



# Q4'21 Earnings Release

March 14, 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.

# Assessment of Q4 Performance: **Strong Finish to 2021**

- Fourth Quarter Financial Results Reflect ***Backlog Turning to Revenue Growth***
- ***Fourth Quarter Bookings = Consistent YOY Growth*** ... Demand Environment Healthy
- Year-end Backlog Positions ***CECO for 2022 Solid Organic Revenue Growth***
- ***Supply Chain & Inflation Challenges Persist*** ... Remain Focused on Price / Cost Mgmt.
- Completed Stock Repurchase in Q4 ... ***Healthy Balance Sheet*** for M&A, Other Capital Actions

# Q4: Another Period with Strong Orders' Growth ... A Return to Sales Growth

(\$MM)

## Q4 2021 Financial Results

	<u>Q4'21</u>	<u>YoY %</u>	<u>Seq %</u>	<u>Comments</u>
• <b>Orders:</b>	~ \$91	+17%	(2)%	Growth each Qtr. of '21 ... Q1'22 = Strong
• <b>Sales:</b>	~ \$94	+13%	+17%	Sales > as Fab. Partners return to work

**\$214 Backlog remains near all-time highs ... Pipeline > \$2B**

• <b>Gross Margin:</b>	30.5%	(110)bp	+210bp	(+) Remedied several execution issues (+) Favorable project mix offset PY price challenged backlog + Inflation (-) Supply availability remains challenged with Resin, Mechanical Parts, and Steel long lead items.
• <b>Adj. EBITDA:</b>	\$9.1	\$(0.8)	+\$5.6	
• <b>Adj. EPS:</b>	\$0.10	\$(0.06)	+\$0.09	
• <b>FCF:</b>	\$2.2	+\$7.9	\$(3.8)	FCF remains choppy quarter to quarter

**Overall, Great Sequential Improvement ...**

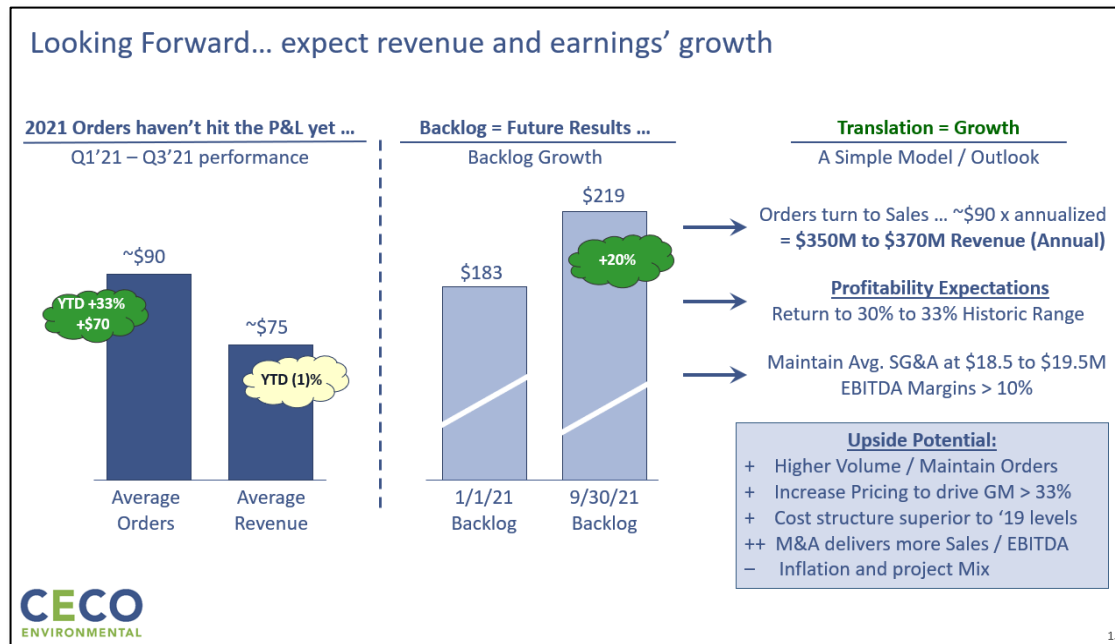
# Q4 Execution Spot On with Previous Outlook (From Q3 Earnings)

## What We Said in CECO's Q3 Earnings<sup>1</sup>

**CECO Environmental Reports Third Quarter and Year-to-Date 2021 Results**  
Bookings Up 39 Percent, but Q3 Results Impacted by Challenging Operating Environment

"Third quarter and year-to-date results reflect the 'tale of two CECOs', so to speak," said Todd Gleason, Chief Executive Officer. "On the one hand, our orders were up 39 percent in the third quarter and up 33 percent year-to-date. This represents strong bookings' growth and positions CECO for corresponding revenue growth in the coming quarters. Unfortunately, in the third quarter, we could not overcome challenges associated with lower-margin projects booked in late 2020, various short-term execution issues associated with supply chain and logistics costs, customer delays, and labor shortages. **As the fourth quarter continues to progress, we are confident we will achieve improved volumes and margins, which we expect to result in revenues up double-digits and adjusted EBITDA to more than double sequentially from the third quarter.**"

Outlook  
Slide  
from Q3  
Earnings



- ✓ Continued ~ \$90M Orders
- ✓ Revenue ~ \$90M as outlined
- ✓ Return to ~30% GM (or >)
- ✓ SG&A cost management
- ✓ EBITDA ~ 10%
- ✓ M&A activity announced (GRC)

# Key Take Aways From Full Year 2021

(\$MM)

