

26-Aug-2025

CECO Environmental Corp. (CECO)

Three Part Advisors Midwest Ideas Conference

CORPORATE PARTICIPANTS

Steven G. Hooser

Partner & President, Three Part Advisors LLC

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

MANAGEMENT DISCUSSION SECTION

Steven G. Hooser

Partner & President, Three Part Advisors LLC

Okay. Next company we have for you this morning is CECO Environmental based out of Dallas, Texas, traded under the stock symbol CECO. With us today from the company, we've got Marcio Pinto, who's the Vice President of Financial Planning and recently Investor Relations as well. This is a client of ours at Three Part. Marcio and I work really closely together, as well as with the CEO, Todd; and CFO, Peter.

So with that, I'll turn it over to Marcio, and we'll get started.

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

All right. Thanks, Steven. Thank you, everyone, for making the time. So, look, I'll go through here a couple of pages and then I'll try to leave enough time for Q&A.

So, look, this is sort of our mission statement here, and I wanted to start there just so we get grounded before I get into some of the specifics that I want to bring up today, word on environmental, industrial, we work around protecting people, the environment and industrial equipment. And I think as you go – as I go through the presentation, you'll see how and in what areas we fulfill that.

And so my first page here, I want to show you the – this stock chart here that illustrates our performance since 2021. And the prices you see there are like sort of like the last business day stock price of that particular year. And you see this continuous upward trend of performance. We are trading today, I think, in the mid-47s, about \$1.7 billion of market cap. And looking at, say, four years ago, we were trading at about \$6 a share, at \$225 million.

So how did we – how do we do this, right? And I would say there are three key components to our strategy. One has been really strong underlying markets. You'll go through the presentation and you'll see that we operate in three key verticals, energy transition. So think about the biggest tailwind there is just the power needs that we have in the US and internationally. Power plants, driven by data centers, Internet of Things, electrification, et cetera.

We have a vertical, we call, industrial water. Think about water reuse in industrial facilities, water usage for oil and gas extraction. So big industrial infrastructure projects. And industrial air, think about big manufacturing facilities for which you need to remove volatile air compounds out of the air so that you can protect people that work in that

environment. So the third element of our sort of like playbook here has been M&A activity. We have acquired about 12 companies over the last three years. We have divested one part of our business, and we have a lot more to do in that area and we continue to be very active with that.

The third element to it, which is sort of like all encapsulating the first two really is geographical expansion. Back in 2021, we were mostly a US-driven company. Right now, about half of our bookings and orders are international as well. And so we were able, through organic growth and M&A acquisitions, really expand our geographical footprint.

So the one point that I would mention here, which has also been part of our growth model, is how we allocate capital. And the four points you see there by probably order of priority as of now would be, we have invested a lot in organic growth, thinking about resources, people, but also investing in what I would call working capital, winning the projects we win, which are highly engineered. And some of them can go for as long as 18 months to 24 months. There's a level of working capital pressure we need to handle and manage.

Programmatic M&A, I've talked about 12 – about 12 acquisitions over the last three years. Debt and balance sheet management. We closed the second quarter with our ratio of 2.7 times EBITDA, and we're working that down here in the quarter. And stock buybacks, we've done about \$10 million in about this period.

The second part that I didn't talk about in the prior chart, but it is important here is that last bullet point on the green side of that chart, management aligned with shareholders, strategy deployment and compensation. And I would add culture and a culture of performance. You can't get this level of performance without having management wired to perform every quarter, every year. And the example we have is when our CEO, Todd Gleason started in 2020, we brought most of the P&L leaders together and they all knew we were traded, we were publicly traded, they – but almost nobody knew what our stock was at that time.

Through a lot of hires, some people had to leave because they couldn't really fit our culture model. Right now, everyone knows what our stock price is. And it's not about the stock price, but it's about the fact that they know we need to perform to continue all this run. And so culture has been a key enabler of business success for us here over the last four years.

So where are we in the world, right? So for the most part, you can see in the US, we are scattered around the US. Our headquarters is in Dallas. You can see some dots there in Europe. We are predominantly in three countries, England, Germany and the Netherlands. And then we have a good presence in Asia and Middle East. We have a regional head office in Dubai. We then have facilities in India, mostly for back office, engineering, finance, support; China and South Korea, right? 1,600 people, about 40% of that came through acquisitions. So, significantly bringing expertise on the niche markets they operate.

