dampers & diverters, cyclonic technology, thermal oxidizers, filtration systems, scrubbers, exhaust systems, fluid handling equipment and plant engineered services and engineered design build fabrication. These products play a vital role

in helping companies achieve exacting production standards, meeting increasing plant needs and stringent emissions control regulations around the globe. CECO believes that it globally serves the broadest range of markets and industries including power, municipalities, chemical, industrial manufacturing, refining, petrochemical, metals, minerals & mining, hospitals and universities. CECO is focused on building long-term shareholder value by bringing its unique technology, portfolio and operational excellence to strategic key growth markets around the world, while maintaining the highest standards of employee development, project execution and safety leadership. CECO is listed on NASDAQ under the ticker symbol "CECE" and is a member company of the Russell 2000 Index. For more information on CECO Environmental, please visit the company's website at <http://www.cecoenviro.com>.

Contact:

Corporate Information

Jeff Lang, Chief Executive Officer

Edward Prajzner, Chief Financial Officer

1-800-333-5475

or

Investor Relations:

Shawn Severson

The Blueshirt Group

Phone: (415) 489-2198

Email: Shawn@blueshirtgroup.com

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

(unaudited) DECEMBER 31,
MARCH 31, 2014

2015

ASSETS

Current assets:

Cash and cash equivalents	\$	18,990	\$	19,362
Accounts receivable, net	59,193		58,394	
Costs and estimated earnings in excess of billings on uncompleted contracts	31,985		24,371	
Inventories, net	23,818		23,416	
Prepaid expenses and other current assets	8,629		9,046	
Prepaid income taxes	4,373		4,190	
Assets held for sale	4,033		4,188	
Total current assets	151,021		142,967	
Property, plant and equipment, net	17,739		18,961	
Goodwill	168,126		167,547	
Intangible assets-finite life, net	54,833		58,398	
Intangible assets-indefinite life	19,465		19,766	
Deferred charges and other assets	6,244		6,726	
	\$	417,428	\$	414,365

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Current portion of debt	\$	11,463	\$	8,887
Accounts payable and accrued expenses	57,117		51,462	
Billings in excess of costs and estimated earnings on uncompleted contracts	15,029		14,597	
Income taxes payable	265		405	
Total current liabilities	83,874		75,351	
Other liabilities	26,997		27,884	
Debt, less current portion	101,442		103,541	
Deferred income tax liability, net	25,783		26,365	
Total liabilities	238,096		233,141	
Commitments and contingencies				
Shareholders' equity:				
Preferred stock, \$.01 par value; 10,000 shares authorized, none issued	—		—	
Common stock, \$.01 par value; 100,000,000 shares authorized, 26,411,511 and 26,404,869 shares issued in 2015 and 2014, respectively	264		264	
Capital in excess of par value	169,420		168,886	
Accumulated earnings	17,510		19,051	
Accumulated other comprehensive loss	(7,506)		(6,621)	
	170,688		181,580	

	177,000	181,000
Less treasury stock, at cost, 137,920 shares in 2015 and 2014	(356)	(356)
Total shareholders' equity	179,332	181,224
	\$	417,428\$
		414,365

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except per share data)	THREE MONTHS ENDED	
	MARCH 31,	
	2015	2014
Net sales	\$ 80,985	\$ 57,170
Cost of sales	60,010	37,441
Gross profit	20,975	19,729
Selling and administrative expenses	13,661	11,679
Acquisition and integration expenses	331	70
Amortization and earn-out expenses	4,004	2,488
Income from operations	2,979	5,492
Other expense, net	(1,736)	(106)
Interest expense	(960)	(742)
Income before income taxes	283	4,644
Income tax expense	85	1,623
Net income	\$ 198	\$ 3,021
Earnings per share:		
Basic	\$ 0.01	\$ 0.12
Diluted	\$ 0.01	\$ 0.12
Weighted average number of common shares outstanding:		
Basic	26,271,316	25,606,352
Diluted	26,660,595	26,115,512

