



Q3 2022 Earnings Release

November 7, 2022



Forward-looking statements and Non-GAAP information

This presentation contains forward-looking statements with predictions, projections and other statements about future events. These statements are made on the basis of management's views and assumptions regarding future events and business performance. We use words such as "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "plan," "should" and similar expressions to identify forward-looking statements. Forward-looking statements 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. Potential risks and uncertainties, among others, that could cause actual results to differ materially are discussed under "Part I – Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and may be included in subsequently filed Quarterly Reports on Form 10-Q, and include, but are not limited to: the sensitivity of our business to economic and financial market conditions generally and economic conditions in our service areas; dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding estimates and method of accounting for revenue; the effect of growth on our infrastructure, resources, and existing sales; the ability to expand operations in both new and existing markets; the potential for contract delay or cancellation as a result of on-going or worsening supply chain challenges; liabilities arising from faulty services or products that could result in significant professional or product liability, warranty, or other claims; changes in or developments with respect to any litigation or investigation; failure to meet timely completion or performance standards that could result in higher cost and reduced profits or, in some cases, losses on projects; the potential for fluctuations in prices for manufactured components and raw materials, including as a result of tariffs and surcharges, and rising energy costs; inflationary pressures relating to rising raw material costs and the cost of labor; the substantial amount of debt incurred in connection with our strategic transactions and our ability to repay or refinance it or incur additional debt in the future; the impact of federal, state or local government regulations; our ability to repurchase shares of our common stock and the amounts and timing of repurchases, if any; our ability to successfully realize the expected benefits of our restructuring program; our ability to successfully integrate acquired businesses and realize the synergies from strategic transactions; and the unpredictability and severity of catastrophic events, including cyber security threats, acts of terrorism or outbreak of war or hostilities or public health crises, such as uncertainties regarding the extent and duration of impacts of matters associated with the novel coronavirus ("COVID-19"), as well as management's response to any of the aforementioned factors. 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. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission, we undertake no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

While we report our results in accordance with generally accepted accounting principles in the U.S. (GAAP), comments made during this conference call and these materials may include the following "non-GAAP" financial measures: non-GAAP gross profit, non-GAAP operating income, non-GAAP net income, adjusted EBITDA, adjusted free cash flow, adjusted net free cash flow, non-GAAP gross profit margin, non-GAAP operating margin, non-GAAP earnings per basic and diluted share, adjusted EBITDA margin and selected measures expressed on a constant currency basis. These measures are included to provide additional useful information regarding our financial results and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, to the extent the reconciliation be performed without unreasonable efforts, are included in the accompanying "Supplementary Non-GAAP Financial Measures." Descriptions of many of these non-GAAP measures are also included in our SEC reports.

Q3 2022 Earnings Summary

- **Strong Q3 and YTD Financial Results**

- Record Q3 Revenues and EBITDA
- Q3 Revenues = 2nd Highest in Company History
- Third Consecutive Quarter of Orders > \$100M
- Backlog Remains Near All-time High



Balanced Orders Growth Across Portfolio
(See Slide 5)

- **Consistent Capital Allocation:** Closed One Acquisition and Continued Stock Repurchases

- **Raising Full Year 2022 Guidance** ... Top-line and Bottom-line

- Introducing Preliminary Full Year 2023 Outlook ... **Maintaining Strong Growth**

Note: Our Nasdaq Ticker Symbol is now 'CECO' ... Effective Today

Q3 and YTD 2022 Financial Summary

	<u>Q3'22</u>	<u>YoY%</u>
Orders	\$102M	+10%
Sales	\$108M	+36%
Adj. EBITDA	\$9.2M 8.5%	+165% +420bps
Adj. EPS <i>(diluted)</i>	\$0.20	+\$0.19
FCF	\$0.1M	<i>Down YoY</i>