So, what exactly do we do and how have we been able to grow this much? And so this chart is a bit of an eye chart and we have this presentation in the conference website as well as in our investor website. But I'll spend some time here. So on the left hand side of this chart, we are correlating pipeline with revenue and orders. And I'll start by defining pipeline. Pipeline, we define it as a discrete opportunity that may or may not be awarded to us within the next 18 months.

So you'll hear us probably talk in our earnings calls that we have about \$5.5 billion in pipeline. These are \$5.5 billion of future sales that can happen in the next 18 months if we win all the orders, which is obviously unlikely, but it gives you a notion of the size of the market we are currently chasing. And the correlation you see on the left hand side is that in the period of the 2015 to 2020, our pipeline stayed somewhat flat at about \$1 billion. What that

translated to was pretty flat performance in the period, when you look at orders and sales in the mid-300s and then orders kind of being flattish in five years.

So without investments in pipeline and those are costs we take into the P&L, we don't grow our business. When you look at the right hand side of that chart, the period 2021 to 2025, you see pipeline going from \$1.5 billion of opportunities to \$5.5 billion. How do we get growth in such a fast fashion, M&A and organic, and the strength of our underlying markets, specifically around power, water and some in air.

Well, now you look down on the orders and revenue between 2021 and 2025 and you'll see us going from the same exit point of mid-300s to being on path this year to book about \$900 million worth of orders. So, we grew from a company that had \$1 billion in backlog, booking \$300 million of business to having \$5.5 billion in pipeline, booking about \$900 million to \$1 billion of business. That is the correlation we're talking about. And so that's why it's important that we, in our earnings calls and engagement with investors, we always talk about pipeline.

So what is our pipeline about? And this kind of gets into how we protect people, environment and the industrial equipment. We have three verticals. One, we call – the first one there in green, it's power, energy. The market drivers, as you can see there is power demand, electrification, nuclear. Think about GE Vernova and Siemens booking natural gas turbines. If they book a turbine, more likely [ph] than not (00:19:18) will be bidding on offering a solution that goes with the turbine, right?

Industrial water, think about big infrastructure projects around oil and gas, around industrial, water re-usage and recycling. One example of something we're bidding right now, it's in Iraq. It's – they're developing a pipeline that goes from the ocean to the middle of the desert to pipe water to help with oil and gas exploration.

Industrial air, industrial reshoring, energy storage, semiconductors or fabs and some metal processing. Best example there is the automotive paint shop. So we remove air contaminants out of the air, people breathe in those industrial facilities so that they can operate in that environment.

The – when we think about types of revenue associated with all these three verticals, I would classify them as two. There's long cycle revenue. So think about jobs that will last from 9 to 18 months, highly engineered, highly specked with the customer. They're fit for purpose. Then we have about 30% of our revenues, which we call short cycle or aftermarket. Think about them as they could still take us about three months to deliver a project, but they're a lot more standard, they're a lot more replicatable, and so they're easier for us to deliver with – at the lower – with higher margins.

So with all of this, the growth in pipeline, the markets we're in, the strength of our underlying markets, our customer relationships really have yielded what you see here as steady, consistent growth over the years, right? So we are not a company that year-over-year go way up and then we come back down and then we go way up and net-net, we're up. No. We have been always up consistently every year. Quarter-over-quarter, there may be some timing associated with it.

We're not a quarter company. We always welcome people to look at us and sort of model us on a trailing 12-month basis. And you can see it here. We have been growing steadily every year. You look at revenue we had last year, low – very low-single-digit growth for specific reasons around project execution. But for the most part, you see steady-state growth over the years. So we're a company that has been growing and has been able to deliver on that growth consistently.

So kind of coming in here to the last part of my presentation, because I do want to leave time for Q&A. I want to zoom in a little bit about 2025 and where we are right now. This is our latest guidance for the year. In the first half, stocking orders down to cash. In orders, we have booked about \$500 million in the first half. We have raised our guidance now to be at 1.2 times revenue. This would probably put us at around \$900 million to \$950 million of orders for the full year, a record year in orders, and again, anchored on really strong pipeline and anchored on energy and infrastructure water projects we are discussing right now.

Revenue, raised our guidance from the midpoint of \$725 million to a midpoint of \$750 million, again, on the back of first half performance where we delivered about \$360 million in revenue. This would equate to about a 35% growth in revenue for 2025. EBITDA, we're maintaining our EBITDA between \$90 million and \$100 million, still up 50%. Some of the volume we're getting in the second half maybe partially offset with investments we're having to support pipeline growth. And the reason for that is you don't maintain \$5.5 billion of pipeline without some serious man-hours or engineering hours in working with customers and fabricators, making sure we can get the order awarded to us.

