



Q1'21 Earnings Call

May 6th, 2021

CECO
ENVIRONMENTAL



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.

Great start to 2021

(\$MM)

Q1 2021 Financial Results

	<u>Result</u>	<u>YoY %</u>	<u>Seq %</u>	<u>Comments</u>
• Orders:	~ \$92	+22%	+19%	Great growth & balanced
• Sales:	~ \$72	(11)%	(13)%	Beginning backlog limited sales
Book-to-Bill ~ 1.3 ... Backlog Back Above \$200M				
• Gross Margin:	33.9%	(120)bp	+230bp	Continued good project execution
• Adj. EBITDA:	\$6.4	\$(1.0)	\$(3.4)	Strong conversion on sales / margins
• Adj. EPS:	\$0.09	\$(0.06)	\$(0.07)	Good start to EPS & difficult comps
• FCF:	\$9.4	+\$3.4	+\$15.1	Solid working capital conversion

Great SG&A Cost Management and Cash Flow Generation

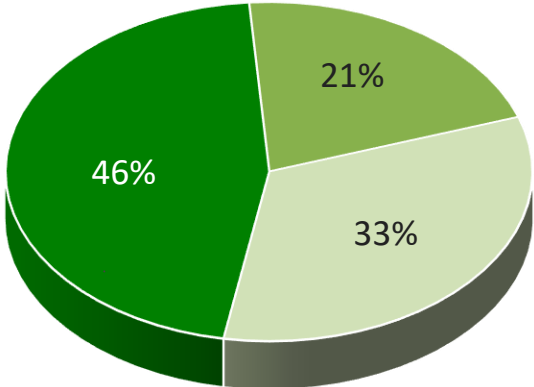
Environmental Solutions Leader for Diversified Industrial Markets

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Platform Solutions

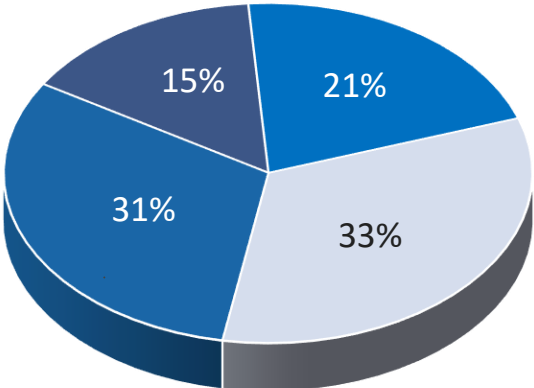
Air Pollution Control

- Particulate Filtration
- Scrubbers
- Chemical Abatement
- Thermal Abatement



Emissions Management

- De-NOx Reduction
- Exhaust Control
- Analytical Services



Separation

- Gas Separation
- Water Treatment

Industrial Ventilation

- Duct Fabrication
- Installation

Fluid Handling

- Pumps
- Liquid Filtration

Noise & Vibration

- Noise Abatement
- Vibration Control

Product Recovery

- FCC Cyclones

Segments

Industrial & Process Solutions

\$108 | 34%

Engineered Systems

\$208 | 66%

Revenue Mix
(2020)

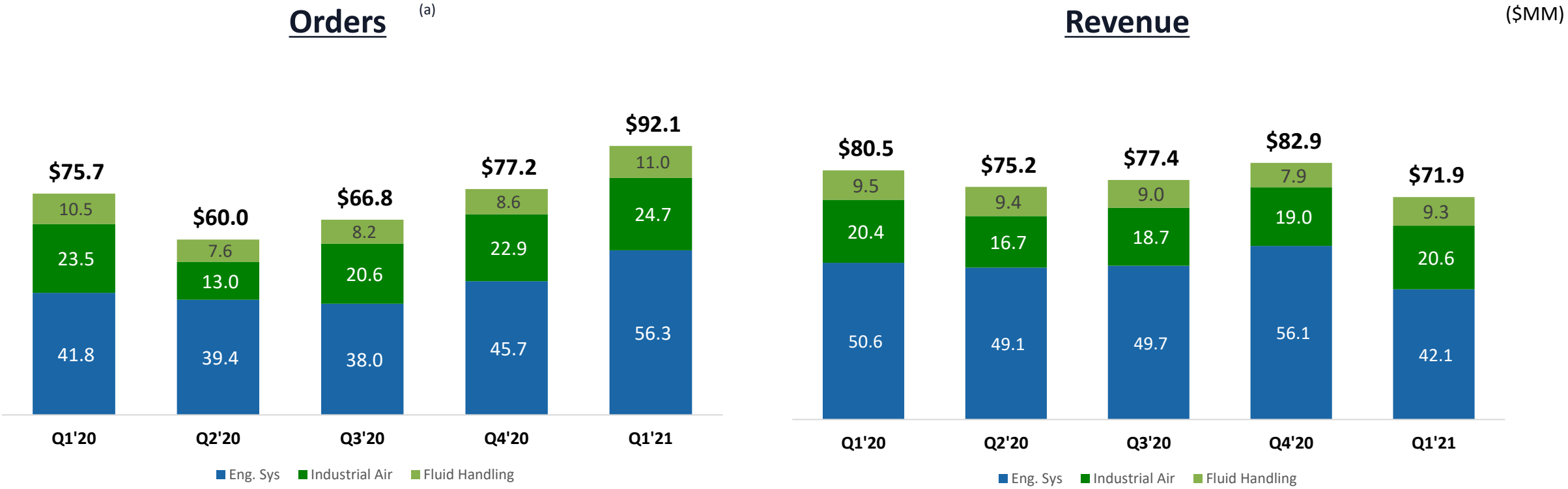
* Gross Orders, excludes Cancellations



Q1'21 Financials



Orders grew sequentially and YoY across all units ... Revenue to grow as Backlog converts



