



# Q1'22 Earnings Release

May 10, 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 these forward-looking 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, 2020 and include, but are not limited to: the sensitivity of our business to 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 revenue; 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; 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; 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; economic and political conditions generally; 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; 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. 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, we undertake no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

While CECO reports its 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 CECO's 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 are included in the accompanying "Supplementary Non-GAAP Financial Measures." Descriptions of many of these non-GAAP measures are also included in CECO's SEC reports.

# Q1'22 Summary

- **Record Orders / Record Backlog**
  - Maintained momentum after ~ 30% orders growth in 2021
  - Each CECO Business Platform grew Orders YoY
- **Q2 Revenue +29% ... Adj. EBITDA +51%**
  - Strong execution in challenging market
  - Platform structure delivering sustained performance
- **2022 Full Year Outlook** *(see slide 13)*
  - Solid Double-Digit Orders, Revenue, EBITDA Growth
- **Capital Allocation**
  - M&A = several accretive acquisitions YTD (Industrial Water)
  - Announced \$20M share repurchase authorization

	Q1'22	YoY%
Orders	\$161M	+75%
Sales	\$92M	+29%
Adj. EBITDA	\$9.5M 10.2%	+51% +0.2pts
Adj. EPS	\$0.14	+56% +\$0.05
Free Cash Flow	\$(0.9)M	UNFAV

# Recent Announcements ... Driving Shareholder Value

## New Share Repurchase Program

- **Board Authorization: \$20M over 3 years<sup>1</sup>**
- **Equal to ~12% of shares at current price<sup>2</sup>**
- **Reflects confidence in organic growth, profitability and free cash flow generation**



- **Leader in membrane-based industrial water treatment systems**
- **Expands CECO's Addressable Industrial Water Market by \$250M**
- **Compass Water = Sales ~\$11M with Double-digit EBITDA margins (2021)**

<sup>1</sup> Effective immediately and through April 30, 2025 (repurchase of outstanding common stock)

<sup>2</sup> CECO stock price of \$4.75 as of May 4, 2022

# Q1 2022 Performance

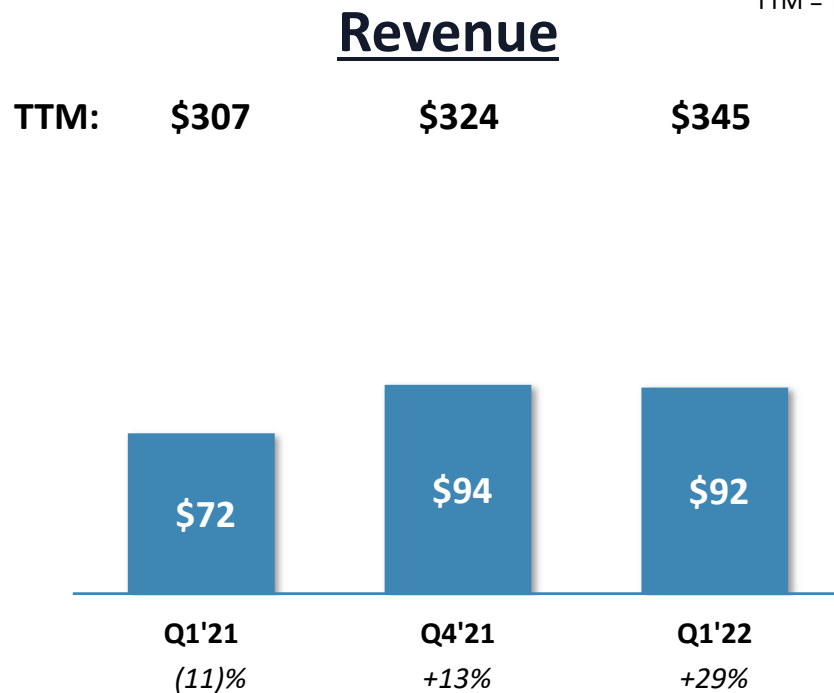
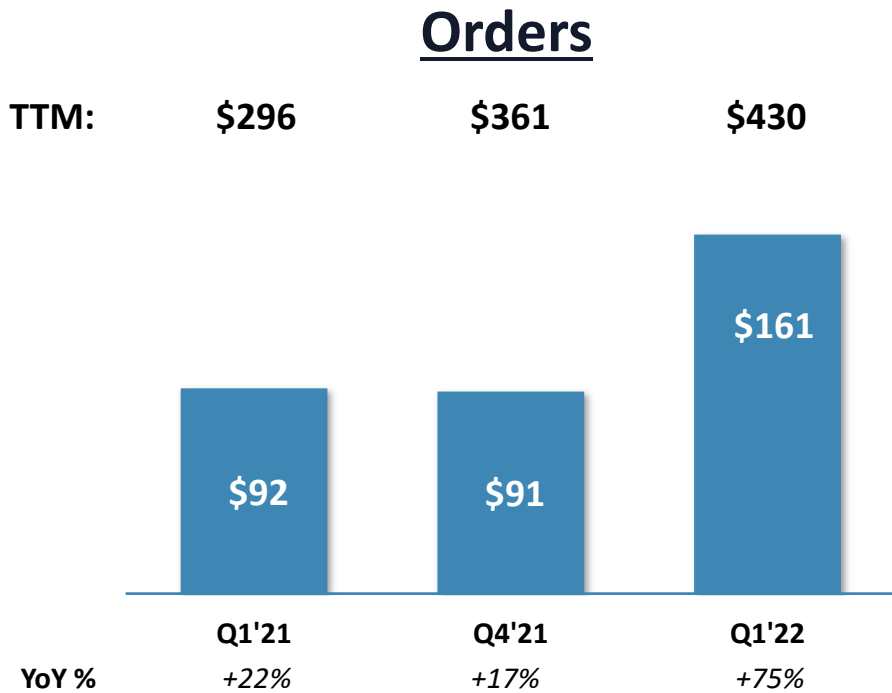
# Q1'22 Full P&L Performance YoY and Sequentially