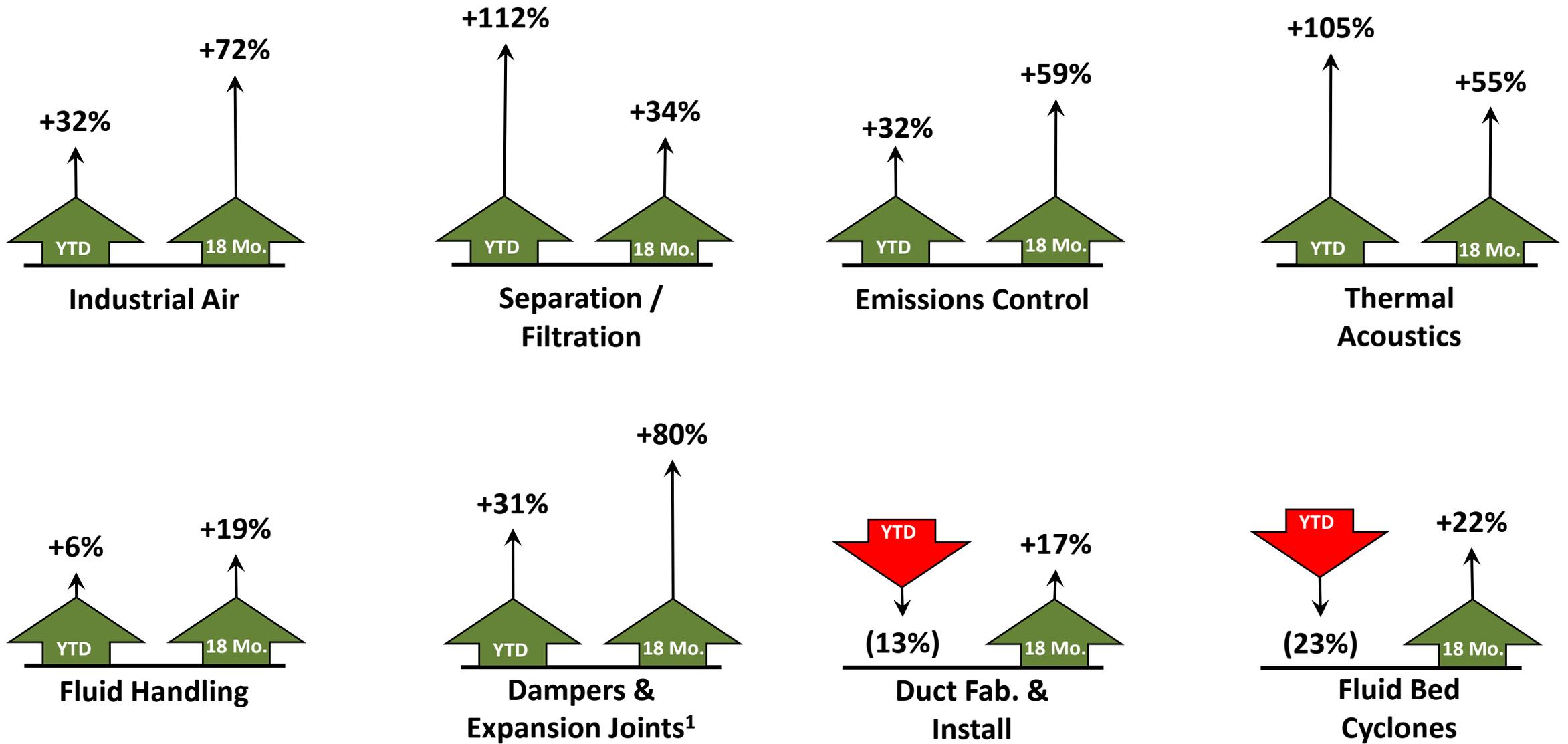
**Third Consecutive Quarter
with Orders > \$100M**

Great Q3 and YTD Growth

**Continued YTD Margin
Expansion & FCF
Conversion**

	<u>YTD'22</u>	<u>YoY%</u>
Orders	\$376M	+39%
Sales	\$306M	+33%
Adj. EBITDA	\$29.3M 9.6%	+80% +250bps
Adj. EPS <i>(diluted)</i>	\$0.53	+194% +\$0.35
FCF	\$18M	>\$100%

Broad-based Platform Growth: Orders YTD and Past 18 Months *(vs comparable periods)*



¹ Includes positive impact from GRC Acquisition (closed transaction in Q1'22)

Winning In Diverse / Strategic Markets

Industrial Air

~ 50% of Portfolio



- Example Recent Project Wins*
- **Semiconductor & Electric Battery (EV)**
 - \$5M for SemiCon. (HEE-Duall + Fybroc)
 - \$2M Electric Vehicle Plant (AdWest)
 - \$0.5M Lithium-Ion Battery Plant (Fybroc)
 - **Chemical, Metallurgy & Food & Beverage**
 - \$8M Metal/Aluminum Mfg. (Busch)
 - \$7M Thermal Oxidizer Food/Bev. (EIS)

