



Q2 2022 Earnings Release

August 8, 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, 2021 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.

What You Will Hear Today ...

- Recently Announced Leadership Change Reflects CECO's Continued Evolution
 - CFO Transition = Peter Johansson new Chief Financial and Strategy Officer
 - HR Transition = Lynn Watkins-Asiyanbi new Chief Administrative & Legal Officer 00
- Outstanding Q2 and YTD Financial Results
- Transparent Roadmap ... Programs in Place For Sustainable Performance & Portfolio Shift
- Raising FY'22 Outlook
- Capital Allocation Supports Programmatic M&A and Share Buybacks

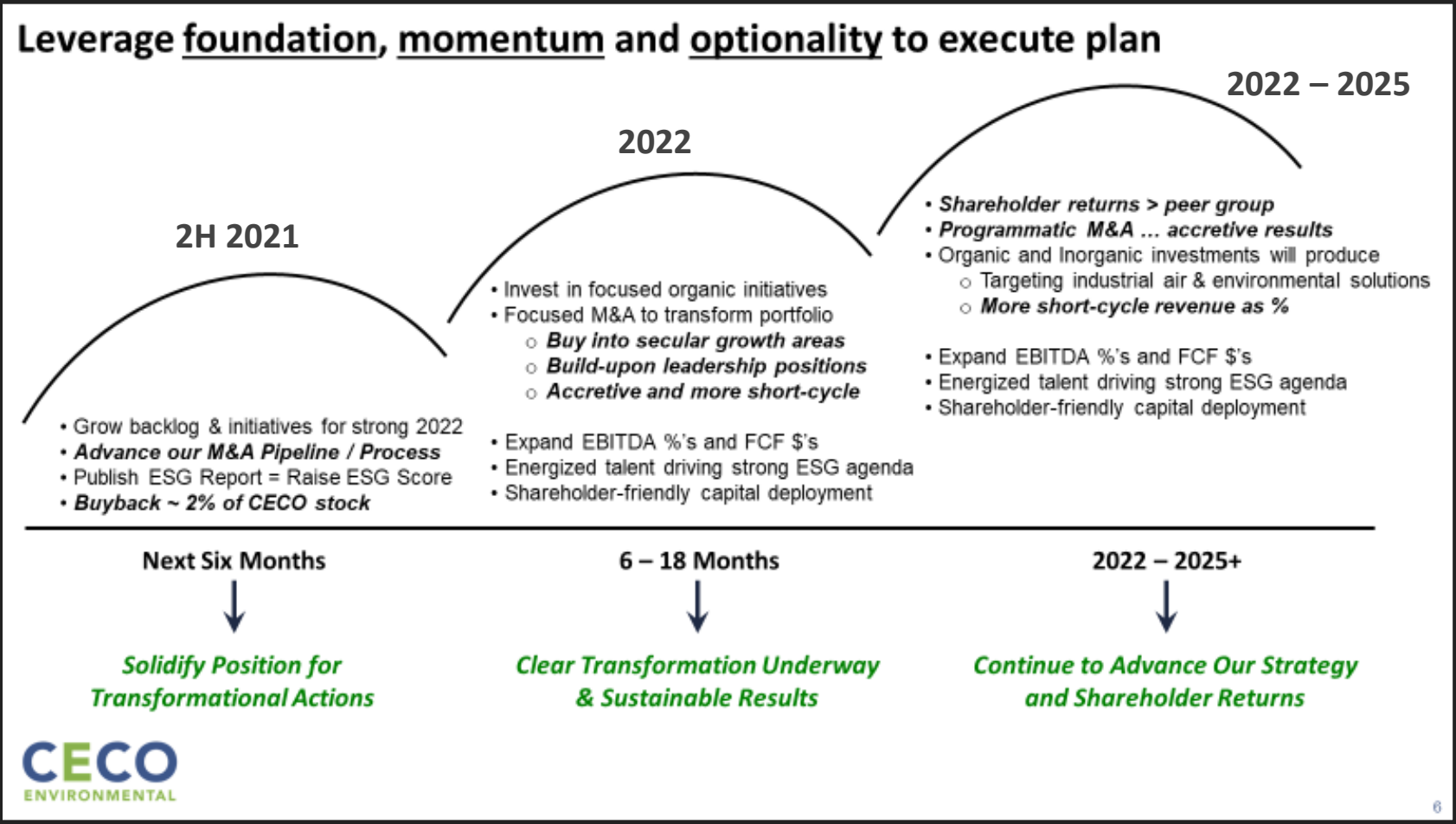
Great Year-to-Date Performance Is The Result of Systematic Change ...

