



Introduction to Montrose Environmental &

Third Quarter 2020 Earnings Call



November 12, 2020

Safe Harbor

Statements contained herein and in the accompanying oral presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of words such as “intend,” “expect”, and “may”, and other similar expressions that predict or indicate future events or that are not statements of historical matters. Forward-looking statements are based on current information available at the time the statements are made and on management’s reasonable belief or expectations with respect to future events, and are subject to risks and uncertainties, many of which are beyond Montrose Environmental Group, Inc.’s (“Montrose,” “we,” “us” and “our”) control, that could cause actual performance or results to differ materially from the belief or expectations expressed in or suggested by the forward-looking statements. Further, many of these factors are, and may continue to be, amplified by the COVID-19 pandemic. Additional factors or events that could cause actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect future events, developments or otherwise, except as may be required by applicable law. Investors are referred to Montrose’s filings with the Securities and Exchange Commission, including its final prospectus dated July 22, 2020, for additional information regarding the risks and uncertainties that may cause actual results to differ materially from those expressed in any forward-looking statement.

Included in this presentation and the accompanying oral presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) designed to supplement, and not substitute, Montrose's financial information presented in accordance with GAAP. The non-GAAP measures as defined by Montrose may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that Montrose's future results, cash flows or leverage will be unaffected by other unusual or nonrecurring items. Please see the appendix to this presentation for how we define these non-GAAP measures, a discussion of why we believe they are useful to investors and certain limitations thereof, and reconciliations thereof to the most directly comparable GAAP measures.

The data included in this presentation regarding markets and the industry in which we operate, including the size of certain markets, are based on publicly available information, reports of government agencies, published industry sources and the Environmental Industry Study prepared by Environmental Business International, Inc. (“EBI”), which study we commissioned. In presenting this information, we have also made certain estimates and assumptions that we believe to be reasonable based on the information referred to above and similar sources, as well as our internal research, calculations and assumptions based on our analysis of such information and our knowledge of, and our experience to date in, our industries and markets. Market share data is subject to change and may be limited by the availability of raw data, the voluntary nature of the data gathering process and other limitations inherent in any statistical survey of market share data. In addition, customer preferences are subject to change. Accordingly, you are cautioned not to place undue reliance on such market share data or any other such estimates. While we believe such information is reliable, we cannot guarantee the accuracy or completeness of this information, and have we independently verified any third-party information and data from our internal research has not been verified by any independent source.