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

(dollars in millions)	Three Months Ended March	
	31, 2015	2014
Gross profit as reported in accordance with GAAP	\$ 21.0	\$ 19.7
<i>Gross profit margin in accordance with GAAP</i>	<i>25.9%</i>	<i>34.5%</i>
Plant, property and equipment valuation adjustment	0.2	0.2
Non-GAAP gross margin	\$ 21.2	\$ 19.9
<i>Gross profit margin</i>	<i>26.2%</i>	<i>34.8%</i>

(dollars in millions)	Three Months Ended March	
	31, 2015	2014
Operating income as reported in accordance with GAAP	\$ 3.0	\$ 5.5
<i>Operating margin in accordance with GAAP</i>	<i>3.7%</i>	<i>9.6%</i>
Plant, property and equipment valuation adjustment	0.2	0.2
Acquisition and integration expenses	0.3	0.1
Amortization and earn-out expenses	4.0	2.5
Non-GAAP operating income	\$ 7.5	\$ 8.3
<i>Operating margin</i>	<i>9.3%</i>	<i>14.5%</i>

(dollars in millions)	Three Months Ended March	
	31, 2015	2014
Net income as reported in accordance with GAAP	\$ 0.2	\$ 3.0
Plant, property and equipment valuation adjustment	0.2	0.2
Acquisition and integration expenses	0.3	0.1
Amortization and earn-out expenses	4.0	2.5
Foreign currency remeasurement	2.7	-
Tax benefit of expenses	(1.7)	(0.8)
Non-GAAP net income	\$ 5.7	\$ 5.0
Depreciation	0.7	0.8
Non-cash stock compensation	0.4	0.3
Other (income)/expense	(1.0)	0.1
Interest expense	1.0	0.7
Income tax expense	1.8	2.5
Non-GAAP Adjusted EBITDA	\$ 8.6	\$ 9.4
Earnings per share:		

Basic	\$	0.01	\$	0.12
Diluted	\$	0.01	\$	0.12
Non-GAAP net income per share:				
Basic	\$	0.22	\$	0.20
Diluted	\$	0.21	\$	0.19

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

CECO is providing the non-GAAP historical financial measures presented above as the Company believes that these figures are helpful in allowing individuals to better assess the ongoing nature of CECO's core operations. A "non-GAAP financial measure" is a numerical measure of a company's historical financial performance that excludes amounts that are included in the most directly comparable measure calculated and presented in the GAAP statement of operations.

Non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP gross profit margin, non-GAAP operating margin, non-GAAP earnings per basic and diluted share and non-GAAP adjusted EBITDA, as we present them in the financial data included in this press release, have been adjusted to exclude the effects of expenses related to property, plant equipment valuation adjustments, acquisition and integration expense activities including retention, legal, accounting, banking, amortization and contingent earnout expenses, foreign currency re-measurement, legal reserves and the associated tax benefit of these charges. Management believes that these items are not necessarily indicative of the Company's ongoing operations and their exclusion provides individuals with additional information to compare the company's results over multiple periods. Management utilizes this information to evaluate its ongoing financial performance. Our financial statements may continue to be affected by items similar to those excluded in the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP financial measures should not be construed as an inference that all such costs are unusual or infrequent.

Non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP gross profit margin, non-GAAP operating margin, non-GAAP earnings per basic and diluted shares and non-GAAP Adjusted EBITDA are not calculated in accordance with GAAP, and

should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of our business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of CECO's results as reported under GAAP.

In accordance with the requirements of Regulation G issued by the Securities and Exchange Commission, non-GAAP gross margin, non-GAAP operating income, non-GAAP net income, non-GAAP gross profit margin, non-GAAP operating margin, non-GAAP earnings per basic and diluted share and non-GAAP Adjusted EBITDA, stated in the tables above present the most directly comparable GAAP financial measure and reconcile to the most directly comparable GAAP financial measures.