2 Years into systematic program to reshape CECO and drive higher performance

- ✓ Todd Gleason joined as CEO in July 2020
- ✓ Navigated Covid and Challenging Operating Environment
- ✓ New Operating Structure = More Accountability, More Nimble, More Growth
- ✓ New ESG Strategy = Published Inaugural Report and Constituted Formal Program(s)
- ✓ New Board Members = New Perspectives
- ✓ New Executive Leadership Team = New Capabilities, Culture, and Processes
- ✓ New Capital Allocation = Programmatic M&A to Strengthen & Extend Core + Share Buybacks
- ✓ More Investment in New Products, Business Development / Growth

Transparency and Focus: What We Said A Year Ago ... Slide from Q2 2021

Slide From Q2 2021 Earnings Presentation Highlighting Execution Plan



- ✓ Finished 2021 As Expected
- ✓ ESG Report Published
- ✓ 2021 Share Buyback Completed
- ✓ \$20M Buyback Program Launch
- ✓ Initiated Programmatic M&A
- ✓ Organic Growth > Double Digits
- ✓ Shareholder Returns Underway
- ✓ In Better Position ... Advancing

Financial Performance

Q2 and YTD 2022 Financial Summary

	<u>Q2'22</u>	<u>YoY%</u>
Orders	\$114M	+33%
Sales	\$105M	+34%
Adj. EBITDA	\$10.6M 10.1%	+63% +180bps
Adj. EPS	\$0.18	+100% +\$0.09
FCF	\$19M	Very Strong

Current Backlog = Record Levels for CECO

Great Q2 and YTD Growth

Excellent Margin Expansion & FCF Conversion

	<u>1H'22</u>	<u>YoY%</u>
Orders	\$275M	+55%
Sales	\$198M	+31%
Adj. EBITDA	\$20.1M 10.2%	+56% +160bps
Adj. EPS	\$0.32	+88% +\$0.15
FCF	\$18M	Very Strong

Q2 Capital Allocation Actions



- **Completed two acquisitions in the quarter**
- **Compass Water: Leader in membrane-based industrial water treatment systems**
- **Western Air: Leader in Industrial Air / Dust Collection and Smart Sensor Technology**
- **Expands CECO's addressable industrial markets by > \$400M**

Share Repurchase Update

- **Completed ~ \$4M of share repurchases in Q2 equivalent to about 2 percent of shares**
- **Board Authorization: \$20M over 3 years¹ which was announced in May 2022²**
- **Share Repurchase Program highlights confident in cash flow generation and capital allocation strategies**