Industrial Water

~ 25% of Portfolio



- **Industrial Water**
 - \$15M Produced Water Treatment (Peerless)
 - \$0.3M Saltwater Recirculation (Fybroc)
- **Marine Applications**
 - \$2M Potable Water Treatment (Compass)
 - \$1M Recirculating Salt Water (Fybroc)

Energy Transition

~ 25% of Portfolio



- **Carbon Capture**
 - \$4M for Ethanol CO2 Capture (Peerless)
- **Geothermal Power**
 - \$2M New Zealand Geothermal Power
- **Fast LNG**
 - \$5M Emission Management (Peerless)

Capital Allocation Actions

Acquisitions in 2022



- Q3 Close ... Annualized Revenues ~ \$10M
- Industrial Water ... Adds Geography + EPC's
- South Korea-based



- Q2 Close ... Annualized Revenues ~ \$5M
- Industrial Air ... Adds Standard Products + Energy Controls
- UK-based



- Q2 Close ... Annualized Revenues ~ \$10M
- Industrial Water ... Membrane Solutions + Marine & Navy
- US-based



- Q1 Close ... Annualized Revenues ~ \$13M
- Industrial Water ... Adds Infrastructure & Process Applications
- US-based

Share Repurchase Update

----- 2022 -----

- Announced \$20M, 3-Yr. Authorization in May '22
- Completed ~ \$2M of share repurchases in Q3'22
- Completed ~ \$4M of share repurchases in Q2'22
- Q2/Q3 = Repurchased ~ 3% of Shares
- Shares Repurchased at Avg. Price \$7.69

----- 2021 -----

- 2021 Completed \$5M of share repurchases
 - 2021 Authorization (\$5M) was 1st buyback in 10+ Years

Deployed ~ \$60M in Capital Toward Acquisitions and Stock Buybacks Over the Past 18 Months

Financial Performance

Q3'22 P&L Performance

(\$MM)

	<u>Q3'22</u>	<u>YoY</u>
Orders:	\$102	+10%
Sales:	\$108	+36%
Gross Profit Margin:	30%	+150bp
GAAP OI:	\$2.8	+\$3.4
Non-GAAP OI:	\$7.3	+305%
Adj. EBITDA:	\$9.2	+165%
GAAP EPS:	\$0.06	+\$0.10
Adj. EPS:	\$0.20	+\$0.19

Comments

Strength in Industrial Water and Air, TTM = \$467M

Steady execution from backlog, TTM = \$400M

Gross Margins holding steady ... covering inflation with price and execution, 12 Month average of 30%

Adj. Income / EBITDA Driven by Volume Growth

Adj. EPS Growth Driven by Volume / Conversion ... Modestly Offset by Higher F/X, Higher Interest Expense

Strong Orders Growth = Continued Revenue Strength

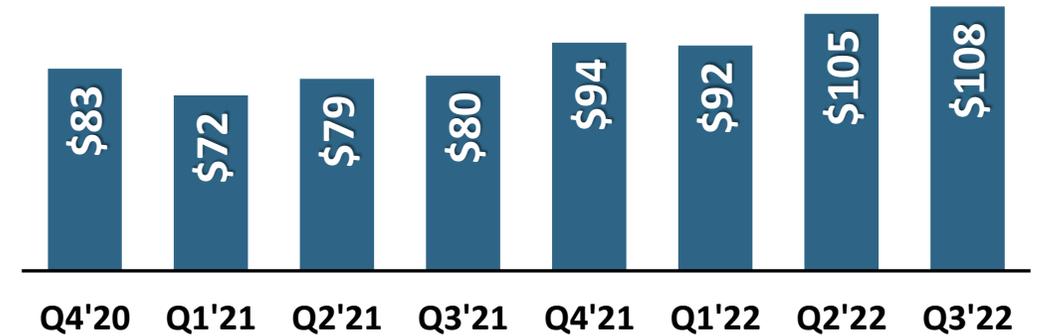
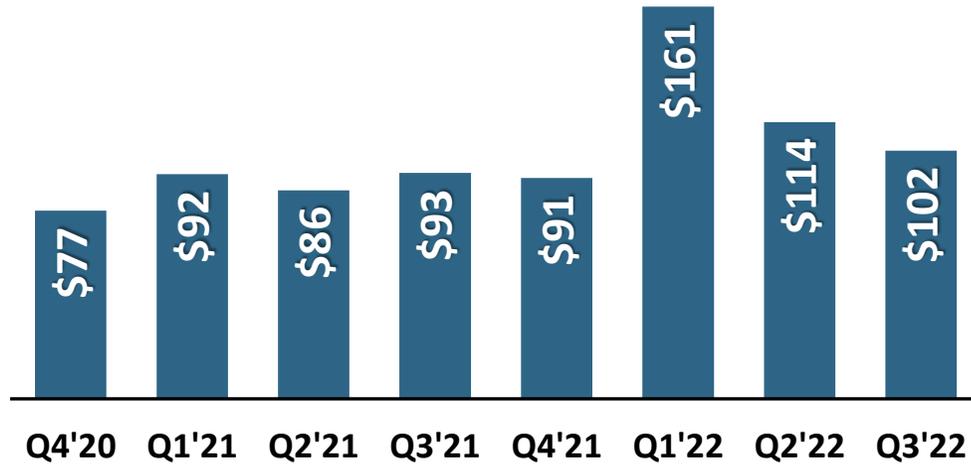
(\$MM)
TTM = Trailing 12 Month
Avg = Trailing 4 Qtr