Safe Harbor

Any statements contained in this press release other than statements of historical fact, including statements about management's beliefs and expectations, are forward-looking statements and should be evaluated as such. These statements are made on the basis of management's views and assumptions regarding future events and business performance. Words such as "estimate," "believe," "anticipate," "expect," "intend," "plan," "target," "project," "should," "may," "will" and similar expressions are intended to identify forward-looking statements. Forward-looking statements (including oral representations) involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. These risks and uncertainties include, but are not limited to: our ability to successfully complete the acquisition of PMFG; our ability to successfully integrate acquired businesses and realize the synergies from acquisitions, including PMFG, as well as a number of factors related to our business including economic and financial market conditions generally and economic conditions in CECO's service areas; dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding estimates and method of accounting for contract revenue; fluctuations in operating results from period to period due to seasonality of the business; the effect of growth on CECO's infrastructure, resources, and existing sales; the ability to expand operations in both new and existing markets; the potential for contract delay or cancellation; changes in or developments with respect to any

litigation or investigation; the potential for fluctuations in prices for manufactured components and raw materials; the substantial amount of debt incurred in connection with our recent acquisitions and our ability to repay or refinance it or incur additional debt in the future; the impact of federal, state or local government regulations; economic and political conditions generally; and the effect of competition in the product recovery, air pollution control and fluid handling and filtration industries. These and other risks and uncertainties are discussed in more detail in CECO's filings with the Securities and Exchange Commission, including our reports on Form 10-K and Form 10-Q. Many of these risks are beyond management's ability to control or predict. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated. Investors are cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. All forward-looking statements attributable to CECO or persons acting on behalf of CECO are expressly qualified in their entirety by the cautionary statements and risk factors contained in this press release and CECO's respective filings with the Securities and Exchange Commission. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission, CECO undertakes no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

Important Information for Investors and Stockholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy securities or a solicitation of any vote or approval. This communication is not a substitute for the prospectus/proxy statement that CECO and PMFG will file with the SEC. Investors in CECO or PMFG are urged to read the prospectus/proxy statement, which will contain important information, including detailed risk factors, when it becomes available. The prospectus/proxy statement and other documents that will be filed by CECO and PMFG with the SEC will be available free of charge at the SEC's website, www.sec.gov, or by directing a request when such a filing is made to (1) CECO Environmental Corp., by mail at 4625 Red Bank Road Suite 200, Cincinnati, Ohio 45227, Attention: Investor Relations, by telephone at 800-333-5475 or by going to CECO's Investor page on its corporate website at www.cecoenviro.com; or (2) PMFG, Inc. by mail at 14651 North Dallas Parkway Suite 500, Dallas, Texas 75254, Attention: Investor Relations, by telephone at 877-879-7634, or by

going to PMFG, Inc.'s Investors page on its corporate website at www.pmfginc.com. A final prospectus/proxy statement will be mailed to CECO's stockholders and shareholders of PMFG.

Proxy Solicitation

CECO and PMFG, and certain of their respective directors, executive officers and other members of management and employees may be deemed participants in the solicitation of proxies in connection with the proposed transactions. Information about the directors and executive officers of CECO is set forth in the proxy statement for CECO's 2015 annual meeting of stockholders and CECO's 10-K for the year ended December 31, 2014. Information about the directors and executive officers of PMFG is set forth in the proxy statement for PMFG's 2014 annual meeting of shareholders and PMFG's Form 10-K for the year ended June 28, 2014. Investors may obtain additional information regarding the interests of such participants in the proposed transactions by reading the prospectus/proxy statement for such proposed transactions when it becomes available.

SOURCE CECO Environmental Corp.

<https://investors.cecoenviro.com/2015-05-07-CECO-Environmental-Corp-Reports-First-Quarter-2015-Financial-Results>