## Comments

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- + Orders up ~30% YoY
- + Balanced across CECO
- + Gaining momentum
- Navigating supply chain challenges
- '21 Starting backlog resulted in CECO "COVID" year ('21)

	<u>2021</u>	<u>YoY %</u>
<b>Backlog:</b>	\$214	+17%
<b>Orders:</b>	\$361	+29%
<b>Sales:</b>	\$324	+3%
<b>Gross Margin:</b>	31.1%	(210)bp
<b>Adj. EBITDA:</b>	\$25.0	\$(7.8)
<b>Diluted EPS:</b>	\$0.28	\$(0.27)
<b>FCF:</b>	\$11.3	+\$10.8

# Balanced Growth across 7 of 8 platforms with favorable tailwinds

Segments	Platforms	YoY %	Outlook & Commentary	(\$MM)
Industrial & Process Solutions \$137   42%	Industrial Air	+54% <sup>-a)</sup>	<ul style="list-style-type: none"> <li>• Demand for air pollution controls strong</li> <li>• Woodworking &amp; Construction markets ↑</li> <li>• US MRO spend growing, distributors de-stocking</li> <li>• Continued rebound in Power Markets expected</li> <li>• Impacted by O&amp;G CAPEX... '22 pipeline looking positive</li> <li>• Markets remain robust in 2022</li> <li>• Refinery rebound driven by Emerging Markets</li> <li>• Replacement dampers &amp; industrial CAPEX ↑</li> </ul>	
	Duct Fab & Install	+21%		
Fluid Handling	+23%			
Engineered Systems \$187   58%	Emissions Management	+77%		
	Separation / Filtration + Water	(38)%		
	Thermal Acoustics	+48%		
	Fluid Bed Cyclones	+66%		
	Dampers & Expansion Joints	+98% <sup>-a)</sup>		

Revenue Mix (2021)

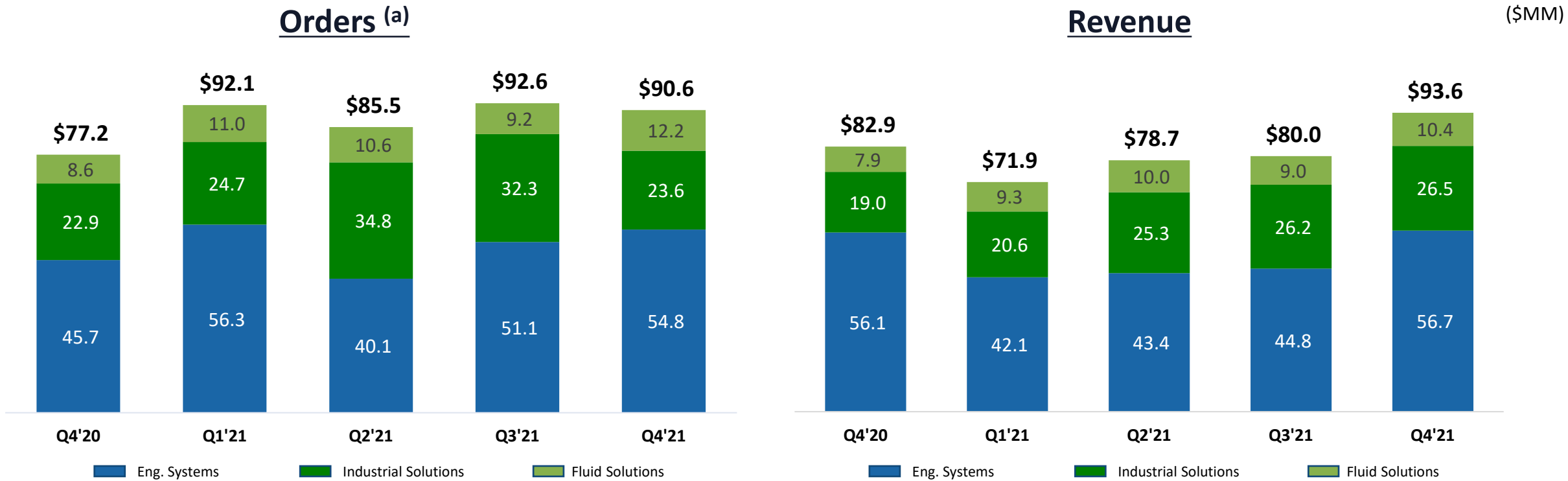


-a) All on Reported Basis. Excluding M&A, Industrial Air +30% and Dampers +58% organically