Orders

Revenue

TTM: \$296 \$322 \$347 \$361 \$430 \$458 \$467
Avg/Qtr \$74 \$80 \$87 \$90 \$107 \$114 \$117

\$307 \$311 \$313 \$324 \$345 \$371 \$400
\$77 \$78 \$78 \$81 \$86 \$93 \$100



YoY % +39% +33% +10%
Organic +6%

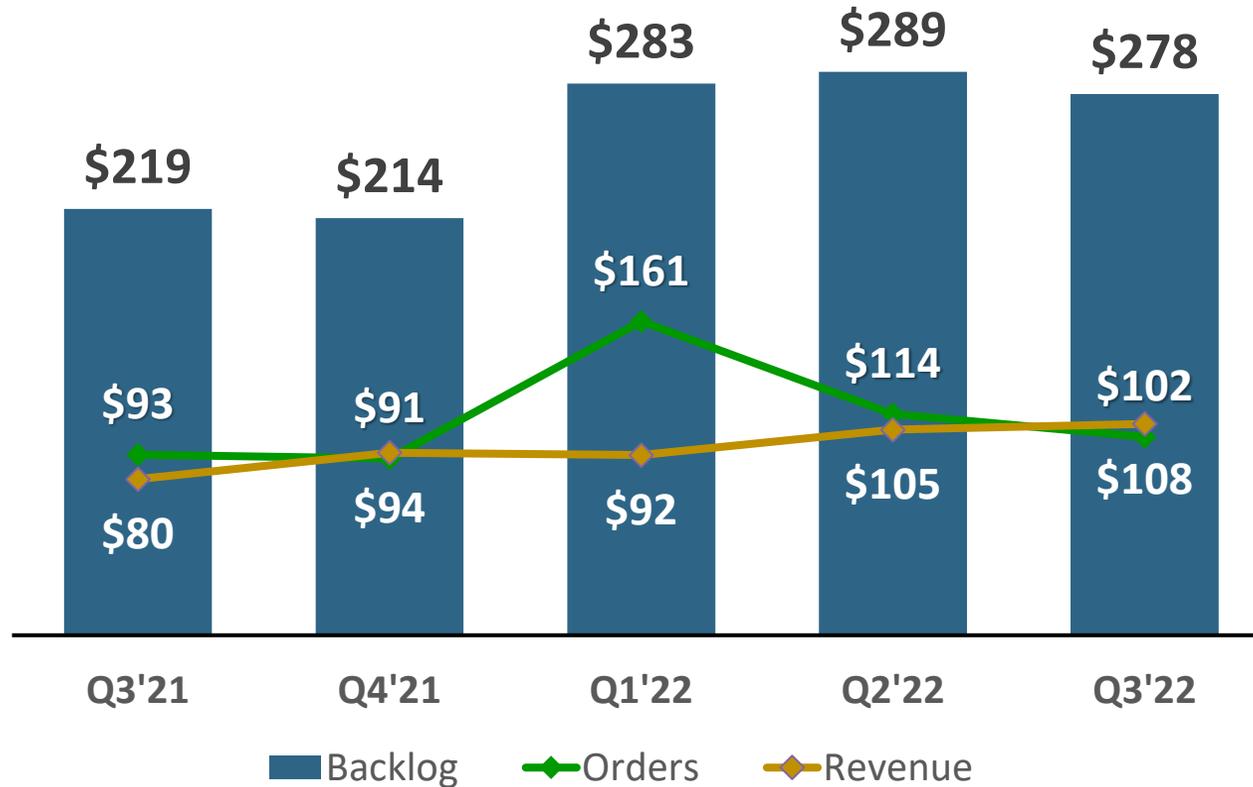
+3% +34% +36%
Organic +28%

- Diverse Orders Growth ... Across Most Platforms
- Record Trailing Twelve Month Orders of \$467M
- Record Orders Through First Three Quarters

- Record Third Quarter Revenue / 2nd Highest Quarterly Revenue in Company History
- Nearly all Platforms Grew Revenue YoY ... Navigating Supply Chain Challenges to Deliver