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

² CECO stock price of \$4.75 as of May 4, 2022

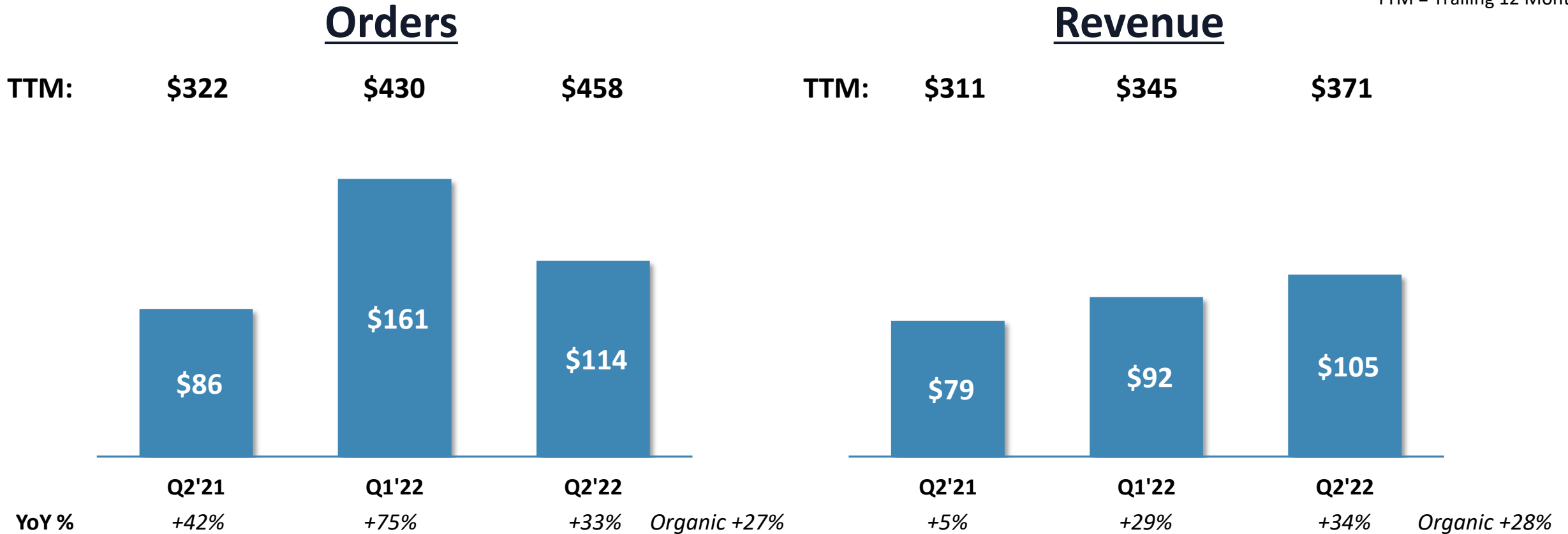
Q2'22 Full P&L Performance YoY and Sequential

(\$MM)

	<u>Q2'22</u>	<u>YoY %</u>	<u>Seq %</u>	<u>Comments</u>
Orders:	\$114	+33%	(29)%	Strength in Industrial Water and Air markets
Sales:	\$105	+34%	+14%	Steady execution from TTM backlog growth
Gross Margin:	30%	(210)bp	+150bp	Strategic pricing actions drive sequential rise
GAAP OI:	\$5.7	<i>Strong</i> ↑	+10%	} Increased volume driving operating leverage as scale matters!
Non-GAAP OI:	\$8.7	+83%	+12%	
Adj. EBITDA:	\$10.6	+63%	+12%	
GAAP EPS:	\$0.13	<i>Strong</i> ↑	+63%	
Adj. EPS:	\$0.18	+100%	+29%	Adj EPS up \$0.09 YoY ... +\$0.11 Operationally, \$(0.02) Interest Costs, Tax and F/X Offset