# Q4 2021 Financials



# YoY Orders growth continues at ~\$90 per quarter pace... Revenue up on Backlog



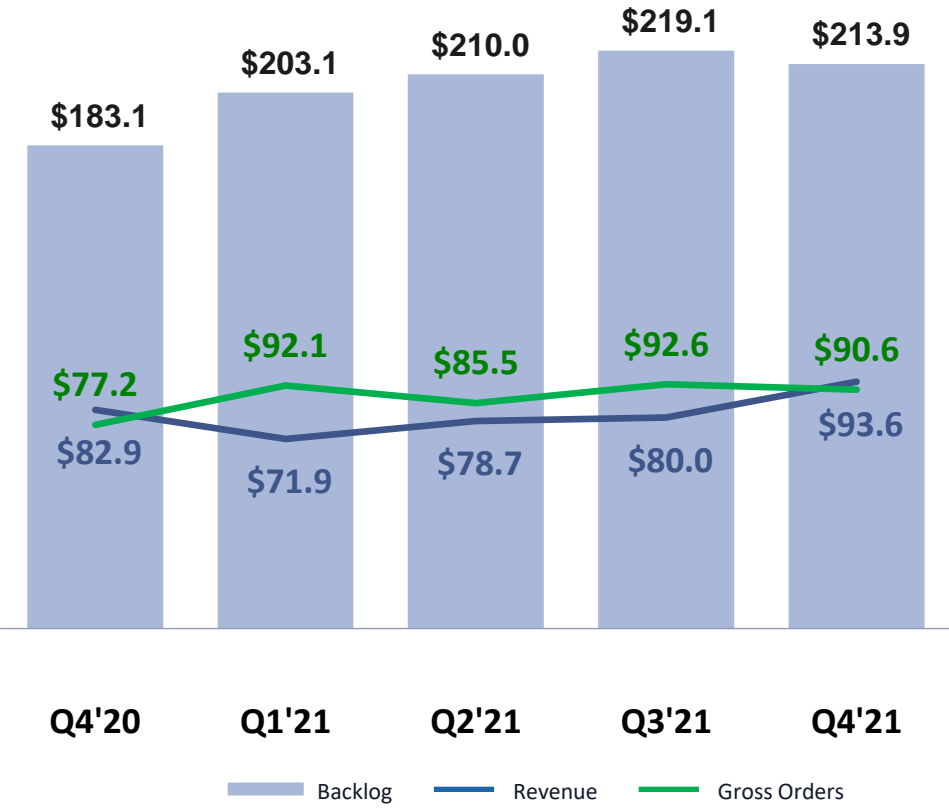
- Eng. Systems orders +7% seq. and +20% YoY on Emerging Markets growth ... Revenue rebounded +\$12 seq. as supply chain improved
- Industrial orders (27)% seq. and +3% YoY on YoY customer CAPEX discipline ... Revenue grew on strong backlog + execution
- Fluid Handling +33% seq. and +42% YoY as energy and automotive end markets continue to improve ... Revenue primarily short-cycle sales
- Short cycle revenue totaled \$21.0 million, up \$1.5 or 8% sequentially and up \$4.1 YoY or 24% on Pumps, Dampers, and Expansion Joints



(a) Gross Bookings, excludes Cancellations

# Steady Rebuilding of Project Backlog

(\$MM)



- TY'21 Book to Bill ratio at 1.11x
- Backlog up +17% Year over Year
- CECO's Orders pipeline above ~\$2B+

Book/Bill	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
	0.93	1.28	1.09	1.16	0.97

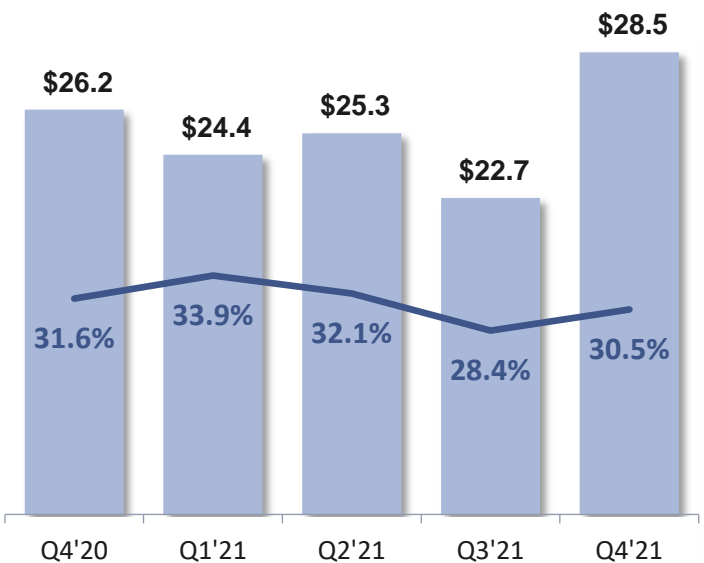


\*\* Starting Backlog – Revenue + Gross Orders – Cancellations +/- FX = Ending Backlog. FX typically +/- ~\$1-3 per quarter.

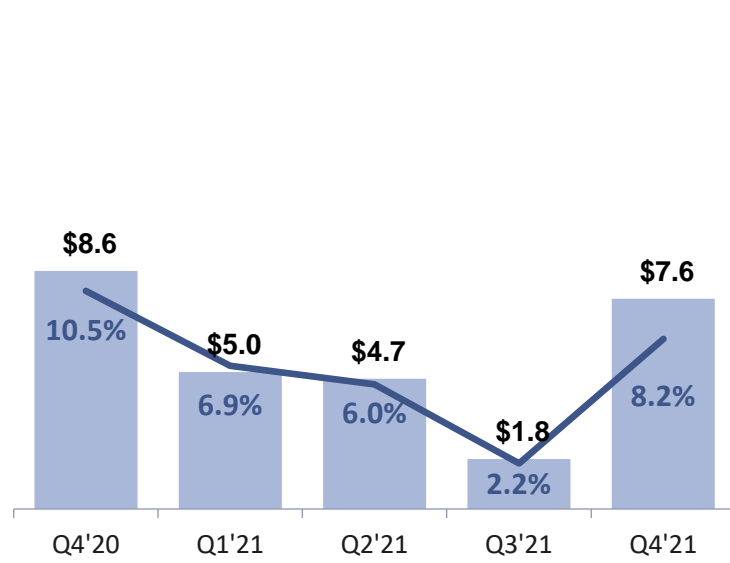
# All profitability measures improved sequentially as volume & execution improved

(\$MM)