- Engineered Systems orders +23% sequentially and +35% YoY ... Revenue lower in Q1'21 on lowest starting backlog since '17
- Industrial orders: Air +8% sequentially and +5% YoY on APC products; Fluid +28% sequentially and +5% YoY on Liquid Filtration products
- Short cycle revenue totaled \$17.6 million, up \$0.7 or 4% sequentially but down \$(2.3) YoY or (11)% on site installation services

(a) Gross Bookings, excludes Cancellations

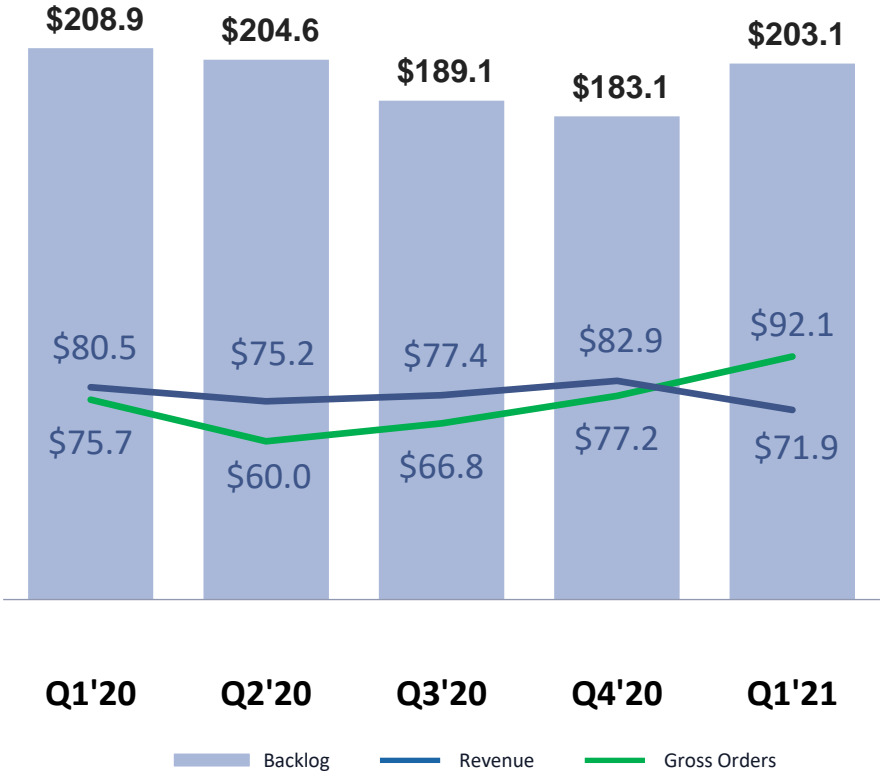
Orders Information by End-Markets Served (“historic view”)



* Gross Orders, excludes Cancellations

Backlog back above \$200 on strong bookings

(\$MM)



- Strong bookings generates 1.3X Book/Bill ratio... breaks 5 quarter slide
- Backlog up 11% sequentially and down (3)% Year over Year
- TTM Book to Bill Ratio at 0.96x
- CECO's 12-month Orders Pipeline eclipsing \$2.0B... up ~\$80MM v-PQ

Book/Bill	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
	0.94	0.80	0.86	0.93	1.28

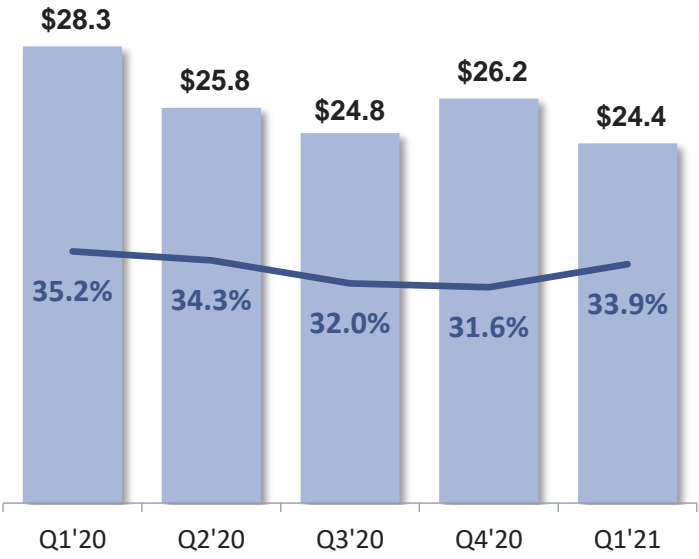


** Starting Backlog – Revenue + Gross Orders – Cancellations +/- FX = Ending Backlog. FX typically +/- ~\$1-3 per quarter.