Backlog Remains Strong at Near Record Levels

(\$MM)
TTM = Trailing 12 Month
B2B = Book to Bill



- Still Holding Close to Record Backlog (Q2'22)
- Q3'22 Ending Backlog* up 27% YoY
- YTD'22 B2B = 1.24x → Future revenue growth
- TTM Book to Bill ratio at 1.17x
- Opportunity pipeline remains > \$2B
- Good start to Q4'22 orders supports extending trend through YE

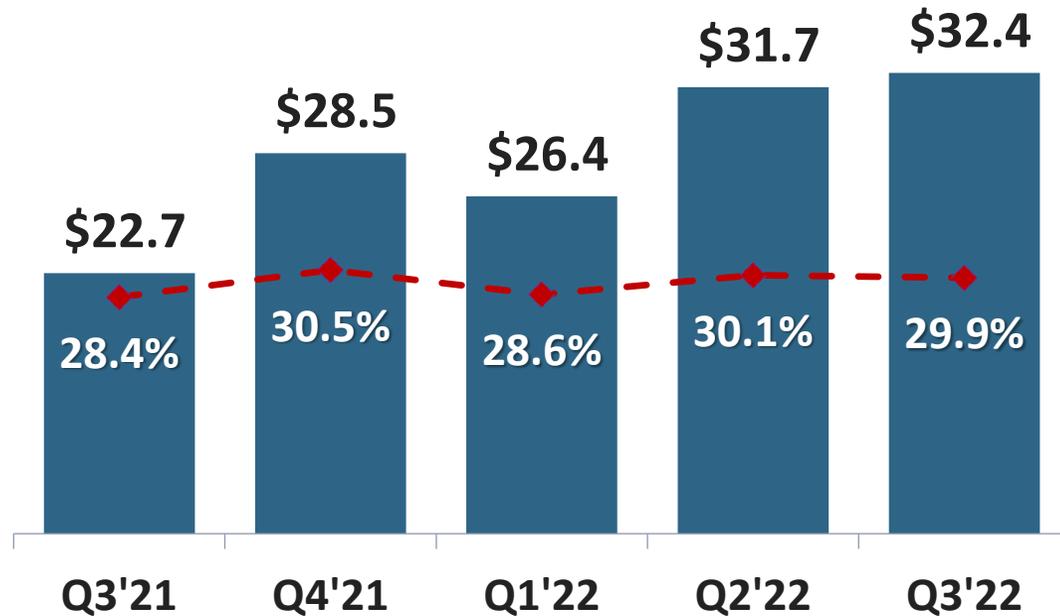
B2B = 1.16x 0.97x 1.75x 1.09x 0.94x

* Starting Backlog – Revenue + Gross Orders – Cancellations +/- FX = Ending Backlog.