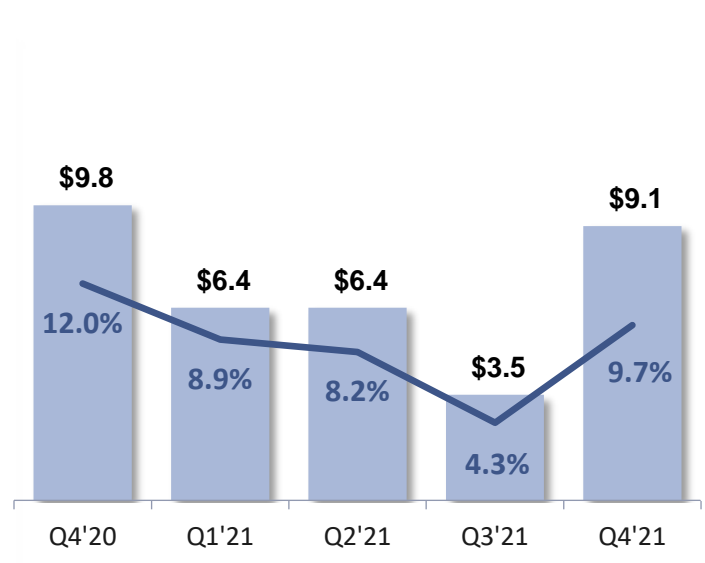
Non-GAAP Gross Profit



Non-GAAP Operating Income



Adjusted EBITDA



- Q4'21 GM at 30.5%... down (1.1)pts Y/Y and up 2.1pts sequentially on project execution, project mix, offset with inflation
- Non-GAAP OI and EBITDA down Y/Y on PY priced projects & near-term inflation... up sequentially on volume & execution

# Q4'21 EBITDA benefited from higher volume and improved margins on lower cost base

(\$MM)

	Three Months Ended			Q/Q
	Q4'21	Y/Y	Y/Y \$	
<b>GAAP:</b>				
Orders	\$ 90.6	17%	\$ 13.4	(2%)
Revenue	\$ 93.6	13%	\$ 10.7	17%
Gross Profit	\$ 28.5	9%	\$ 2.3	26%
-%	30.5%	(1.1)pts		2.1pts
Op Income	\$ 5.3	42%	\$ 1.6	\$ 5.8
-%	5.6%	1.1pts		6.4pts
Diluted EPS	\$ 0.03	(40%)	\$ (0.02)	\$ 0.07
<b>Non-GAAP:</b>				
Gross Profit	\$ 28.5	9%	\$ 2.3	26%
-%	30.5%	(1.1)pts		2.1pts
Op Income	\$ 7.6	(13%)	\$ (1.2)	325%
-%	8.2%	(2.5)pts		5.9pts
Adj. EBITDA\$	\$ 9.1	(8%)	\$ (0.8)	169%
-%	9.7%	(2.2)pts		5.5pts
Diluted EPS	\$ 0.10	(38%)	\$ (0.06)	\$ 0.09
Adj. FCF	\$ 2.2	(138%)	\$ 7.9	(3.8)

- \$91 of Orders +17% Y/Y and (2)% sequentially... market demand remains strong
  - Revenue +13% Y/Y and +17% sequentially... supply chain improved, and backlog turned
  - GM%'s down ~(110) bps Y/Y and up +210 bps sequentially on PY Pricing, Mix, and Inflation
  - GAAP OI +\$1.6 Y/Y and +\$5.8 sequentially... on improved volume and gross margins
- .....
- Non-GAAP EPS of 10 cents down 6 cents YoY primarily on Operations & FX headwind
  - Non-GAAP OI \$(1.2) Y/Y and +\$5.8 sequentially on ↑ volume & GM's on flat SG&A
  - ~10% EBITDA ~(2)pts Y/Y and +~6pts sequentially on Pricing, Mix, Inflation, and SG&A spend
  - \$2 free cash flow driven by improved project milestone billing mix & receivables collections

# TY'21 Financial Summary

(\$MM)

	<u>TY'21</u>	<u>Y/Y</u>	<u>Y/Y \$</u>
<b>GAAP:</b>			
Orders	\$ 360.8	29%	\$ 81.1
Revenue	\$ 324.1	3%	\$ 8.1
Gross Profit	\$ 100.9	(4%)	\$ (4.2)
-%	31.1%	(2.1)pts	
Op Income	\$ 9.9	(26%)	\$ (3.4)
-%	3.1%	(1.2)pts	
Diluted EPS	\$ 0.04	(83%)	\$ (0.2)