(\$MM)

	<u>Q1'22</u>	<u>YoY %</u>	<u>Seq %</u>	<u>Comments</u>
<b>Orders:</b>	\$161	75%	78%	All platforms grew order YoY
<b>Sales:</b>	\$92	+29%	~ Flat	Huge Growth YoY ... Strong Finish to Q1 = Flat Seq.
<b>Gross Margin:</b>	29%	(540)bp	(190)bp	Pricing Actions Couldn't Overcome Inflation / SC
<b>GAAP OI:</b>	\$5.2	+68%	+0%	} Volume offset by lower GM% and SG&A investment } SG&A includes \$2.5 insurance settlement benefit
<b>Non-GAAP OI:</b>	\$7.8	+56%	+3%	
<b>Adj. EBITDA:</b>	\$9.5	+48%	+5%	
<b>GAAP EPS:</b>	\$0.08	+167%	+167%	} YoY EPS driven by operational performance offset } by slightly higher tax expense and no FX impact
<b>Adj. EPS:</b>	\$0.14	+56%	+40%	

# Great Orders Growth = Continued Solid Revenue Growth

(\$MM)  
TTM = Trailing 12 Month

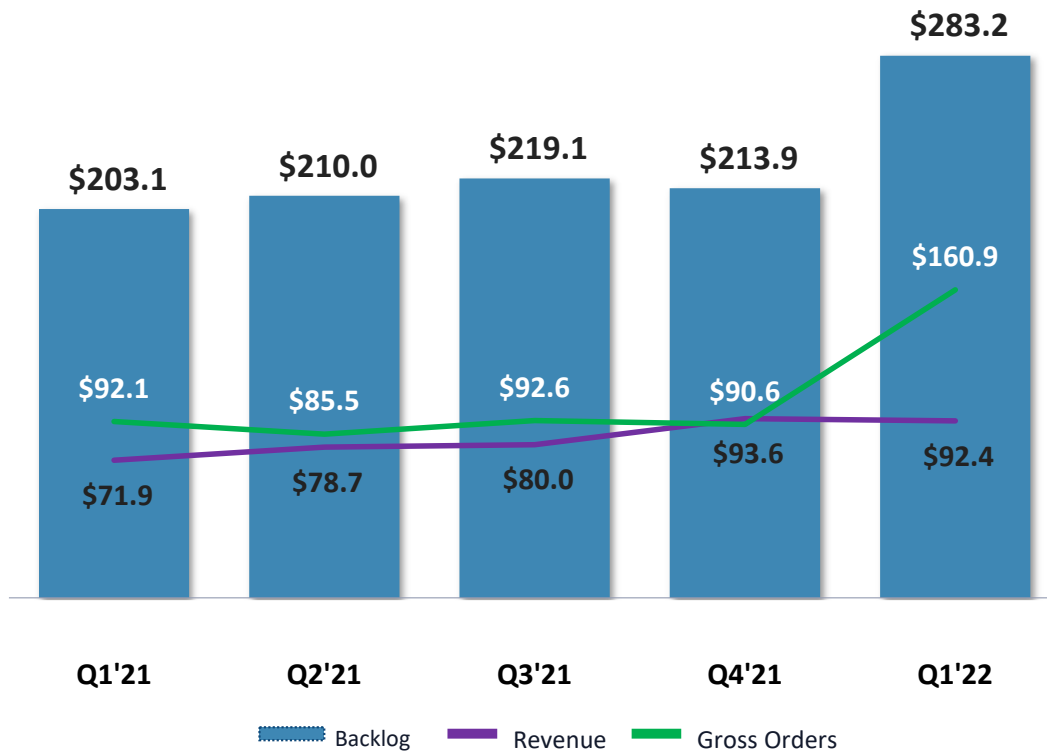


- Broad-based orders growth across the company
- Industrial platform focus paying off ... Ind'l orders up > 100%