Great Orders Growth = Continued Solid Revenue Growth

(\$MM)
TTM = Trailing 12 Month

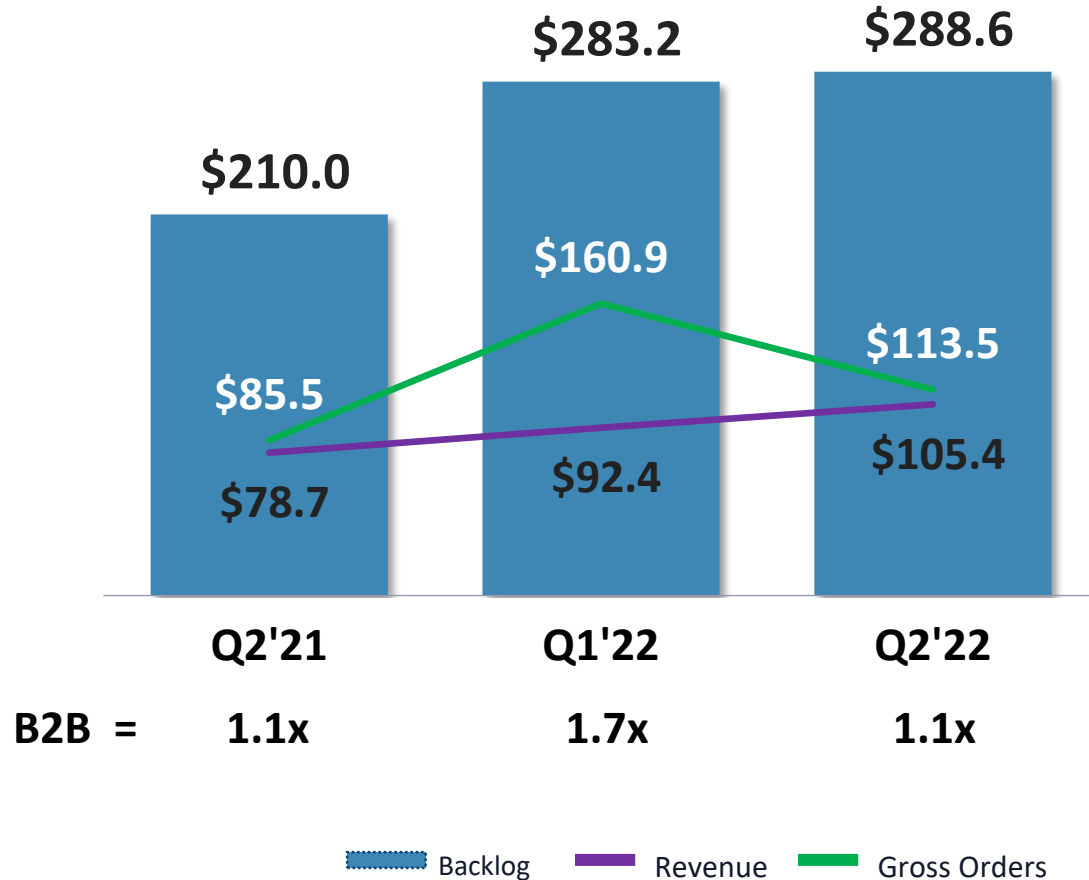


- \$275 record 1H orders topping 1H'16 by \$46 (+20%)
- Only 1 award >\$10M, Produced Water Treatment solution
- Industrial Air +18% YoY on Semi-Conductor & Eng'g. Wood orders, despite slower Bev Can quarter... well diversified!

- Nearly all platforms grew revenue YoY and Sequentially
- Record Backlog and Short-cycle sales driving growth for 2022+

Backlog Remains at Record levels

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

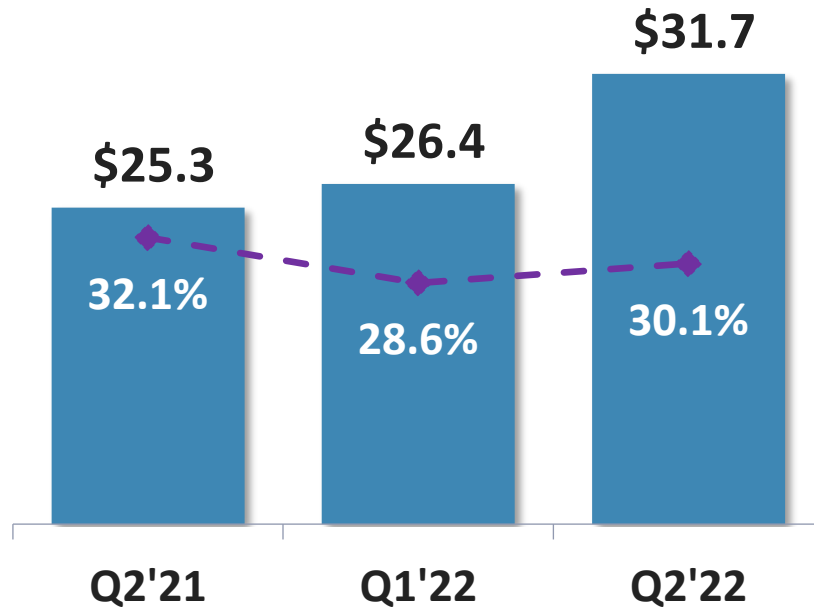


- Record Backlog up ~ 35% in '22
- 1H'22 B2B 1.4 = Future revenue growth
- TTM Book to Bill ratio at 1.2x
- Opportunity pipeline remains > \$2B