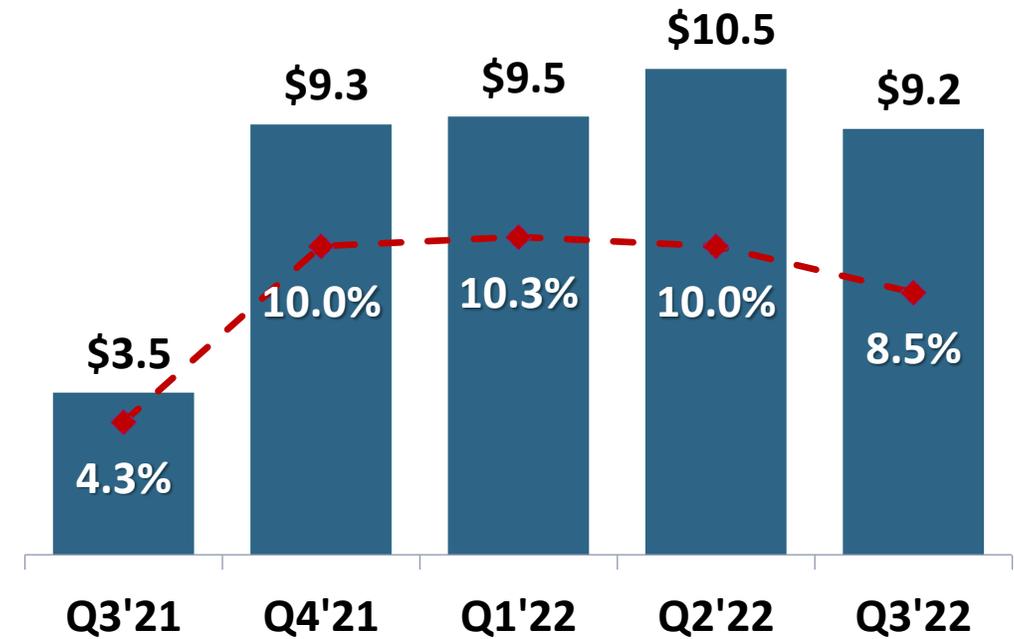
Solid Year-over-Year Margin Expansion

(\$MM)

Non-GAAP Gross Profit



Adjusted EBITDA



- **Gross Profits:** Up 43% on higher volume and pricing; margin rate showing continued improvement from Q3'21 lows
- **Price:** Continued price actions to address inflation and capture value ... benefits flowing into P&L as backlog turns
- **EBITDA:** Up Significantly YoY ... Continue to Invest in Growth ... Overcoming Inflation and F/X Impact

Increasing Full Year 2022 Outlook

(\$MM)

	FY 2022		
Orders	~\$475+ Up 30%+ YoY	↑	• Orders: Strong Pipeline <u>Conversion</u> , B2B YTD >1.0; Expect Q4'22 to be Another Quarter > \$100 in Orders
Sales	~\$410+ Up +25% YoY	↑	• Sales: Strong <u>Execution</u> Driving Higher Estimates; Expect Q4'22 to be another quarter >\$100 in Sales
Gross Margins	~30% Down ~100 bps	→	• Gross Margins: Continue to <u>Stabilize</u> and <u>Improve</u>
Adj. EBITDA	~\$39+ Up 50%+ YoY	↑	• Adj EBITDA: Raised Outlook to Reflect <u>Execution</u>

- Execution and Backlog Levels Provide Support for Guidance Raise
- Pipeline Remains Robust
- Continue to Fund Growth Investments

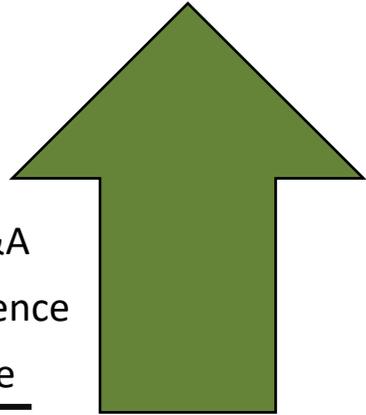
CECO In Better Position Than Ever for Higher Performance

Looking Forward: 2023 and Beyond

Committed To Consistent Execution ... Steady Transformation

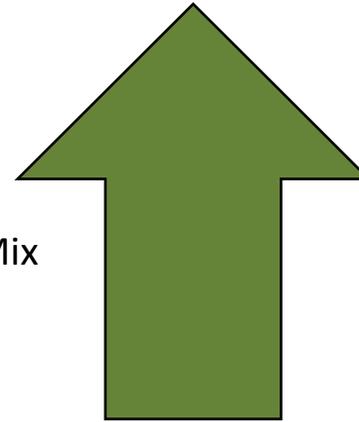
- Strong Q4'22 Results
- Exit '22 w/ Great Backlog
- Continue Programmatic M&A
- Advancing Operating Excellence
- 2023 Operating Plan in Place