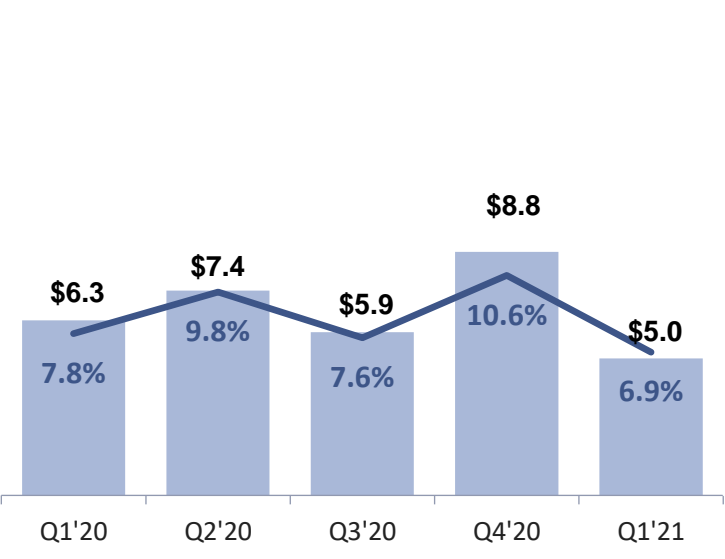
Gross margins improved on project execution; EBITDA lower on volume

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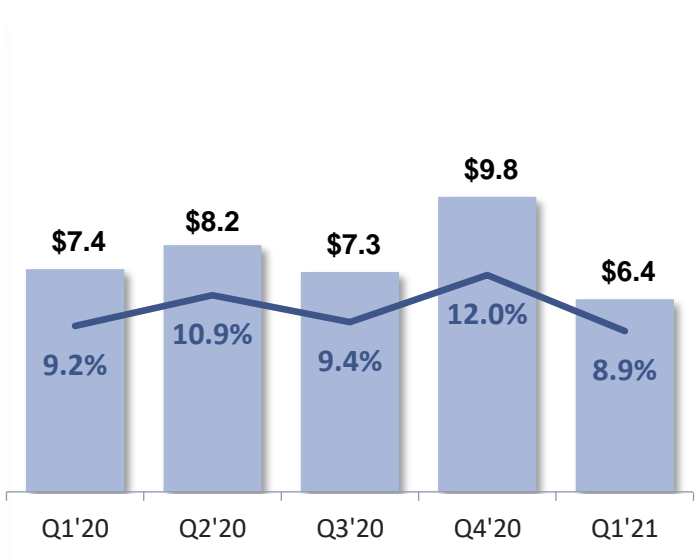
Non-GAAP Gross Profit



Non-GAAP Operating Income



Adjusted EBITDA



- Q1'21 GM at 33.9%... +2.3pts sequentially higher short cycle content but down (1.3) pts Y/Y on project mix
- Non-GAAP OI and Adj. EBITDA down Y/Y on ↓ volume offset by lower SG&A... robust decrementsals on '20 structural cost actions
- Sequentially, Non-GAAP OI and Adj. EBITDA down on lower volume offset by project margins

Project Margins & Cost actions offset lower Volumes... Cash flow outperforms

(\$MM)

	Three Months Ended			Q/Q
	Q1'21	Y/Y	Y/Y \$	
GAAP:				
Orders	\$ 92.1	22%	\$ 16.4	19%
Revenue	\$ 71.9	(11%)	\$ (8.6)	(13%)
Gross Profit	\$ 24.4	(14%)	\$ (3.9)	(7%)
-%	33.9%	(1.2)pts		2.3pts
Op Income	\$ 3.1	(26%)	\$ (1.1)	(16%)
-%	4.3%	(0.9)pts		(0.2)pts
Diluted EPS	\$ 0.03	(66%)	\$ (0.07)	(0.02)