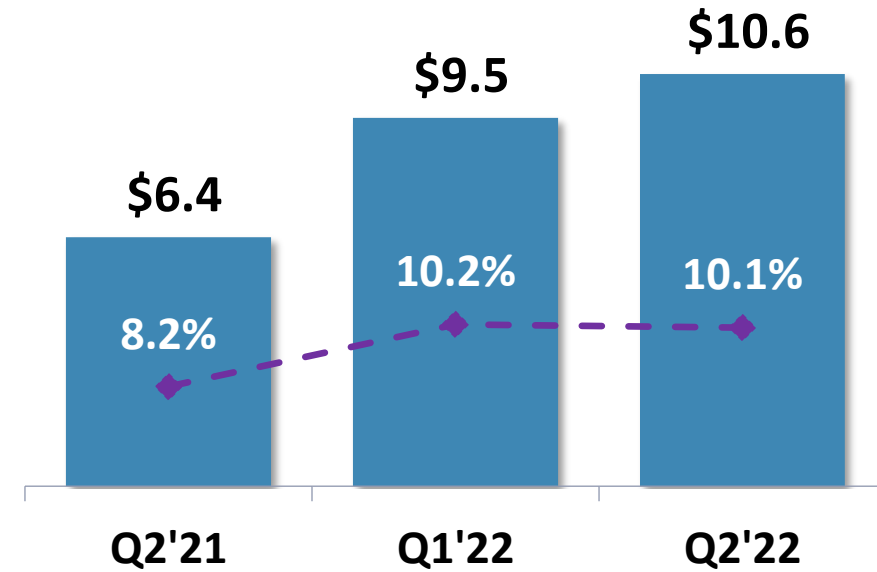
EBITDA Margins > 10% ... Inflation Remains Challenged in GM%

(\$MM)

Non-GAAP Gross Profit



Adjusted EBITDA

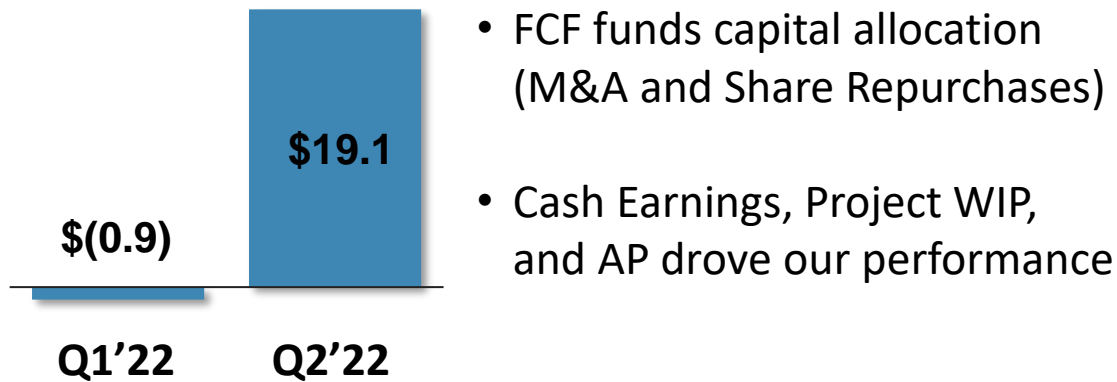


- **Gross Profits:** \$31.7 up on volume and pricing actions; 30% showing continued improvement from Q3'21 lows
- **Price:** Continue to raise prices to address inflation and capture value ... benefits showing up in P&L as backlog turns
- **EBITDA:** Up Significantly as Sales Volume absorbs SG&A costs.... demonstrates CECO's strong operating leverage!