Strong Finish to 2022



- Continue Programmatic M&A
- Sustained Organic Growth
- Operating Model Deployment
- Continue to Drive Short Cycle Mix
- Balanced Capital Deployment
- Deliver Against 2023 Targets

**Accelerate Execution
in 2023**



- Sustained Financial Performance
- High Performance Culture
- Portfolio Optimization / Biz Mix.
- Full Operating Model Deployed
- EBITDA Margins in Mid-Teens

**Continue to Accelerate
2024 – 2025**

Introducing Full Year 2023 Guidance

(\$MM)

	<u>Revenue</u>	<u>Adjusted EBITDA</u>	<u>Free Cash Flow</u>
Full Year Outlook	\$450 to \$475 <i>Up ~ 13% YoY</i>	\$45 to \$48 <i>Up ~ 19% YoY</i>	50% to 70% of EBITDA

Maximize to Hit or Exceed Outlook

- ✓ Strong Backlog Provides Good Visibility
- ✓ Organic Growth Initiatives Accelerating
- ✓ Programmatic M&A
- ✓ Operating Excellence Initiatives Underway

Potential Challenges = Remain Cautious

- Continued Supply Chain Disruptions
- Economic Uncertainty
- Conflicts Remain Uncertain (e.g., Russia/Ukraine)
- Expecting Some Unexpected Challenges

Q3'22 Summary

- **Q3 and YTD Financial Results:** Great sales and income growth
- **Sales Pipeline:** Remains very robust ... Good visibility to future opportunities
- **Near Record Backlog in place:** Sustains growth profile
- **Raising Full Year 2022 Guidance:** Increased to reflect backlog, pipeline and execution
- **Capital Allocation:** Continue programmatic M&A, growth investments, buyback authorization
- **2023 Full Year Outlook Introduced:** Expecting strong revenue and income growth to continue
- **Transformation:** Steady reshaping of CECO, higher performance and delivering shareholder value

Thanks Team CECO ... And Thank You For Your Interest

Appendix

Supplemental Materials and Reconciliation Tables

Revenue Excluding Acquisitions

<i>(dollars in millions)</i>	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	Q3 2022	TTM
Revenue as reported in accordance with GAAP	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.1	\$ 92.4	\$ 105.4	\$ 108.4	\$ 399.8
<i>Less revenue attributable to acquisitions and joint ventures</i>	-	-	-	-	-	(0.7)	(4.6)	(6.0)	(11.3)
Organic Revenue	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.1	\$ 91.7	\$ 100.8	\$ 102.4	\$ 388.5

NOTE: Amounts are computed independently each quarter. Accordingly, the sum of each quarter's amounts may not equal the total amounts for the respective year.

Non-GAAP Operating Income and Margin

<i>(dollars in millions)</i>	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	Q3 2022	TTM
Operating Income (Loss) as reported in accordance with GAAP	\$ 3.1	\$ 2.1	\$ (0.6)	\$ 5.3	\$ 9.9	\$ 5.2	\$ 5.7	\$ 2.8	\$ 19.0
<i>Operating Margin in accordance with GAAP</i>	4.3%	2.7%	-0.8%	5.7%	3.1%	5.6%	5.4%	2.6%	4.8%
Acquisition and integration expenses	0.1	-	0.2	0.5	0.8	1.0	1.5	1.3	4.2
Amortization expenses	1.7	1.7	1.7	1.6	6.7	1.5	1.5	2.0	6.6
Earn-out and retention expenses	0.1	0.6	0.1	0.3	1.1	-	-	-	0.3
Restructuring expenses	-	0.3	0.4	-	0.6	0.1	-	-	0.2
Executive transition expenses	-	-	-	-	-	-	-	1.2	1.2
Non-GAAP Operating Income	\$ 5.0	\$ 4.7	\$ 1.8	\$ 7.7	\$ 19.1	\$ 7.8	\$ 8.7	\$ 7.3	\$ 31.5
<i>Non-GAAP Operating Margin</i>	7.0%	6.0%	2.3%	8.2%	5.9%	8.4%	8.2%	6.7%	7.9%

NOTE: Amounts are computed independently each quarter. Accordingly, the sum of each quarter's amounts may not equal the total amounts for the respective year.