Cash flow, 60% of adjusted EBITDA. We have started soft in the first half. Q1, negative cash, typical in our business as we have some compensation payments happening in March that depress our cash. We've recovered significantly in Q2, and so we continue to see that recovery now through Q3, and it's the same for Q4.

All right. So in a way, this pipeline would tell you that we're growing orders by probably a 50% for the full year at the midpoint, EBITDA or revenue at about 35%, EBITDA at 50%, and cash flow would be significantly higher than last year. Last year was also a depressed year for some project execution delays. Okay.

All right. Last chart, Q2, just to get you with – we can walk away with latest performance. And I also think that Q2 really encapsulates well what we've been talking about here relative to CECO's history. And the first part is demand environment, right? Our markets and our underlying opportunities are really strong. Energy with the advent of the electrification of things, power needs, it's here to stay. Water, infrastructure water projects, specifically internationally, they're starting to come to us and we have some very exciting opportunities that we hope to be able to talk here in the second half.

The second part, strong second quarter and first half performance. I mean, you see the percentages there. Our backlog at \$700 million now is 76% higher than last year. All right. So significant growth. Orders, 95% versus last year. In the second quarter, we received our biggest order ever in company history, north of \$75 million individually. So that was a big milestone for us. And you see revenue and EBITDA growing as well in strong double digits. We updated our full year outlook, as you've seen, and we will be talking about our 2026 outlook in our third quarter earnings call in late October.

Portfolio transformation, again, back to the M&A. We've done about a dozen acquisitions over the last three years. We've done one divestiture. We have not been active this year after the divestiture, one, because we want to manage our debt to a lower ratio; second, because we're still discussing with prospective or potential opportunities that we hope to be announced here in the next six months.

All right. So, we'll continue to be attractive. The pipeline of M&A continues to be attractive. And with the recent acquisition we've done, specifically Profire Energy, it was a company that I think was also advised by Three Parts Advisor (sic) [Three Part Advisors] (00:26:40), it's going very well and that's the comment there on the cost synergies.

All right. So look, I'm going to finish here, give us some time for Q&A or some time back. But really the punch line is, we are in the right spots in these three verticals, energy, water and air. We feel very excited about our pipeline. We do see a path for continued growth the way we have historically, and we just need to execute, which we have. And so looking forward for the next 6 to 12 months in telling our story.

Okay. I think I'm going to leave it with that. I – you have a few pages in the appendix, again, in our website for you to consult if you need to. But I thought these were the highlights I wanted to share with you. Any questions? Yeah.

QUESTION AND ANSWER SECTION

Q

[indiscernible] (00:27:37-00:28:10)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

A

Yeah. There isn't a silver bullet, but I think it's all of the above, right. But I'll highlight a few. One is, I think people understood better our story and how exposed we are to the energy cycle and exposed to Siemens and GE Vernova, right? As they grow, they now see a correlation of growth to us. It doesn't mean that if GE is growing 20%, I'm going to grow 20%, but they know that if they're growing, I'll be growing as well, because I think we have been taking a lot of time to explain in what way we're exposed to, I'm going to say, natural gas turbine market related, right? So I think one is that.

Second is, we became less exposed to just energy. So as much as we like that, we don't want to have – we don't want to be ultra-dependent on just one cycle, because the cycle begins and ends, right? So having us exposed to a lot more industrial water, a lot more industrial air projects that are independent from energy, I think obviously gain traction with investors, because now, if there is a particularly investor that doesn't like as much as being exposed to GE Vernova or turbines, well, they can buy our stock, because we're still very decently exposed to air and water.

And I think the second part is margins, right? And I think margins come with mix and efficiencies, right? And I think you'll see that up to 2022, we were like in the mid- to high-single-digits EBITDA margins, and starting in 2022, we've gotten into the double-digits and we haven't gone back, right? So again, some quarters you may see us stepping back because of cyclicity, but year-over-year, you will see our EBITDA going up. And I'll reference – I don't think I have it in the chart, but the chart what I have the multiple years. 2021, we were about 8% margin. We're finishing at about 12% now.

Q

Thank you so much. And just as a follow-up [indiscernible] (00:30:11-00:30:16)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

A

It's emissions management controls. So it's a specific device, sort of multiple devices we book around the turbine that allow for emissions management. Yeah. Yeah. Go ahead.