## Non-GAAP:

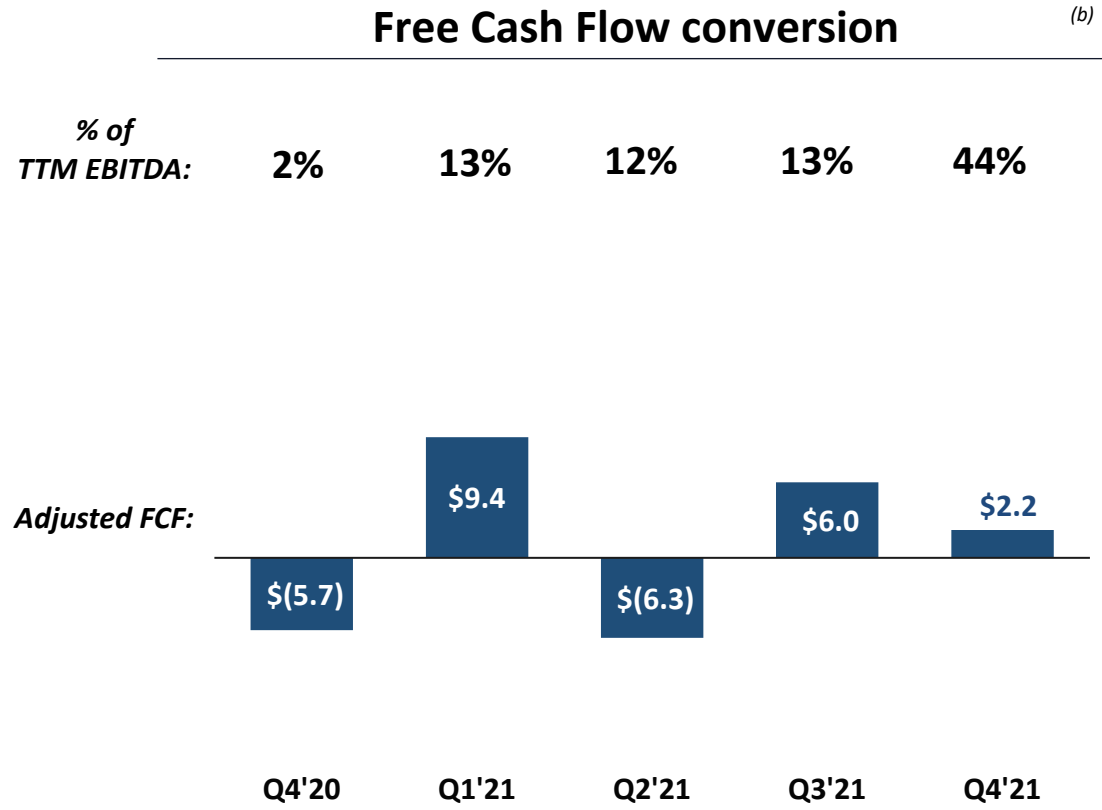
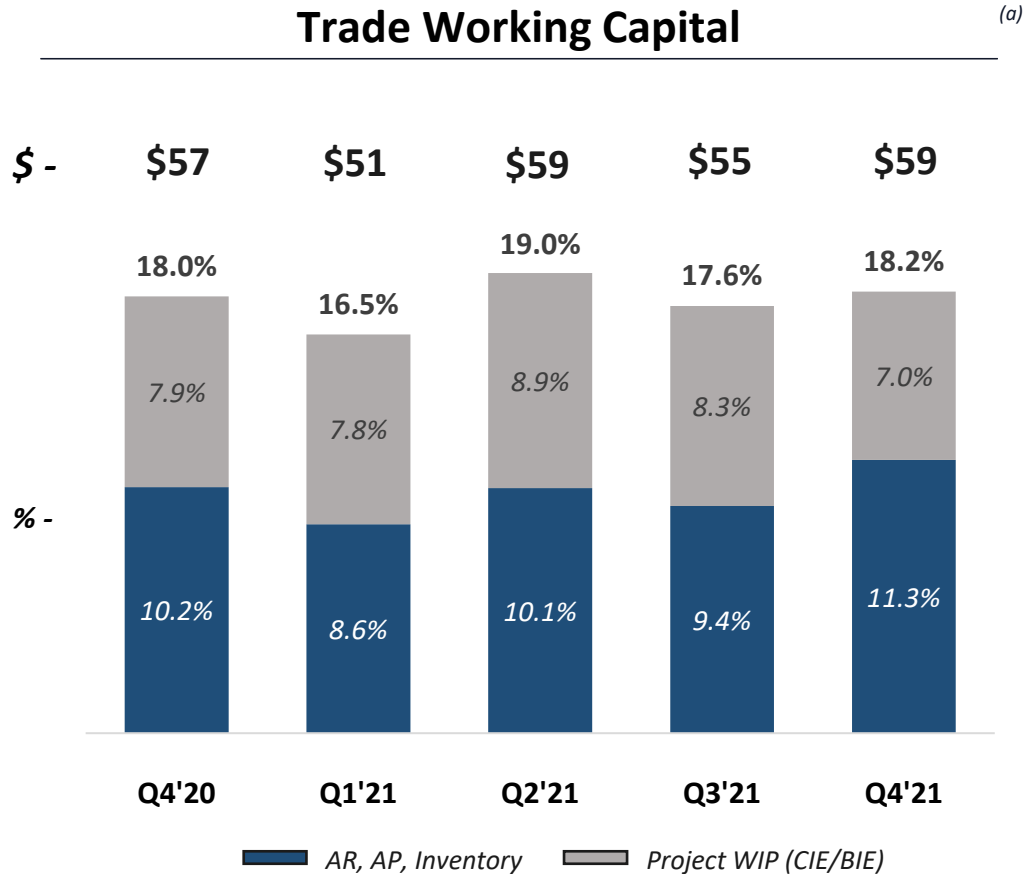
Gross Profit	\$ 100.9	(4%)	\$ (4.2)
-%	31.1%	(2.1)pts	
Op Income	\$ 19.1	(33%)	\$ (9.3)
-%	5.9%	(3.1)pts	
Adj. EBITDA\$	\$ 25.0	(24%)	\$ (7.8)
-%	7.7%	(2.7)pts	
Diluted EPS	\$ 0.28	(50%)	\$ (0.3)
Adj. FCF	11.3	2160%	\$ 10.8

- Grew orders ~30% YoY and achieved AOP ... growth in nearly all platforms
- Rev +3% and short AOP as long cycle projects in Sep/Fil & Cyclones delayed on customers
- GM%'s down ~(210) bps Y/Y on mix of inflation and PY priced backlog
- GAAP OI down predominantly on GM% offset by lower restructuring expense in 2021

- .....
- Non-GAAP OI down YoY on GM%, SG&A +\$5, Depr. +\$1, and Stock Comp +\$1 YoY
  - EBITDA down YoY on GM% and non-repeat of 1-X PY SG&A expenses
  - Free Cash flow exceptionally better than prior year on receivables collections, below AOP
  - Full Year non-GAAP effective tax rate of ~25%