  - Industrial Air Markets: Electric Vehicle, Bev. Can, Wood Mfg.
- Several larger-than-average project awards in energy-related

- Nearly all platforms grew revenue in Q1 2022
- \$22 Short-cycle sales grew 24% YoY driven by Gas Separation filter consumables and GRC acquisition.
- Record Backlog and Short-cycle sales driving growth for 2022+

# Record Backlog

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



- Record Backlog up ~ 40% YoY
- Q1'22 B2B 1.74 = Future revenue growth
- TTM Book to Bill ratio at 1.3x
- Opportunity pipeline remains > \$2B

<b>B2B =</b>	<b>1.28</b>	<b>1.09</b>	<b>1.16</b>	<b>0.97</b>	<b>1.74</b>
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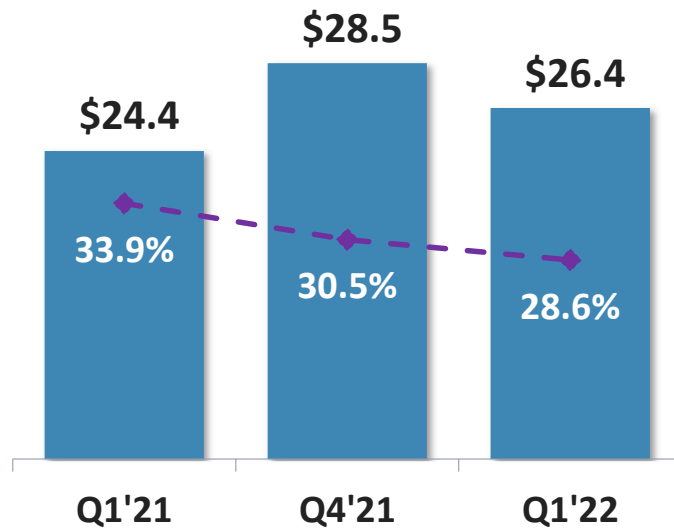
\*\* Starting Backlog – Revenue + Gross Orders – Cancellations +/- FX = Ending Backlog. FX typically +/- ~\$1-3 per quarter.



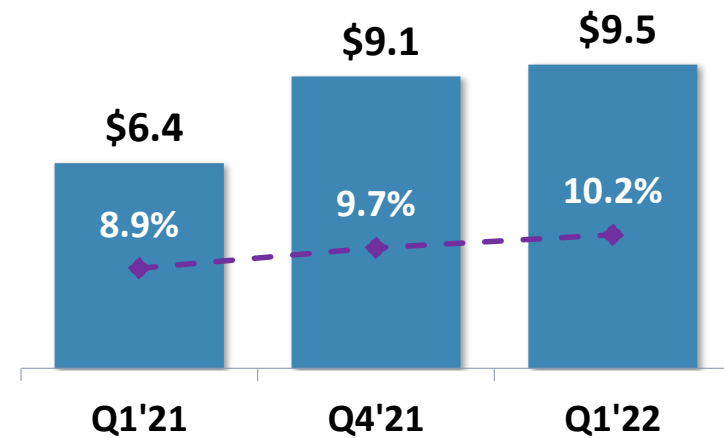
# EBITDA Margins > 10% ... Inflation Remains Challenged in GM%