Q

[indiscernible] (00:30:30)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

A

Yeah. The margin profile, it's – within the three, it's similar, right? In the end markets again, energy we've talked about it, right? I think on water and air, they're somewhat similar. Water is, particularly, we work with engineering and procurement companies or EPCs. So you think about a company like Hyundai or Samsung, they'll get these big jobs that are probably worth multiple billions of dollars. And there's some level of [ph] engineered needs (00:31:06) that we can offer. And they'll come to us and say, hey, I have this job, here are the specifications, give me your best price, right? So the relationship in water, it's mostly that, right?

Industrial air is also similar, in that, it goes through a lot of EPC firms, but we're probably a little more exposed to the end customers. So we work a lot with, for example, Tesla, right, or automotive, right, or fabs. And so they will somehow or in this business, they will probably come to us a little bit more directly for specific orders.

The question on margin profile, the way we typically talk about margins, because I think it's more informational, is think about it from long cycle to short cycle. Long cycle businesses, we're probably talking about gross margins average being in the high-20s, 30s, right, so in that range, higher dollar amount per order, but sort of lower or not lower margins. The short cycle, lower dollar amount per order, but a lot higher margins, right? We're talking about 40%, 50%, 60% gross profit margins on short cycle. And the reason for that is a lot less engineering, more standard packages. And some of it, it's a small part of our business, but it matters for margin is completed contract. So we have a product that is like 80% designed or pre-designed and then there's only like a 20% specification that comes from the customer. In those, we can get a lot of margin, a lot of productivity out. Go ahead.

Q

[indiscernible] (00:32:42-00:32:56)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

A

Yeah. Good question. So think about it this way. I'm going to talk specifically for the really big jobs, right? So typically in a job like that, [ph] at the order (00:33:04), we get a down payment, right? It could be 5% to 10% down payment from the customer off – relative to the total size of the project. We do, and that's where the constraint comes, is in some of these big jobs, because they will go for literally 18 months, sometimes two years, we need to put some level of letter of credit or a bank guarantee to secure the job. So, some of the cash pressure we have in having a spike of orders is that we'll have to put a higher portion of our cash into bank guarantees or letters of credit and those will stay there for two years, right, until you finish the project.

The way we compensate that is, one, the down payment I've just talked about. Second is, for most of our jobs, and again, each project is negotiated differently. But for most of our jobs, before we start the manufacturing process or the assembly part of our process, we typically get up to 40% of the total project cash. So you get this big inflow upfront. Then you give that project for assembly or manufacturing to a fabricator, an external fabricator,

and then you start paying to that fabricator. And then in the meantime, you have project milestones as you are in fabrication that you get from the customer.

Q

[indiscernible] (00:34:27)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

Sorry?

A

Q

[indiscernible] (00:34:32)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

Yeah. I mean, look, in the energy segment, some of these big jobs with GE and Siemens, that's a typical profile. The flexibility we have there is that they have factoring arrangements where we can actually get the cash earlier at a discount, so – or paying a higher interest. But that's interesting to us at sometimes. And then, I will say that regardless of whether water, air or energy, every time the project gets to a certain amount, and there's no magic number, right, but my gut would say, every project above \$20 million, \$25 million, you're going to have to do that letter of credit or collateral upfront. Now, that collateral, it's probably not more than 1% of the value of the job. So it's also not significant, but it adds up, right, when you're booking at the rate we have.

Q

[indiscernible] (00:35:27-00:35:36)

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

Yeah. Yes. But our projects are locked price. So we lock our price with our customer and with our fabricators. So even with – if halfway through, there are cost pressures on supply chain from our fabricators, we're somewhat insulated from it, because the price has been set. If there's an act of God type environment where there is a significant inflation, then, yes, I mean, they can come and discuss with us, but we're protected naturally by having locked prices, both with the customer and with the fabricator.

And a key component here for those who are not familiar with our story is, 70% of our revenues are the fabrication of the engineered solution is outsourced to a vendor. So to the last question's point, if there are supply chain inflation pressure on commodities, the fabricators will have to pick up the [ph] tab for that (00:36:34), right?

Marcio Pinto

Vice President-Financial Planning & Investor Relations, CECO Environmental Corp.

Okay. 8 minutes left. All right. I think we're good. Well, thanks, everyone. Steven?

Steven G. Hooser

Partner & President, Three Part Advisors LLC

Thanks, Marcio.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.