Robust FCF Generation and Healthy Balance Sheet

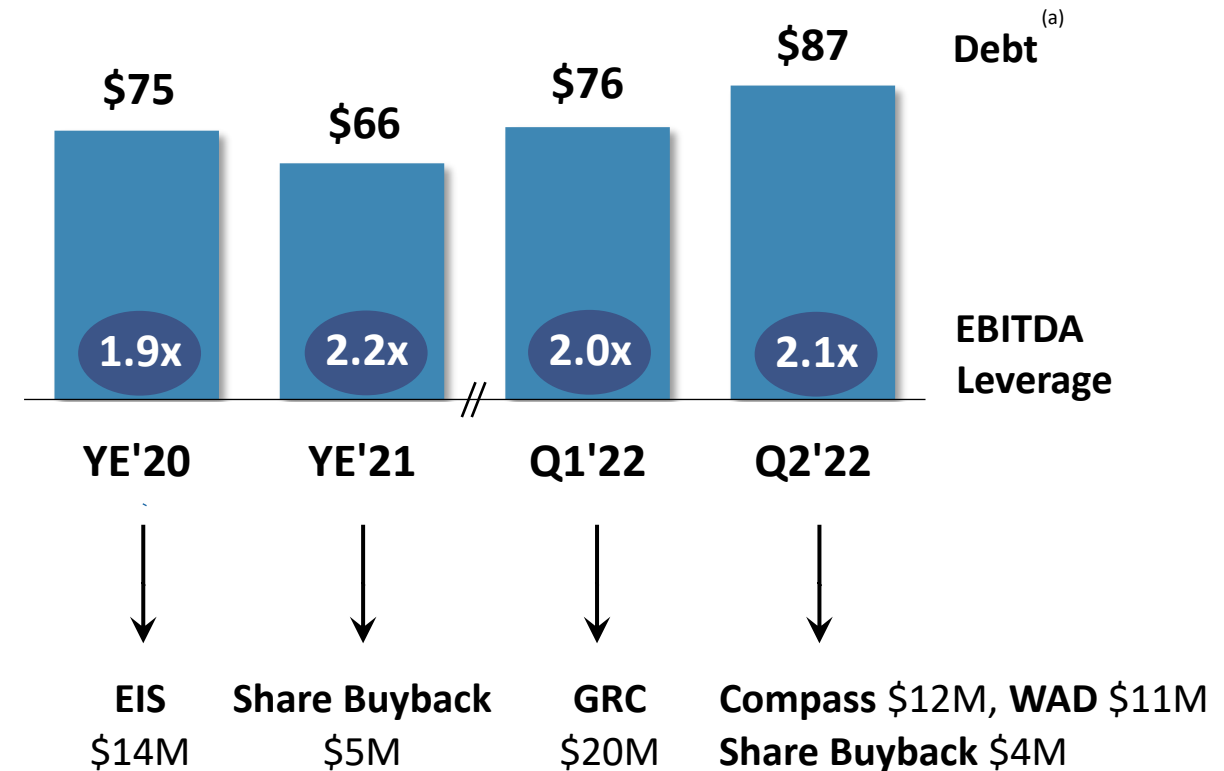
(\$MM)

Strong YTD FCF Performance



	FCF	% EBITDA
Q2'22 TTM:	\$26	80%
FY'21:	\$11	44%
FY'20:	\$1	2%

Maintaining Consistent Leverage While Active Capital Program (M&A, Share Buy)



Debt / Leverage Steady even after ~ \$65M Capital Deployed

(a) \$10.5M debt belonging to unrestricted JV (acquisition of GRC) not shown; excluded from Credit Facility but included in \$96 of Consolidated Debt

Looking Forward

Increasing Full Year 2022 Guidance

(\$MM)

	FY 2022		
Orders	\$430 – \$450 Midpoint +20% YoY	↑	• Orders: Pipeline still strong, B2B YTD >1.0, Headlines remain concerning and supply chain remains challenging but improving
Sales	\$375 – \$400+ Midpoint +20% YoY	↑	• Sales: Execution + Big Backlog + M&A
Gross Margins	~ 29% – 31% Down ~ 200 bps	→	• Gross Margins: Improving and 2H % expected to be up YoY
Adj. EBITDA	\$37 - \$40+ Midpoint +50% YoY	↑	• Adj EBITDA: Raised Low + High End of Range to Reflect Execution

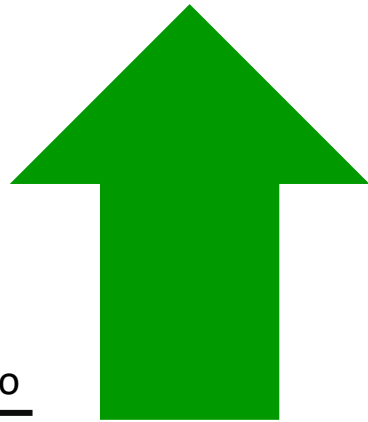
- Execution and Backlog Levels Provide Support for Guidance Raise Across the Board
- Pipeline Remains Robust ... Q2 Orders Very Strong Despite Not Many “Large Projects”
- We Know Economy is Uncertain ... Controlling Costs but Making Important Investments, too