(\$MM)

## Non-GAAP Gross Profit



## Adjusted EBITDA

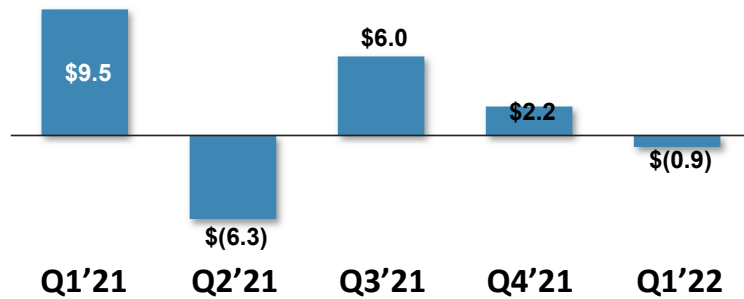


- **Gross Profits:** Remain Under Pressure from Inflation & Supply Chain / Logistics' Challenges
- **Price:** Continue to Raise Prices to Address Higher Costs ... Typically 2-3 Quarter Lag Before Offsets Benefit P&L
- **EBITDA:** Up Significantly as Sales Volume Absorbs SG&A costs ... 1X Legacy Insurance Settlement a Benefit in Q1

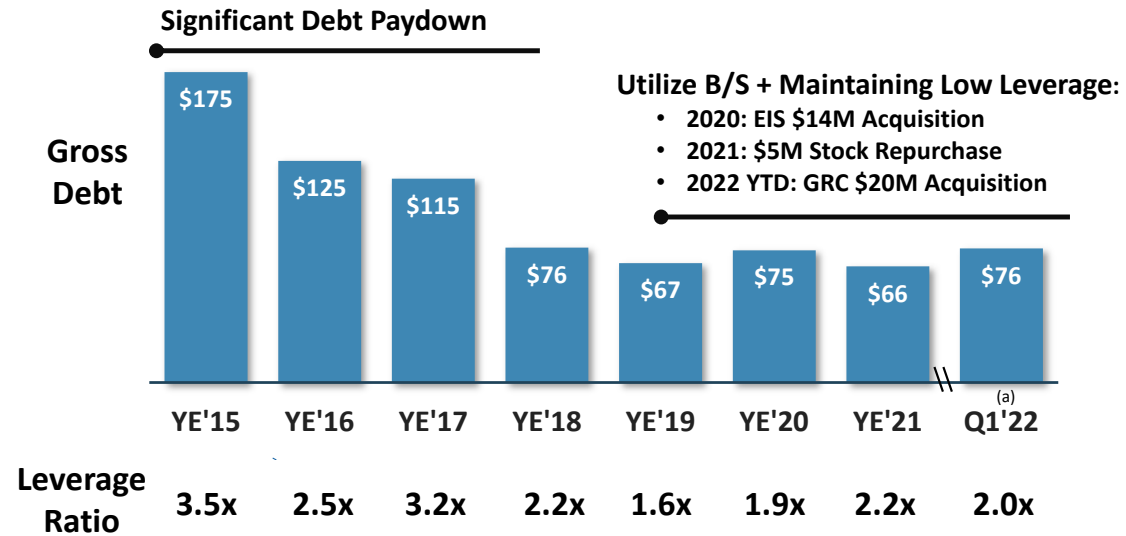
# Maintaining Healthy Balance Sheet

(\$MM)

## Free Cash Flow



## Balance Sheet



\$20 build of current AR drives use of cash

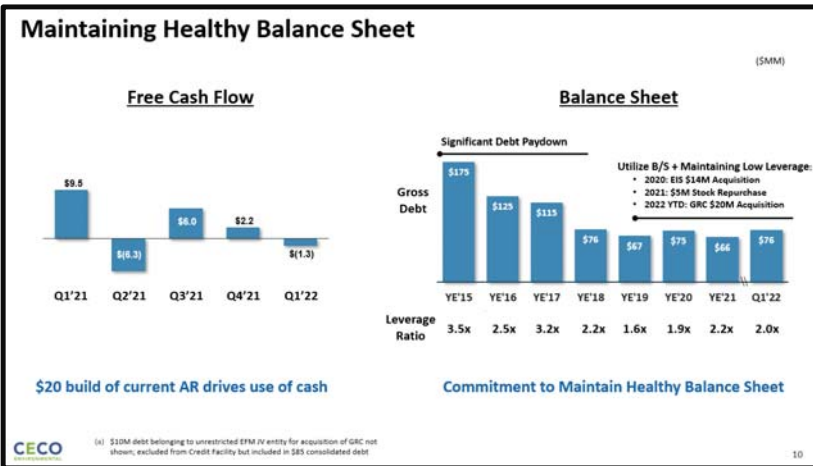
Commitment to Maintain Healthy Balance Sheet