# Working Capital remains elevated on mix of Customers and End markets

(\$MM)



- Q/Q AR increase offset by favorable Project WIP

- ~\$8mm FCF performance in 2H... opportunity to increase in '22

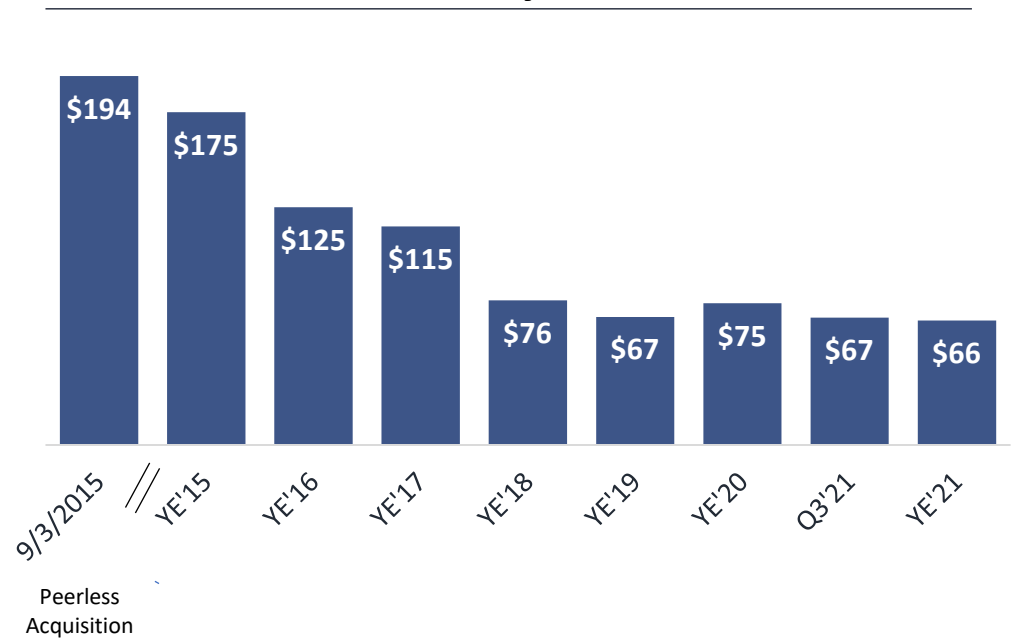


(a) W/C includes: Trade AR, Trade AP, Inventory and Cost/Billings of on TTM Revenue; Reported Basis.  
 (b) Adjusted Free Cash Flow = Cash Flow From Operations less Earnout classified as Operating Cash Flow less CAPEX spend.

# Healthy balance sheet with ample capital to deploy

(\$MM)

## Debt Paydown



## Balance sheet

	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Term Debt	\$ 46.9	\$ 45.6	\$ 45.0	\$ 44.1	\$ 43.5
Revolver	27.7	25.0	23.6	22.9	22.0
<b>Total Debt</b>	<b>\$ 74.6</b>	<b>\$ 70.6</b>	<b>\$ 68.6</b>	<b>\$ 67.0</b>	<b>\$ 65.5</b>
Cash	\$ 37.8	\$ 43.3	\$ 34.5	\$ 32.3	\$ 32.0
<b>Bank Defined Leverage Ratio</b>	<b>1.9x</b>	<b>1.9x</b>	<b>2.1x</b>	<b>2.2x</b>	<b>2.2x</b>
<b>Total Net Debt/TTM EBITDA</b>	<b>1.0x</b>	<b>0.8x</b>	<b>1.1x</b>	<b>1.2x</b>	<b>1.2x</b>

- Debt paydown of \$(1.5) in Q4... ~\$50 of capacity under credit facility
- Amended & extended credit agreement in Dec... creating more M&A capacity
- Finalized \$5mm share repurchase program in Q4 ... bought ~700k shares at ~\$7.15
- Acquired industrial flow control leader, GRC for ~\$24 million in March

# Looking Forward



# Looking Forward ... Committed to Growth in 2022

## Revisiting Q3'21 Earnings Information

### “What We Said”

- Orders averaging ~\$90 / quarter
- Revenue slow to turn ~\$75 quarter
- Backlog strong at ~\$220

**Translation = Growth**  
**A Simple Model / Outlook**

Orders turn to Sales ... ~\$90 x annualized =  
**\$350M to \$370M Revenue (Annual)**

### Profitability Expectations

Return to 30% to 33% Historic Range

Maintain Avg. SG&A at \$18.5 to \$19.5M  
EBITDA Margins > 10%



## Remain Bullish Exiting Q4 / 2021

- ✓ Orders > \$90
- ✓ Revenue starting to turn
- ✓ Backlog strong
- ✓ Pipeline > \$2B
- ✓ M&A pipeline kicking in

### Upside Potential:

- + Higher Volume / Maintain Orders
- + Increase Pricing to drive GM > 33%
- + Cost structure superior to '19 levels
- ++ M&A delivers more Sales / EBITDA
- Inflation and project Mix

# Transformation: Already Taking Steps ... Q1'22 Early Highlights

## Programmatic M&A: Strategic and Accretive

### CECO Environmental to Acquire Industrial Flow Control Leader GRC

Expands Infrastructure Expansion Joint Addressabl

Key highlights of the transaction include:

- Brands Maxi-Joint<sup>®</sup>, Flex-Valve<sup>®</sup> and SoundZorber<sup>®</sup> are leaders in infrastructure flow control markets
- With an average order size of ~\$100K, GRC increases CECO's short cycle mix to 27% from 22%
- GRC more than doubles platform addressable market size
- Recent \$500 billion US Infrastructure Bill to be a significant tailwind for water and pipeline markets
- Strong and predictable free cash flow at >90% EBITDA to free cash flow conversion

<https://investors.cecoenviro.com/2022-01-10-CECO-Environmental-to-Acquire-Industrial-Flow-Control-Leader-GRC>

## Expand Leadership in The Energy Transition and More ESG

### CECO Environmental Delivers Advanced Solutions for World's Largest Single-Shaft Geothermal Power Unit

The multi-cyclone technology removes moisture from steam in order to achieve the highest quality steam dryness of 99.98 percent, which is required for the steam turbine. The solution provides low total cost of ownership with high efficiency fluid removal, ensuring maximum protection and increased operational efficiency of the turbine.

"Geothermal power is an environmentally friendly solution for energy production, but the wellhead steam requires specific solutions to protect the turbine and adjust for fluctuating conditions," said David Barker, managing director of emerging markets, CECO Environmental. "CECO Peerless is one of the few leaders that can design, engineer and manufacture these advanced solutions to meet or exceed the customer's technical specifications and also New Zealand's codes and regulations. I am very proud of our Singapore-based operations who led this important project."

The geothermal energy sector represents just one example of strong international growth markets in clean energy that CECO Environmental is well positioned to serve. More information on the separators can be found by visiting: <https://www.cecoenviro.com/multi-cyclone-scrubber-centrifugal-separator-peerless>.

<https://investors.cecoenviro.com/2021-12-22-CECO-Environmental-Delivers-Advanced-Solutions-for-Worlds-Largest-Single-Shaft-Geothermal-Power-Unit>

## In Summary ...

- 2021 Was CECO's "Covid Year" Because of Low Starting Backlog (Impacted Rev + EBITDA)
- Pipeline Remains > \$2B ... Early Q1'22 Orders Remained Very Strong
- Focused to Deliver Solid Growth in 2022 ... Executing to Overcome Inflationary Environment
- Publishing CECO's Inaugural ESG Report Very Soon ... Will Ramp-up ESG-related Releases too
- CECO Transformation Underway: Programmatic / Focused / Accretive M&A

**Questions?**

# Supplemental Materials

Other Information

And

Non-GAAP Reconciliation

# Revenue excluding Acquisitions & Divestitures

<i>(dollars in millions)</i>	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021
Revenue as report in accordance with GAAP	\$ 341.9	\$ 80.5	\$ 75.2	\$ 77.4	\$ 82.9	\$ 316.0	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.2
Less revenue attributable to divestitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less revenue attributable to acquisitions and joint ventures	\$ -	\$ -	\$ (0.5)	\$ (5.9)	\$ (2.3)	\$ (8.7)	\$ (2.7)	\$ (5.5)	\$ (5.7)	\$ (6.0)	\$ (19.9)
<b>Organic Revenue</b>	<b>\$ 341.9</b>	<b>\$ 80.5</b>	<b>\$ 74.7</b>	<b>\$ 71.5</b>	<b>\$ 80.6</b>	<b>\$ 307.3</b>	<b>\$ 69.2</b>	<b>\$ 73.2</b>	<b>\$ 74.3</b>	<b>\$ 87.6</b>	<b>\$ 304.3</b>

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 Gross Profit and Margin

<i>(dollars in millions)</i>	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021
<b>Gross Profit as report in accordance with GAAP</b>	\$ 114.1	\$ 28.3	\$ 25.8	\$ 24.8	\$ 26.2	\$ 105.1	\$ 24.4	\$ 25.3	\$ 22.7	\$ 28.5	\$ 100.9
<i>Gross Profit margin in accordance with GAAP</i>	33.4%	35.2%	34.3%	32.0%	31.6%	33.3%	33.9%	32.1%	28.4%	30.4%	31.1%
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PP&E valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-GAAP Gross profit</b>	\$ 114.1	\$ 28.3	\$ 25.8	\$ 24.8	\$ 26.2	\$ 105.1	\$ 24.4	\$ 25.3	\$ 22.7	\$ 28.5	\$ 100.9
<i>Non-GAAP Gross profit margin</i>	33.4%	35.2%	34.3%	32.0%	31.6%	33.3%	33.9%	32.1%	28.4%	30.4%	31.1%

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 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021
<b>Operating Income as report in accordance with GAAP</b>	\$ 18.0	\$ 4.2	\$ 4.4	\$ 1.0	\$ 3.7	\$ 13.3	\$ 3.1	\$ 2.1	\$ (0.6)	\$ 5.3	\$ 9.9
<i>Operating margin in accordance with GAAP</i>	5.3%	5.2%	5.9%	1.3%	4.5%	4.2%	4.3%	2.7%	-0.8%	5.7%	3.1%
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PP&E valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 0.3	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8
Amortization	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.0	\$ 7.5	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7
Earn-out and retention expenses	\$ -	\$ -	\$ -	\$ 0.1	\$ 1.3	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1
Intangible asset impairment	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) Loss on divestitures, net of selling costs	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 0.6	\$ 2.4	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6
Executive transition expenses	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -
Facility exit expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-GAAP operating Income</b>	\$ 28.2	\$ 6.3	\$ 7.4	\$ 5.9	\$ 8.8	\$ 28.4	\$ 5.0	\$ 4.7	\$ 1.8	\$ 7.7	\$ 19.1
<i>Non-GAAP Operating margin</i>	8.2%	7.8%	9.8%	7.6%	10.6%	9.0%	7.0%	6.0%	2.3%	8.2%	5.9%