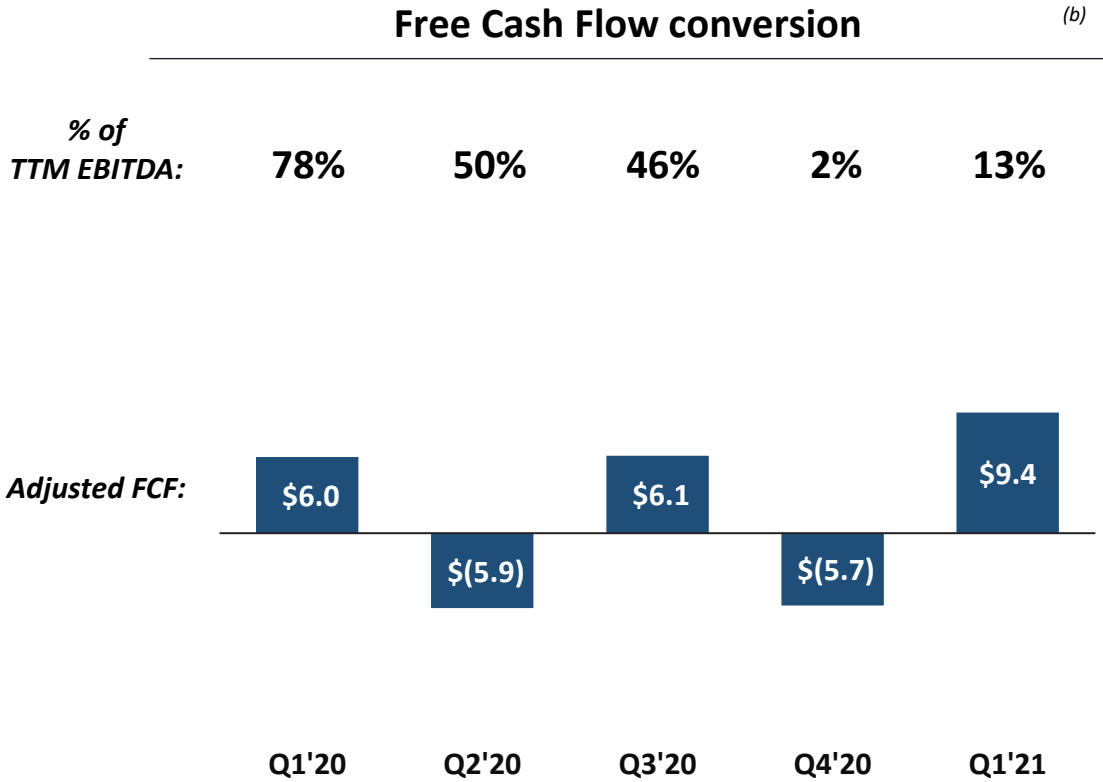
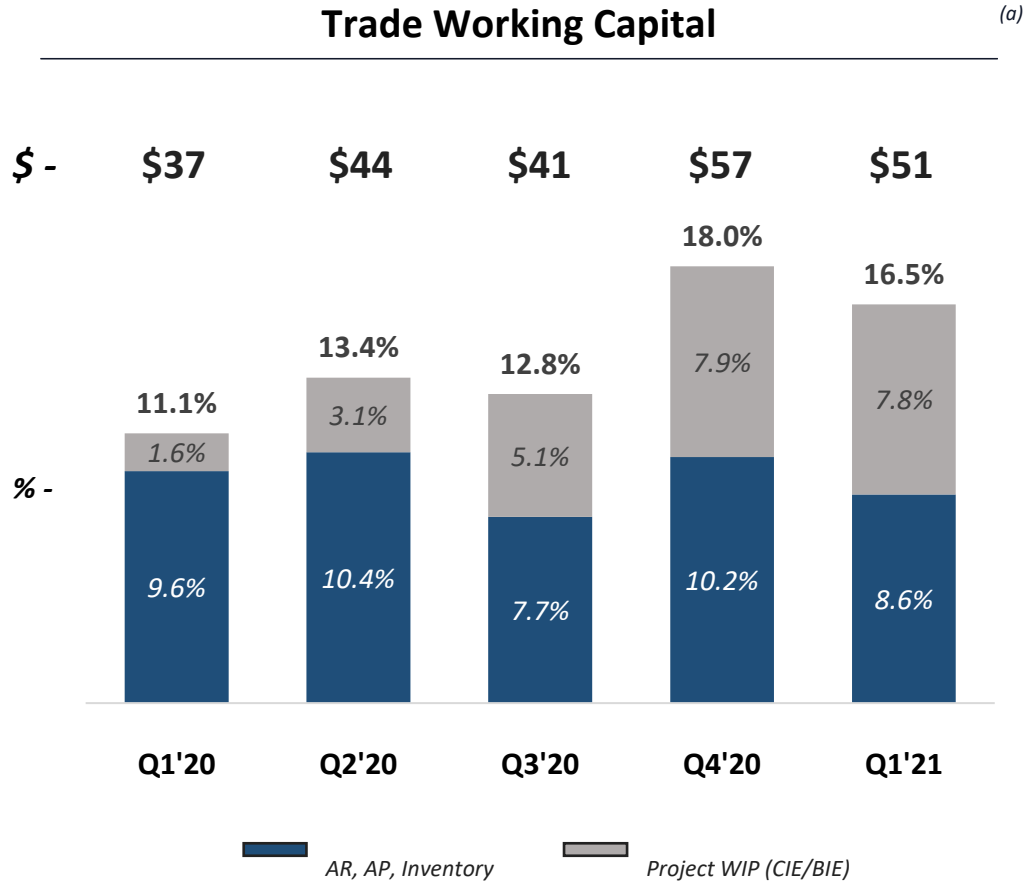
Non-GAAP:				
Gross Profit	\$ 24.4	-14%	\$ (3.9)	(7%)
-%	33.9%	-1.2pts		2.3pts
Op Income	\$ 5.0	-21%	\$ (1.3)	(43%)
-%	7.0%	(0.9)pts		(3.7)pts
Adj. EBITDA\$	\$ 6.4	-13%	\$ (1.0)	(35%)
-%	8.9%	(0.3)pts		(3)pts
Diluted EPS	\$ 0.09	-43%	\$ (0.06)	(0.07)
Adj. FCF	\$ 9.4	57%	\$ 3.4	1510%