(a) \$10M debt belonging to unrestricted EFM JV entity for acquisition of GRC not shown; excluded from Credit Facility but included in \$85 consolidated debt

# Supporting Growth and Shareholder Returns

(\$MM)

## Healthy Balance Sheet Enables Utilization



## Acquisitions

- **Compass Water Solutions = \$12.5 Deal**
  - \$8.5 at close, \$4 holdbacks (Funded = Cash + Debt)
  - Accretive in 2022 (Closed May 2022)
  - Expands Industrial Water capabilities to technology provider
- **Index Water**
  - Bought company assets and customer access (Funded = cash)
- **GRC = \$24 Deal (Closed in Q1'22)**
  - Funded: \$5 JV equity and \$19 debt split 50% CECO and 50% J.V.
  - Accretive in 2022 ... well-positioned in water infrastructure

## Stock Repurchase Authorization

- **\$20 Program ... 3 Year Authorization**

# Looking Forward

# Full Year 2022 Guidance

(\$MM)

	FY 2022
Orders	\$410 – \$430 Up Strong Double Digits
Sales	\$360 – \$380 Double Digit Growth
Gross Margins	~ 29% – 31% Down ~ 200 bps
Adj. EBITDA	\$33 - \$38 Midpoint up nearly 40% YoY

- **Orders:** Robust Pipeline = B2B >1.0 in 2022 ... Continued Growth
- **Sales:** Growing Backlog + Investment in Ind'l & Short-Cycle + M&A = Double Digit Revenue Growth
- **Gross Margins:** Inflation / Supply Chain / Logistics = Hurdles
- **Adj EBITDA:** Significant YoY Income Growth

- Record Backlog Levels (Post Q1) Lends Strong Conviction to Steady Growth
- Investing in More Growth Resources / Marketing / ESG / Business Development
- Focused Capital Allocation Will Add Accretive Growth + Share Repurchase
- CECO In Better Position Than Ever for Higher Performance

## Summary

- Great start to 2022 ... Largest Backlog in Company History
- Full Year Guidance ... Strong Organic Growth and Investments
- Portfolio Is Delivering ... We Will Continue to Enhance
- Capital Allocation ... M&A + Share Repurchases = Additional Value
- Inaugural ESG Report Will Be Published in Coming Weeks ...

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

# Appendix

## Supplemental Materials

# Revenue excluding acquisitions and divestitures

<i>(dollars in millions)</i>	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	TTM
Revenue as report in accordance with GAAP	\$ 316.0	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.1	\$ 92.4	\$ 344.7
<i>Less revenue attributable to divestitures</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Less revenue attributable to acquisitions and joint venture:</i>	\$ (8.7)	\$ (2.7)	\$ (5.5)	\$ (5.7)	\$ (6.0)	\$ (19.9)	\$ (4.8)	\$ (22.1)
Organic Revenue	\$ 307.3	\$ 69.2	\$ 73.2	\$ 74.3	\$ 87.6	\$ 304.2	\$ 87.6	\$ 322.6

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>	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	TTM
<b>Operating Income as report in accordance with GAAP</b>	\$ 13.3	\$ 3.1	\$ 2.1	\$ (0.6)	\$ 5.3	\$ 9.9	\$ 5.2	\$ 12.0
<i>Operating margin in accordance with GAAP</i>	4.2%	4.3%	2.7%	-0.8%	5.7%	3.1%	5.6%	3.5%
<b>Acquisition and integration expenses</b>	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.7
<b>Amortization</b>	\$ 7.4	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7	\$ 1.5	\$ 6.5
<b>Earn-out and retention expenses</b>	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1	\$ -	\$ 1.0
<b>Intangible asset impairment</b>	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restructuring expense (income)</b>	\$ 2.4	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6	\$ 0.1	\$ 0.8
<b>Executive transition expenses</b>	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-GAAP operating Income</b>	\$ 28.3	\$ 5.0	\$ 4.7	\$ 1.8	\$ 7.7	\$ 19.1	\$ 7.8	\$ 22.0
<i>Non-GAAP Operating margin</i>	9.0%	7.0%	6.0%	2.3%	8.2%	5.9%	8.4%	6.4%