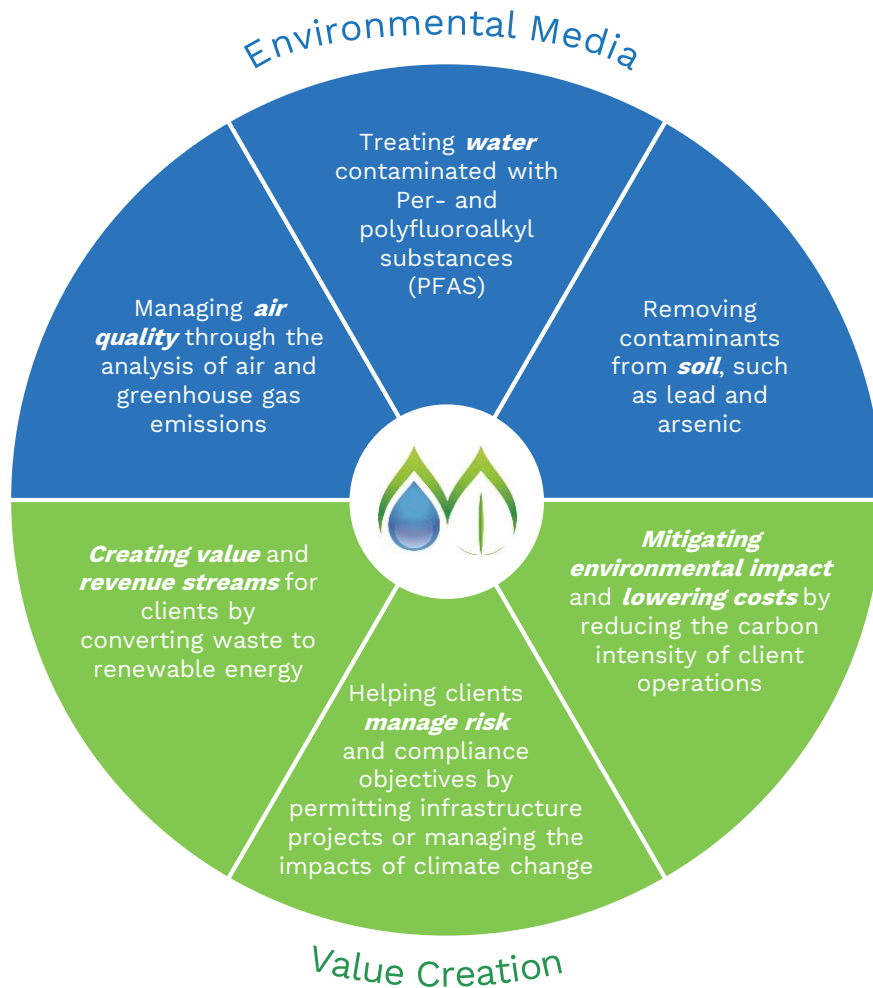


Business Overview



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Montrose Environmental at a Glance



- High growth environmental solutions company with a unique focus on ESG excellence
- Completed IPO in July 2020
- Resilient revenue with repeat client base and diverse end markets
- Consistent record of organic and inorganic annual growth
- Strong cash flow profile and well positioned balance sheet

Highlights

- Accelerating demand in Q3 drove strong results and business momentum
- New business wins providing for solid performance across key services and geographies
- Acquisitions and Organic growth driving revenue growth well ahead of +20% per year target
- Adjusted EBITDA⁽¹⁾ growth at more than double the pace of revenue
- Resilient business model and focused execution on track to achieve improved 2020 outlook

(1) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA adds back non-recurring expenses. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue. See the appendix to this presentation for a discussion of these measures and a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure.

Q3 2020

Revenue

+47%

to \$84.7M

Adj. EBITDA⁽¹⁾

+107%

to \$16.7M

Adj. EBITDA Margin⁽¹⁾

+570 bps

to 19.7% of Revenue

Q3 2020 YTD

Revenue

+32%

to \$219.5M

Adj. EBITDA⁽¹⁾

+75%

to \$36.2M

Adj. EBITDA Margin⁽¹⁾

+400 bps

to 16.5% of Revenue



Strong Record of Profitable Growth Continues in 2020

Multiple Levers to Drive Growth

Organic Growth

- Continued market share gains through cross-selling opportunities
- High-single digit average organic revenue growth since 2016

Strategic Acquisitions

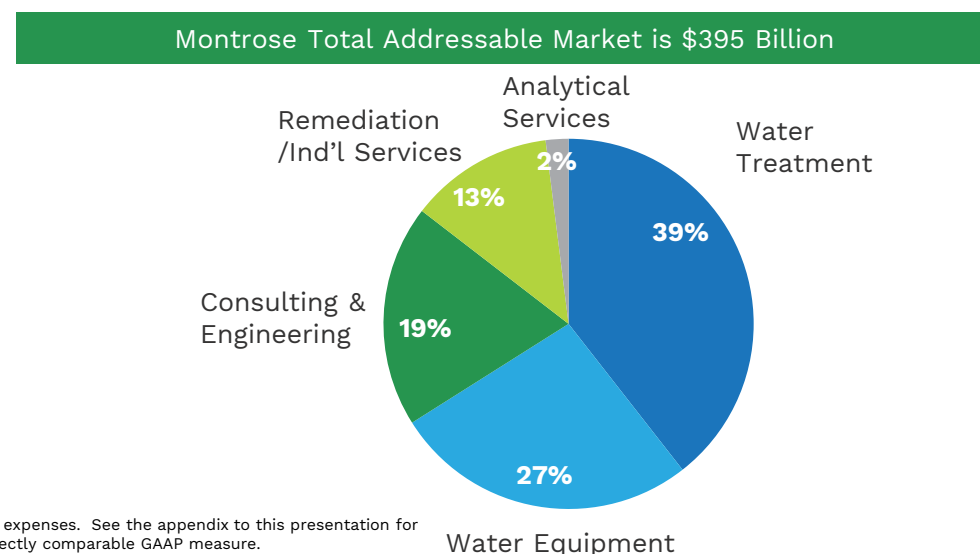
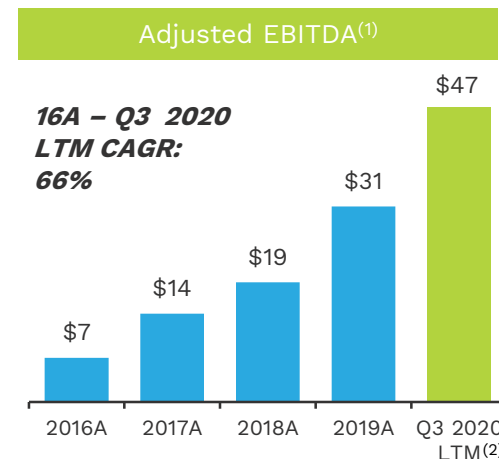
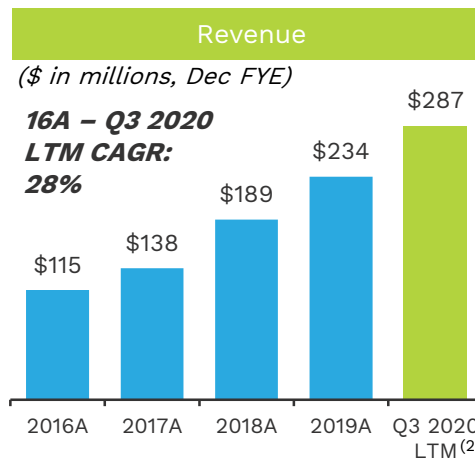
- Strategic acquisition opportunities in highly fragmented market