- \$92 of Orders +19% Sequentially and +22% Y/Y... growth in all business units
- Revenue (11)% sequentially driven by lower Eng. Systems backlog to start Q1
- GM% up 2pts sequentially on short-cycle mix but down (1) pt YoY on project mix

-
- Non-GAAP EPS (9) cents YoY on volume... projecting FY'21 tax rate of ~25%
 - 8.9% EBITDA% down only (30)bps despite (11)% Revenue decline
 - \$9.4 Free Cash flow on improved collections and fewer project under-billings

FCF improves in Q1 on collections and fewer project milestone under-billings

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• Improved sequentially Project WIP under-billings & inventory

• \$9.4 of FCF generated driven by \$9.9 of CFOA less \$(0.5) CAPEX

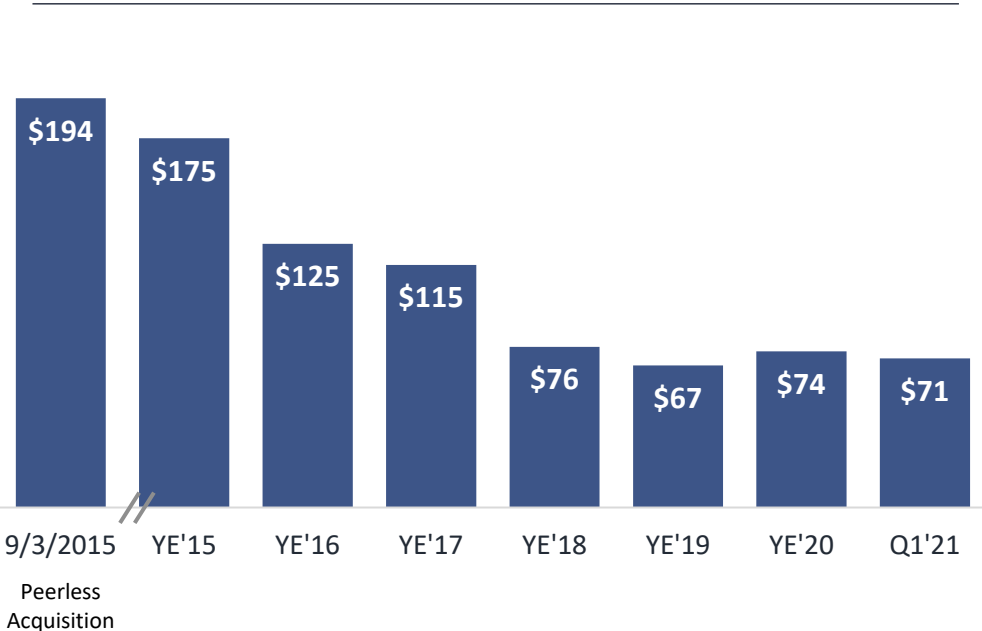


(a) W/C includes: Trade AR, Trade AP, Inventory and Cost/Billings of on TTM Revenue; Reported Basis.
 (b) Adjusted Free Cash Flow = Cash Flow From Operations less Earnout classified as Operating Cash Flow less CAPEX spend.

Continue to pay down debt... Balance sheet in healthy position

(\$MM)

Debt Paydown



Balance sheet

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Term Debt	\$ 48.1	\$ 47.5	\$ 46.9	\$ 46.3	\$ 45.6
Revolver	61.5	32.0	31.0	27.7	25.0
Total Debt	\$ 109.6	\$ 79.5	\$ 77.9	\$ 74.0	\$ 70.6
Cash	\$ 84.1	\$ 43.1	\$ 46.3	\$ 37.8	\$ 43.3
Bank Defined Leverage Ratio	1.5x	1.7x	1.8x	1.9x	1.9x
Total Net Debt/TTM EBITDA	0.7x	0.8x	0.8x	1.0x	0.8x

- Debt paydown of \$(3) in Q1... ~\$55 of capacity under credit facility
- Cash on hand is split 35% North America and 65% International

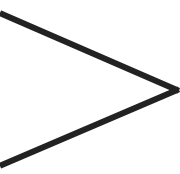


Looking Forward



2021: Deliver strong results while kicking-off transformational strategy

**Drive
Financial
Results**



- **Solid start to 2021** with Orders up 22% Y/Y ... Book-to-Bill ~ 1.3 ... FCF > \$9M
- Continue to execute projects with new cost structure to **sustain margin expansion**