Non-GAAP Net Income, Adjusted EBITDA, and Margin

<i>(dollars in millions)</i>	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	Q3 2022	TTM
Net Income (Loss) as reported in accordance with GAAP	\$ 1.2	\$ 0.3	\$ (1.2)	\$ 1.2	\$ 1.4	\$ 2.8	\$ 4.4	\$ 1.9	\$ 10.4
Acquisition and integration expenses	0.1	-	0.2	0.5	0.8	1.0	1.5	1.3	4.2
Amortization expenses	1.7	1.7	1.7	1.6	6.7	1.5	1.5	2.0	6.6
Earn-out and retention expenses	0.1	0.6	0.1	0.3	1.1	-	-	-	0.3
Restructuring expenses	-	0.3	0.4	-	0.6	0.1	-	-	0.2
Executive transition expenses	-	-	-	-	-	-	-	1.2	1.2
Foreign currency remeasurement	0.6	1.1	(0.1)	0.5	2.0	0.3	(0.3)	2.5	3.1
Tax benefit of expenses	(0.6)	(0.9)	(0.6)	(0.7)	(2.8)	(0.7)	(0.7)	(1.8)	(3.8)
Non-GAAP Net Income	\$ 3.1	\$ 3.1	\$ 0.5	\$ 3.4	\$ 9.8	\$ 5.0	\$ 6.4	\$ 7.1	\$ 22.2
Depreciation expense	0.8	0.8	0.8	0.8	3.2	0.8	0.9	0.9	3.5
Non-cash stock compensation	0.7	0.9	0.9	0.9	3.3	0.9	0.9	1.1	3.8
Other (income) expense	(0.1)	(0.2)	(0.1)	0.6	0.2	0.2	(1.6)	(3.8)	(4.7)
Interest expense	0.7	0.7	0.7	0.8	3.0	0.8	1.1	1.6	4.3
Income tax expense	1.2	1.1	0.7	2.6	5.5	1.8	2.6	2.1	9.0
Non-Controlling Interest	0.1	0.1	0.1	0.3	0.6	-	0.3	0.2	0.9
Adjusted EBITDA	\$ 6.5	\$ 6.5	\$ 3.6	\$ 9.4	\$ 25.6	\$ 9.5	\$ 10.6	\$ 9.2	\$ 39.0
<i>Non-GAAP Operating Margin</i>	9.0%	8.3%	4.5%	10.0%	7.9%	10.4%	10.1%	8.5%	9.8%
Basic Shares Outstanding	35,396,705	35,491,725	35,472,298	35,399,724	35,345,785	35,051,034	34,873,238	34,455,657	35,048,986
Diluted Shares Outstanding	35,774,208	35,819,269	35,472,298	35,537,136	35,594,779	35,199,201	35,041,152	34,871,313	35,266,274
Earnings (Loss) per share:									
Basic	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.13	\$ 0.06	\$ 0.09
Diluted	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.13	\$ 0.06	\$ 0.09
Non-GAAP earnings per share:									
Basic	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.18	\$ 0.21	\$ 0.63
Diluted	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.18	\$ 0.20	\$ 0.63

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Adjusted Free Cash Flow

<i>(dollars in millions)</i>	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	Q3 2022	TTM
Net cash provided by operating activities	\$ 9.9	\$ (5.8)	\$ 6.1	\$ 3.1	\$ 13.3	\$ (0.2)	\$ 18.9	\$ 1.0	\$ 22.9
Earnout payments (within operating activities)	-	-	0.6	-	0.6	-	1.0	-	1.0
Acquisitions of property and equipment	(0.5)	(0.5)	(0.7)	(0.9)	(2.6)	(0.7)	(0.8)	(0.9)	(3.2)
Free cash flow	\$ 9.4	\$ (6.3)	\$ 6.0	\$ 2.2	\$ 11.3	\$ (0.9)	\$ 19.1	\$ 0.1	\$ 20.7
TTM free cash flow	\$ 3.9	\$ 3.5	\$ 3.4	\$ 11.3	\$ 11.3	\$ 1.0	\$ 26.4	\$ 20.5	\$ 20.5
TTM EBITDA	\$ 31.9	\$ 30.2	\$ 26.5	\$ 25.7	\$ 25.7	\$ 29.0	\$ 33.1	\$ 38.7	\$ 38.7
TTM free cash flow / EBITDA conversion	12.2%	11.6%	12.8%	44.0%	44.0%	3.4%	79.8%	53.0%	53.0%

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