Market Growth

- Regulations & compliance, infrastructure investment and global public awareness related to environmental sustainability

Margin Expansion

- Operating Leverage
- Operational Excellence



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 (2) Presentation of financial information on a last twelve month ("LTM") basis is not in accordance with GAAP. See the Appendix to this presentation for a discussion of this presentation and how it is derived from our historical amounts reported under GAAP.

Resiliency of Our Business Model

Resiliency through Political Cycles and Regulatory Frameworks

- Not dependent on any singular political approach or regulatory framework
- Diverse authority and oversight over environmental matters mitigates our exposure to any single political or regulatory change
- Our U.S. businesses grew consistently in both the Obama and Trump administrations – organically and via acquisitions



Resiliency through Economic Disruption

- Environmental services are required and are often demanded by communities regardless of economic cycles
 - Our services are typically considered “essential” under applicable government pandemic regulations
 - Diverse service offering and client base insulated from any one regulatory event
 - Individual business lines impacted by COVID-19 in different ways; risks of further outbreaks and lock downs remain uncertain:
- We believe we are well positioned to continue both organic and acquisition driven growth through the COVID-19 pandemic

Key Drivers for Environmental Services Industry



Regulatory & Compliance

- For decades, federal and local regulators globally have implemented environmental regulations targeting:
 - Air and water quality management
 - Waste and contaminated soil management
 - Reductions in greenhouse gas emissions
- Regulatory changes (additions to, or removal of, current regulations) have typically driven, and could continue to drive, additional demand for or require different environmental services
- We expect stimulus initiatives related to the COVID-19 pandemic to drive demand for certain environmental initiatives



Infrastructure

- Increase in local industrial activity, complexity and impact assessment requires new testing, recurring testing and / or monitoring services
- Infrastructure investments and environmental emergency responses typically require substantial assessments, planning and/or permitting services in addition to environmental testing or remediation services



Global Public Demands

- Heightened public awareness and increasing stakeholder demand for environmental sustainability to combat issues like climate change
- Corporations increasingly look to adopt environmental related policies including:
 - Sustainability and Corporate Social Responsibility (CSR) initiatives
 - Environmental, Social and Governance (ESG) initiatives
- Environmental impact has become a core risk factor in many business decisions

Consistent Creation of Economic Value

Strategically Additive Acquisitions (+)

- A core part of Montrose's growth strategy is via acquisitions in a highly fragmented environmental market
 - Environmental services industry comprised of thousands of firms
- If acquisitions are strategic and purchased at attractive/fair values, given Montrose's unique platform with scale, differentiation and technology, they can generate value over time for Montrose shareholders

Organic Earnings Growth (+)

- Consistent growth since 2016:
 - Adjusted EBITDA⁽¹⁾ has grown at more than 2x the rate of our revenue
 - Since 2016, organic revenue growth averaging ~7% per year. With CTEH, our combined organic revenue growth is averaging ~9% per year⁽²⁾
- Revenue synergies have been more impactful than cost synergies