Maintain Momentum on Orders Growth & Margin Execution

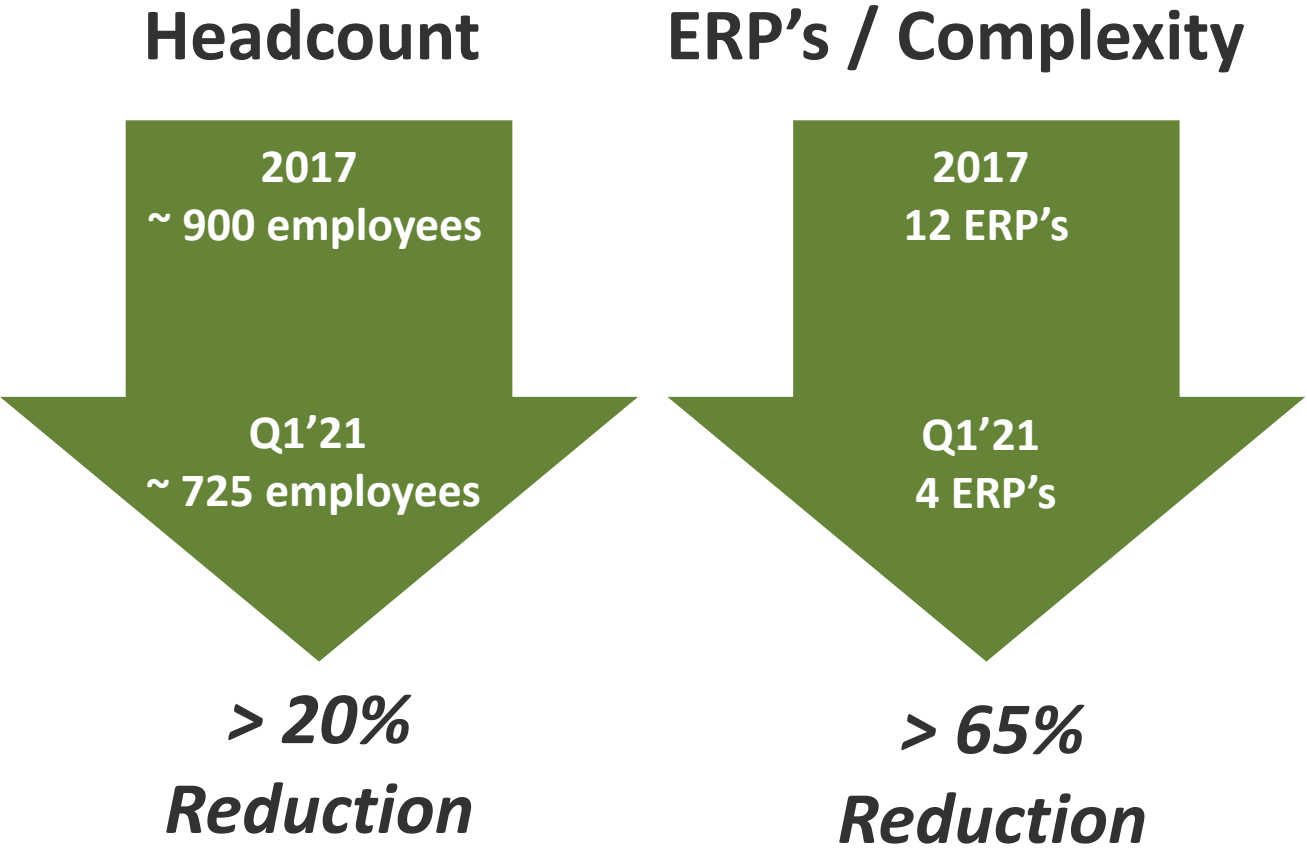
- Roll-out new enterprise strategy in Q2 / Q3 ... **transparent and executable**
- Continued commitment to **achieve or overdrive financial targets** (will update soon):
 - Topline growth > 5%
 - EBITDA Margins > 13%
 - FCF Conversion =/> 100% of Net Income
- Focused capital allocation for **portfolio transformation**
 - **'25 mix targets:** Short cycle >40% and Ind'l >50%... today 20% and 35%, respectively