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

(dollars in millions)	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021
Net Income (loss) as report in accordance with GAAP	\$ 17.7	\$ 3.4	\$ 3.3	\$ (0.2)	\$ 1.8	\$ 8.3	\$ 1.2	\$ 0.3	\$ (1.2)	\$ 1.2	\$ 1.4
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PP&E valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 0.3	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8
Amortization	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.0	\$ 7.5	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7
Earn-out and retention expenses	\$ -	\$ -	\$ -	\$ 0.1	\$ 1.3	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1
Intangible asset impairment	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) Loss on divestitures, net of selling costs	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 0.6	\$ 2.4	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6
Executive transition expenses	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -
Facility exit expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred financing fee adjustment	\$ 0.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement	\$ (0.5)	\$ 0.5	\$ (0.6)	\$ 0.4	\$ -	\$ 0.3	\$ 0.6	\$ 1.1	\$ (0.1)	\$ 0.5	\$ 2.0
Tax benefit of expenses	\$ (2.5)	\$ (0.7)	\$ (0.6)	\$ (1.3)	\$ (1.3)	\$ (3.9)	\$ (0.6)	\$ (0.9)	\$ (0.6)	\$ (0.7)	\$ (2.8)
Zhongli Tax benefit	\$ (4.4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-GAAP net income</b>	<b>\$ 20.9</b>	<b>\$ 5.3</b>	<b>\$ 5.1</b>	<b>\$ 3.8</b>	<b>\$ 5.6</b>	<b>\$ 19.8</b>	<b>\$ 3.1</b>	<b>\$ 3.1</b>	<b>\$ 0.5</b>	<b>\$ 3.4</b>	<b>\$ 9.8</b>
Depreciation	\$ 2.2	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.6	\$ 2.3	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 3.2
Non-cash stock compensation	\$ 2.8	\$ 0.6	\$ 0.2	\$ 0.7	\$ 0.5	\$ 2.0	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9	\$ 3.3
Other (income)/expense	\$ (0.3)	\$ (1.5)	\$ 0.2	\$ (0.1)	\$ (1.0)	\$ (2.4)	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ 0.6	\$ 0.2
Interest expense	\$ 5.0	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.8	\$ 3.5	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 3.0
Income tax expense	\$ 2.4	\$ 1.5	\$ 1.2	\$ 1.5	\$ 3.4	\$ 7.6	\$ 1.2	\$ 1.1	\$ 0.7	\$ 2.6	\$ 5.5
<b>Adjusted EBITDA</b>	<b>\$ 33.0</b>	<b>\$ 7.4</b>	<b>\$ 8.2</b>	<b>\$ 7.3</b>	<b>\$ 9.9</b>	<b>\$ 32.8</b>	<b>\$ 6.4</b>	<b>\$ 6.4</b>	<b>\$ 3.5</b>	<b>\$ 9.1</b>	<b>\$ 25.0</b>
<i>Non-GAAP Operating margin</i>	<i>9.7%</i>	<i>9.2%</i>	<i>10.9%</i>	<i>9.4%</i>	<i>11.9%</i>	<i>10.4%</i>	<i>8.9%</i>	<i>8.1%</i>	<i>4.4%</i>	<i>9.7%</i>	<i>7.7%</i>
Basic Shares Outstanding	34,987,878	35,155,377	35,275,729	35,358,913	35,366,837	35,289,616	35,396,705	35,491,725	35,472,298	35,399,724	35,345,785
Diluted Shares Outstanding	35,484,273	35,394,865	35,410,182	35,358,913	35,655,014	35,520,670	35,774,208	35,819,269	35,472,298	35,537,136	35,594,779
<b>Earnings (loss) per share:</b>											
Basic	\$ 0.51	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.05	\$ 0.24	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04
Diluted	\$ 0.50	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.05	\$ 0.23	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04
<b>Non-GAAP earnings per share:</b>											
Basic	\$ 0.60	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.16	\$ 0.56	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28
Diluted	\$ 0.59	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.16	\$ 0.56	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28

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 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021
Net Cash provided by operating activities	\$ 10.2	\$ 7.0	\$ (4.9)	\$ 7.0	\$ (4.7)	\$ 4.4	\$ 9.9	\$ (5.8)	\$ 6.1	\$ 3.1	\$ 13.3
Add: earn-outs classified as operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.6	\$ -	\$ 0.6
Capital Expenditures	\$ (5.6)	\$ (1.0)	\$ (1.0)	\$ (0.9)	\$ (1.0)	\$ (3.9)	\$ (0.5)	\$ (0.5)	\$ (0.7)	\$ (0.9)	\$ (2.6)
<b>Adjusted Free Cash Flow</b>	<b>\$ 4.6</b>	<b>\$ 6.0</b>	<b>\$ (5.9)</b>	<b>\$ 6.1</b>	<b>\$ (5.7)</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>
TTM Adjusted FCF	\$ 4.6	\$ 24.8	\$ 17.2	\$ 15.1	\$ 0.5	\$ 0.5	\$ 3.9	\$ 3.5	\$ 3.4	\$ 11.3	\$ 11.3
TTM EBITDA	\$ 33.0	\$ 31.9	\$ 34.1	\$ 33.0	\$ 32.8	\$ 32.8	\$ 31.8	\$ 30.0	\$ 26.2	\$ 25.0	\$ 25.0
TTM FCF / EBITDA conversion	13.9%	77.7%	50.4%	45.8%	1.5%	1.5%	12.3%	11.7%	13.0%	45.2%	45.2%

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.