CECO In Better Position Than Ever for Higher Performance

An Updated Transparent “High Level” Roadmap ... Toward CECO 2.0

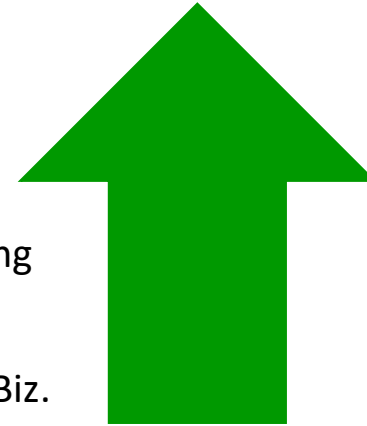
- Strong 2H’22 Results
 - Exit ‘22 w/ Great Backlog
 - Accretive M&A Continues
 - Share Buyback Continues
 - More Short Cycle in Portfolio
-

Strong Finish to 2022



- Programmatic / Accretive M&A
 - Operating Model Deployment
 - Sustain Organic Growth
 - Portfolio Evaluation / Rebalancing
 - Share Buybacks Continue
 - Short Cycle Grows to ~35%+ of Biz.
-

**Accelerate Execution
in 2023**



- Accelerate Investments in Growth
 - New Adjacencies / Short Cycle ~ 50%
 - Full Operating Model Deployed
 - EBITDA Margins in Teens
 - High Performance Culture
 - Deliver Meaningful Earnings Growth
-

**Continue to Accelerate
2023 – 2025**

Summary

- YTD performance very strong ... great growth and operating leverage
- Record backlog = Future growth already in place
- Full Year Guidance ... Increased to reflect backlog, pipeline and execution
- Capital Allocation ... M&A + Share Repurchases = Additional Value
- Management changes reflect new capabilities and transition is smooth
- Steady portfolio shift underway with higher performance

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

Appendix

Supplemental Materials

Revenue Excluding Acquisitions

<i>(dollars in millions)</i>	Annual 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	TTM
Revenue as report in accordance with GAAP	\$ 316.0	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.1	\$ 92.4	\$ 105.4	\$ 371.4
<i>Less revenue attributable to acquisitions and joint ventures</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.7)	\$ (4.6)	\$ (5.3)
Organic Revenue	\$ 316.0	\$ 71.9	\$ 78.7	\$ 80.0	\$ 93.6	\$ 324.1	\$ 91.7	\$ 100.8	\$ 366.1

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 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	TTM
Operating Income as report in accordance with GAAP	\$ 13.3	\$ 3.1	\$ 2.1	\$ (0.6)	\$ 5.3	\$ 9.9	\$ 5.2	\$ 5.7	\$ 15.6
<i>Operating margin in accordance with GAAP</i>	4.2%	4.3%	2.7%	-0.8%	5.7%	3.1%	5.6%	5.4%	4.2%
Acquisition and integration expenses	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.5	\$ 3.1
Amortization	\$ 7.4	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7	\$ 1.5	\$ 1.5	\$ 6.2
Earn-out and retention expenses	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1	\$ -	\$ -	\$ 0.4
Intangible asset impairment	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 2.4	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6	\$ 0.1	\$ -	\$ 0.5
Executive transition expenses	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP operating Income	\$ 28.3	\$ 5.0	\$ 4.7	\$ 1.8	\$ 7.7	\$ 19.1	\$ 7.8	\$ 8.7	\$ 25.8
<i>Non-GAAP Operating margin</i>	9.0%	7.0%	6.0%	2.3%	8.2%	5.9%	8.4%	8.3%	6.9%