Environmentally Focused Diversified Industrial Leader

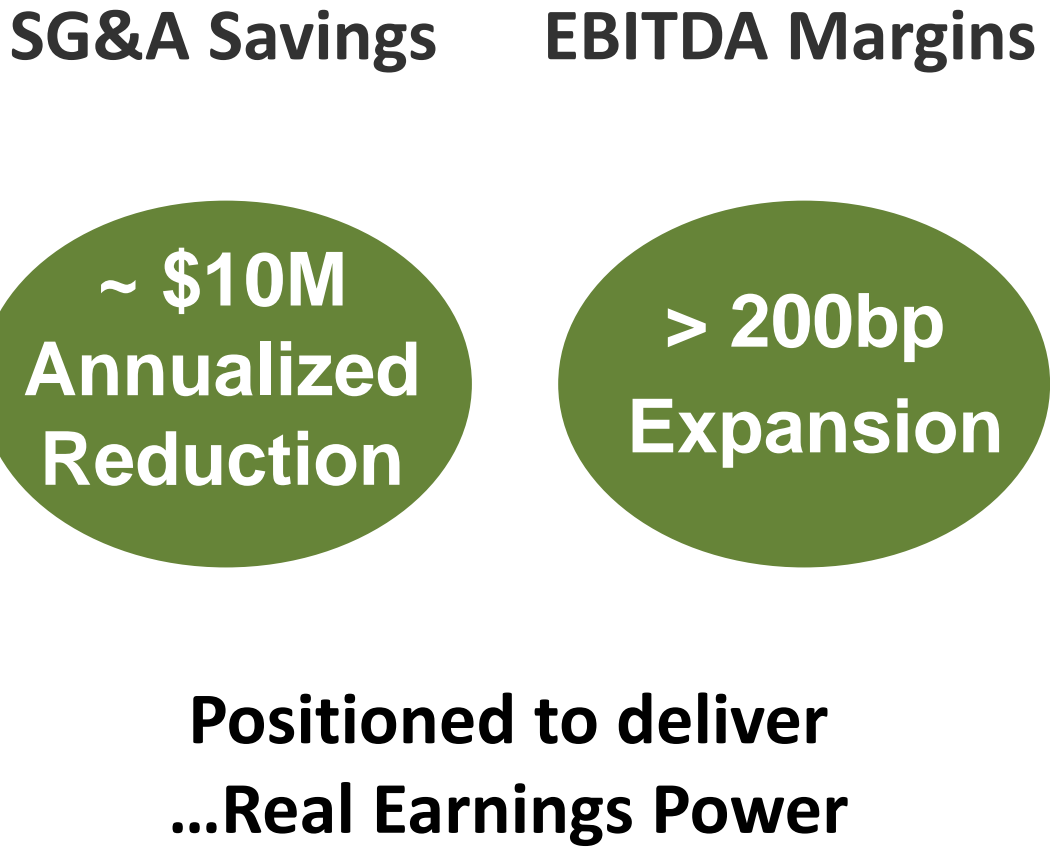


CECO structurally more efficient since previous downturn

Structural changes since '17...



Profitability improved...



Q1 2021 Earnings Conclusion

- Thank you Team CECO ... Commitment to our customers and health & safety!
- Strong start to 2021 ... Rebuilding our Backlog is critical
- Energy markets improving and many Industrial markets remain healthy
- Continue to focus on new markets, technologies and expanding awareness of CECO's leadership in Environmental, Social and Governance (ESG) areas ...

Questions?

Supplemental Materials

Other Information

And

Non-GAAP Reconciliation

Revenue excluding Acquisitions & Divestitures

<i>(dollars in millions)</i>	Annual 2018	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	TTM
Revenue as reported in accordance with GAAP	\$ 337.3	\$ 341.9	\$ 80.5	\$ 75.2	\$ 77.4	\$ 82.9	\$ 316.0	\$ 71.9	\$ 307.4
<i>Less revenue attributable to divestitures</i>	\$ (9.3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Less revenue attributable to acquisitions and joint ventures</i>	\$ -	\$ -	\$ -	\$ (0.5)	\$ (5.9)	\$ (2.6)	\$ (9.0)	\$ (2.7)	\$ (11.7)
Organic revenue	\$ 328.0	\$ 341.9	\$ 80.5	\$ 74.7	\$ 71.5	\$ 80.3	\$ 307.0	\$ 69.2	\$ 295.7

Non-GAAP Gross Profit and Margin

<i>(dollars in millions)</i>	Annual 2018	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	TTM
Gross profit as reported in accordance with GAAP	\$ 111.5	\$ 114.0	\$ 28.3	\$ 25.8	\$ 24.8	\$ 26.2	\$ 105.1	\$ 24.4	\$ 101.2
<i>Gross profit margin in accordance with GAAP</i>	33.1%	33.3%	35.2%	34.3%	32.0%	31.6%	33.3%	33.9%	32.9%
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP gross profit	\$ 111.5	\$ 114.0	\$ 28.3	\$ 25.8	\$ 24.8	\$ 26.2	\$ 105.1	\$ 24.4	\$ 101.2
<i>Non-GAAP Gross profit margin</i>	33.1%	33.3%	35.2%	34.3%	32.0%	31.6%	33.3%	33.9%	32.9%

Non-GAAP Operating Income and Margin

<i>(dollars in millions)</i>	Annual 2018	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	TTM
Operating income as reported in accordance with GAAP	\$ 10.0	\$ 18.0	\$ 4.2	\$ 4.4	\$ 1.0	\$ 3.7	\$ 13.3	\$ 3.1	\$ 12.2
<i>Operating margin in accordance with GAAP</i>	3.0%	5.3%	5.2%	5.9%	1.3%	4.5%	4.2%	4.3%	4.0%
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ -	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 0.3	\$ 1.4	\$ 0.1	\$ 1.5
Amortization	\$ 9.7	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.0	\$ 7.5	\$ 1.7	\$ 7.5
Earn-out and retention expenses	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 1.3	\$ 1.4	\$ 0.1	\$ 1.5
Intangible asset impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 0.9	\$ -	\$ 0.9
(Gain) Loss on divestitures, net of selling costs	\$ 4.4	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ -	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 0.6	\$ 2.4	\$ -	\$ 2.0
Executive transition expenses	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ 1.5	\$ -	\$ 1.5
Facility exit expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP operating income	\$ 24.1	\$ 28.2	\$ 6.3	\$ 7.4	\$ 5.9	\$ 8.8	\$ 28.4	\$ 5.0	\$ 27.1
<i>Non-GAAP Operating margin</i>	7.1%	8.2%	7.8%	9.8%	7.6%	10.6%	9.0%	7.0%	8.8%