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>	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	TTM
<b>Net Income (loss) as report in accordance with GAAP</b>	\$ 8.2	\$ 1.2	\$ 0.3	\$ (1.2)	\$ 1.2	\$ 1.4	\$ 2.8	\$ 3.1
Acquisition and integration expenses	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.7
Amortization	\$ 7.4	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7	\$ 1.5	\$ 6.5
Earn-out and retention expenses	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1	\$ -	\$ 1.0
Intangible asset impairment	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 2.3	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6	\$ 0.1	\$ 0.8
Executive transition expenses	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement	\$ 0.3	\$ 0.6	\$ 1.1	\$ (0.1)	\$ 0.5	\$ 2.0	\$ 0.3	\$ 1.8
Tax benefit of expenses	\$ (3.9)	\$ (0.6)	\$ (0.9)	\$ (0.6)	\$ (0.7)	\$ (2.8)	\$ (0.7)	\$ (2.9)
<b>Non-GAAP net income</b>	\$ 19.5	\$ 3.1	\$ 3.1	\$ 0.5	\$ 3.4	\$ 9.8	\$ 5.0	\$ 12.0
Depreciation	\$ 2.5	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 3.2	\$ 0.8	\$ 3.2
Non-cash stock compensation	\$ 2.0	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9	\$ 3.3	\$ 0.9	\$ 3.6
Other (income)/expense	\$ (2.3)	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ 0.6	\$ 0.2	\$ 0.2	\$ 0.5
Interest expense	\$ 3.5	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 3.0	\$ 0.8	\$ 3.0
Income tax expense	\$ 7.6	\$ 1.2	\$ 1.1	\$ 0.7	\$ 2.6	\$ 5.5	\$ 1.8	\$ 6.2
<b>Adjusted EBITDA</b>	\$ 32.8	\$ 6.4	\$ 6.4	\$ 3.5	\$ 9.1	\$ 25.0	\$ 9.5	\$ 28.5
<i>Non-GAAP Operating margin</i>	10.4%	8.9%	8.1%	4.4%	9.7%	7.7%	10.3%	8.3%
<b>Basic Shares Outstanding</b>	35,289,616	35,396,705	35,491,725	35,472,298	35,399,724	35,345,785	35,051,034	35,353,695
<b>Diluted Shares Outstanding</b>	35,520,670	35,774,208	35,819,269	35,472,298	35,537,136	35,594,779	35,199,201	35,506,976
<b>Earnings (loss) per share:</b>								
Basic	\$ 0.24	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.09
Diluted	\$ 0.23	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.09
<b>Non-GAAP earnings per share:</b>								
Basic	\$ 0.55	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.34
Diluted	\$ 0.55	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.34

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.

# Adjusted Free Cash Flow

<i>(dollars in millions)</i>	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	TTM
Net Cash provided by operating activities	\$ 4.4	\$ 9.9	\$ (5.8)	\$ 6.1	\$ 3.1	\$ 13.3	\$ (0.2)	\$ 3.2
Add: earn-outs classified as operating	\$ -	\$ -	\$ -	\$ 0.6	\$ -	\$ 0.6	\$ -	\$ 0.6
Capital Expenditures	\$ (3.9)	\$ (0.5)	\$ (0.5)	\$ (0.7)	\$ (0.9)	\$ (2.6)	\$ (0.7)	\$ (2.8)
<b>Adjusted Free Cash Flow</b>	<b>\$ 0.5</b>	<b>\$ 9.4</b>	<b>\$ (6.3)</b>	<b>\$ 6.0</b>	<b>\$ 2.2</b>	<b>\$ 11.3</b>	<b>\$ (0.9)</b>	<b>\$ 1.0</b>
TTM Adjusted FCF	\$ 0.5	\$ 3.9	\$ 3.5	\$ 3.4	\$ 11.3	\$ 11.3	\$ 1.0	\$ 1.0
TTM EBITDA	\$ 32.8	\$ 31.8	\$ 30.0	\$ 26.2	\$ 25.0	\$ 25.0	\$ 28.5	\$ 28.5
TTM FCF / EBITDA conversion	1.5%	12.3%	11.7%	13.0%	45.2%	45.2%	3.5%	3.5%

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