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 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Annual 2021	Q1 2022	Q2 2022	TTM
Net Income (loss) as report in accordance with GAAP	\$ 8.2	\$ 1.2	\$ 0.3	\$ (1.2)	\$ 1.2	\$ 1.4	\$ 2.8	\$ 4.4	\$ 7.2
Acquisition and integration expenses	\$ 1.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.5	\$ 0.8	\$ 1.0	\$ 1.5	\$ 3.2
Amortization	\$ 7.4	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.6	\$ 6.7	\$ 1.5	\$ 1.5	\$ 6.3
Earn-out and retention expenses	\$ 1.4	\$ 0.1	\$ 0.6	\$ 0.1	\$ 0.3	\$ 1.1	\$ -	\$ -	\$ 0.4
Intangible asset impairment	\$ 0.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 2.3	\$ -	\$ 0.3	\$ 0.4	\$ -	\$ 0.6	\$ 0.1	\$ -	\$ 0.5
Executive transition expenses	\$ 1.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement	\$ 0.3	\$ 0.6	\$ 1.1	\$ (0.1)	\$ 0.5	\$ 2.0	\$ 0.3	\$ (0.3)	\$ 0.4
Tax benefit of expenses	\$ (3.8)	\$ (0.6)	\$ (0.9)	\$ (0.6)	\$ (0.7)	\$ (2.8)	\$ (0.7)	\$ (0.7)	\$ (2.7)
Non-GAAP net income	\$ 19.6	\$ 3.1	\$ 3.1	\$ 0.5	\$ 3.4	\$ 9.8	\$ 5.0	\$ 6.4	\$ 15.3
Depreciation	\$ 2.5	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 3.2	\$ 0.8	\$ 0.9	\$ 3.3
Non-cash stock compensation	\$ 2.0	\$ 0.7	\$ 0.9	\$ 0.9	\$ 0.9	\$ 3.3	\$ 0.9	\$ 0.9	\$ 3.6
Other (income)/expense	\$ (2.3)	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ 0.6	\$ 0.2	\$ 0.2	\$ (1.6)	\$ (0.9)
Interest expense	\$ 3.5	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.8	\$ 3.0	\$ 0.8	\$ 1.1	\$ 3.4
Income tax expense	\$ 7.6	\$ 1.2	\$ 1.1	\$ 0.7	\$ 2.6	\$ 5.5	\$ 1.8	\$ 2.6	\$ 7.7
Non-Controlling Interest	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.6	\$ -	\$ 0.3	\$ 0.7
Adjusted EBITDA	\$ 32.8	\$ 6.5	\$ 6.5	\$ 3.6	\$ 9.4	\$ 25.6	\$ 9.5	\$ 10.6	\$ 33.1
<i>Non-GAAP Operating margin</i>	<i>10.4%</i>	<i>9.0%</i>	<i>8.3%</i>	<i>4.5%</i>	<i>10.0%</i>	<i>7.9%</i>	<i>10.3%</i>	<i>10.1%</i>	<i>8.9%</i>
Basic Shares Outstanding	35,289,616	35,396,705	35,491,725	35,472,298	35,399,724	35,345,785	35,051,034	34,873,238	35,199,074
Diluted Shares Outstanding	35,520,670	35,774,208	35,819,269	35,472,298	35,537,136	35,594,779	35,199,201	35,041,152	35,312,447
Earnings (loss) per share:									
Basic	\$ 0.24	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.13	\$ 0.20
Diluted	\$ 0.23	\$ 0.03	\$ 0.01	\$ (0.03)	\$ 0.03	\$ 0.04	\$ 0.08	\$ 0.13	\$ 0.20
Non-GAAP earnings per share:									
Basic	\$ 0.55	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.18	\$ 0.43
Diluted	\$ 0.55	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.10	\$ 0.28	\$ 0.14	\$ 0.18	\$ 0.43

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	Q2 2022	TTM
Net Cash provided by operating activities	\$ 4.4	\$ 9.9	\$ (5.8)	\$ 6.1	\$ 3.1	\$ 13.3	\$ (0.2)	\$ 18.9	\$ 28.0
Add: earn-outs classified as operating	\$ -	\$ -	\$ -	\$ 0.6	\$ -	\$ 0.6	\$ -	\$ 1.0	\$ 1.6
Capital Expenditures	\$ (3.9)	\$ (0.5)	\$ (0.5)	\$ (0.7)	\$ (0.9)	\$ (2.6)	\$ (0.7)	\$ (0.8)	\$ (3.1)
Adjusted Free Cash Flow	\$ 0.5	\$ 9.4	\$ (6.3)	\$ 6.0	\$ 2.2	\$ 11.3	\$ (0.9)	\$ 19.1	\$ 26.5
TTM Adjusted FCF	\$ 0.5	\$ 3.9	\$ 3.5	\$ 3.4	\$ 11.3	\$ 11.3	\$ 1.0	\$ 26.4	\$ 26.4
TTM EBITDA	\$ 32.8	\$ 31.9	\$ 30.2	\$ 26.5	\$ 25.7	\$ 25.7	\$ 29.0	\$ 33.1	\$ 33.1
TTM FCF / EBITDA conversion	1.5%	12.2%	11.6%	12.8%	44.0%	44.0%	3.4%	79.8%	79.8%

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.