Non-GAAP Net Income, Adjusted EBITDA and Margin

(dollars in millions)	Annual 2018	Annual 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	Q1 2021	TTM
Net (loss) income as reported in accordance with GAA	\$ (7.1)	\$ 17.7	\$ 3.4	\$ 3.3	\$ (0.2)	\$ 1.8	\$ 8.3	\$ 1.2	\$ 6.1
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ -	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 0.3	\$ 1.4	\$ 0.1	\$ 1.5
Amortization	\$ 9.7	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.0	\$ 7.5	\$ 1.7	\$ 7.5
Earn-out and retention expenses	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 1.3	\$ 1.4	\$ 0.1	\$ 1.5
Intangible asset impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.9	\$ 0.9	\$ -	\$ 0.9
Loss on divestitures, net of selling costs	\$ 4.4	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense	\$ -	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 0.6	\$ 2.4	\$ -	\$ 2.0
Executive transition expenses	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ -	\$ 1.5	\$ -	\$ 1.5
Facility exit expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred financing fee adjustment	\$ -	\$ 0.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement	\$ 0.8	\$ (0.5)	\$ 0.5	\$ (0.6)	\$ 0.4	\$ -	\$ 0.3	\$ 0.6	\$ 0.4
Tax benefit of expenses	\$ 2.4	\$ (2.5)	\$ (0.7)	\$ (0.6)	\$ (1.3)	\$ (1.3)	\$ (3.9)	\$ (0.6)	\$ (3.8)
Zhongli Tax benefit	\$ -	\$ (4.4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP net income	\$ 10.3	\$ 20.9	\$ 5.3	\$ 5.1	\$ 3.8	\$ 5.6	\$ 19.8	\$ 3.1	\$ 17.6
Depreciation	\$ 3.5	\$ 2.2	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.6	\$ 2.3	\$ 0.8	\$ 2.6
Non-cash stock compensation	\$ 3.1	\$ 2.8	\$ 0.6	\$ 0.2	\$ 0.7	\$ 0.5	\$ 2.0	\$ 0.7	\$ 2.1
Other (income)/expense	\$ (0.4)	\$ (0.3)	\$ (1.5)	\$ 0.2	\$ (0.1)	\$ (1.0)	\$ (2.4)	\$ (0.1)	\$ (1.0)
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	\$ 7.1	\$ 5.0	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.8	\$ 3.5	\$ 0.7	\$ 3.2
Income tax expense	\$ 6.6	\$ 2.4	\$ 1.5	\$ 1.2	\$ 1.5	\$ 3.4	\$ 7.6	\$ 1.2	\$ 7.3
Adjusted EBITDA	\$ 30.2	\$ 33.0	\$ 7.4	\$ 8.2	\$ 7.3	\$ 9.9	\$ 32.8	\$ 6.4	\$ 31.8
<i>Adjusted EBITDA margin</i>	<i>8.9%</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>10.3%</i>
Basic Shares Outstanding	34,714,395	34,987,878	35,155,377	35,275,729	35,358,913	35,366,837	35,289,616	35,396,705	35,343,782
Diluted Shares Outstanding	34,988,461	35,484,273	35,394,865	35,410,182	35,358,913	35,655,014	35,520,670	35,774,208	35,514,434
Earnings (loss) per share:									
Basic	\$ (0.20)	\$ 0.51	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.05	\$ 0.24	\$ 0.03	\$ 0.17
Diluted	\$ (0.20)	\$ 0.50	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.05	\$ 0.23	\$ 0.03	\$ 0.17
Non-GAAP earnings per share:									
Basic	\$ 0.30	\$ 0.60	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.16	\$ 0.56	\$ 0.09	\$ 0.50
Diluted	\$ 0.29	\$ 0.59	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.16	\$ 0.56	\$ 0.09	\$ 0.50

Adjusted Free Cash Flow

(dollars in millions)	Annual 2018	Annual 2019	1Q 2020	Q2 2020	Q3 2020	Q4 2020	Annual 2020	1Q 2021	TTM
Net cash provided by operating activities	22.0	10.2	7.0	(4.9)	7.0	(4.7)	4.4	9.9	7.3
Add: earn-outs classified as operating	2.9	-	-	-	-	-	-	-	-
Capital expenditures	(3.1)	(5.6)	(1.0)	(1.0)	(0.9)	(1.0)	(3.9)	(0.5)	(3.4)
Adjusted free cash flow	21.8	4.6	6.0	(5.9)	6.1	(5.7)	0.5	9.4	3.9
TTM Adjusted free cash flow	21.8	4.6	24.8	17.2	15.1	0.5	0.5	3.9	0.5
TTM EBITDA	30.2	33.0	31.9	34.1	33.0	32.8	32.8	31.8	33.0
TTM FCF / EBITDA Conversion	72.3%	13.9%	77.7%	50.4%	45.8%	1.5%	1.5%	12.3%	1.5%