Continued Investments (-)

- Investments in corporate infrastructure and in new business lines and R&D offsets near term profits
 - Infrastructure is highly additive and enables (i) rapid integration of companies, (ii) better risk management, (iii) improved data management and security, and (iv) enhanced employee safety and development. Operating leverage from scale over corporate costs is a medium term opportunity and is evident in recent Adjusted EBITDA margin⁽¹⁾ trends
 - New business lines and R&D have helped create differentiation and competitive advantages for Montrose

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(2) We define organic growth as the change in revenues excluding revenues from acquisitions for the first twelve months following the date of acquisition. CTEH revenues exclude CTEH's revenues generated from major environmental events resulting in one or more projects contributing more than \$4.0 million of revenue in any year.



Key Organic Growth Initiatives

1

Expand existing local relationships into **national and international** relationships

2

Sell additional **environmental services** to existing clients

3

Deploy **innovative technologies**, processes and applications to address unmet client needs

4

Provide sales training and build a targeted sales team to **drive growth** and **acquire new clients**

5

Build Montrose **brand awareness** and **marketing capabilities**

6

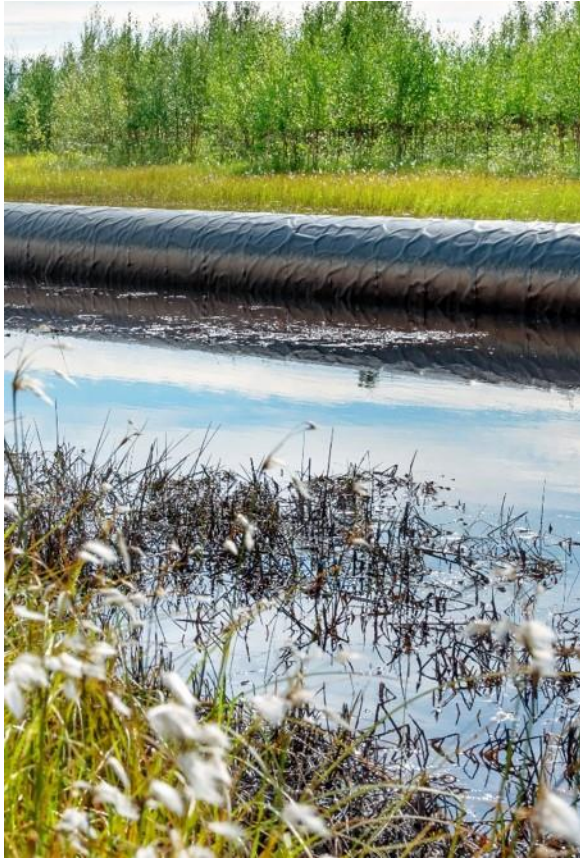
Recruit and retain industry leaders

7

Capture environmental service opportunities arising from **government investment, regulation and enforcement**

8

Agile and diverse expertise to address emerging situations for clients, such as natural disasters and COVID-19 related matters



Financial Overview



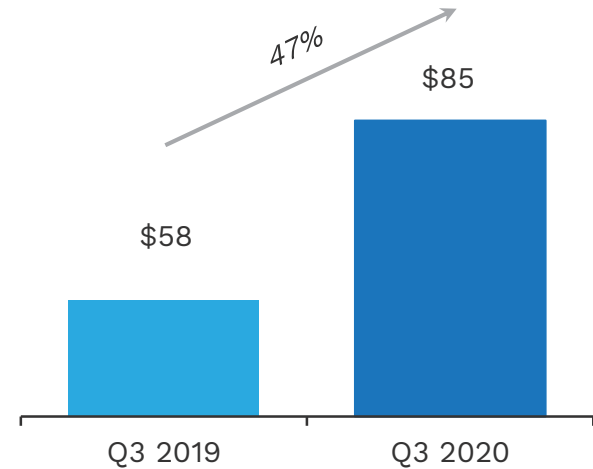
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Q3 and YTD Q3 2020 Revenue Performance

- Solid revenue growth of 47% YoY during Q3 and 32% in YTD Q3 2020
- Growth in all segments
- Excluding discontinued service lines⁽¹⁾, revenue increased 60% YoY during Q3 2020 and 43% in YTD Q3 2020
- Resilient financial performance through COVID-19

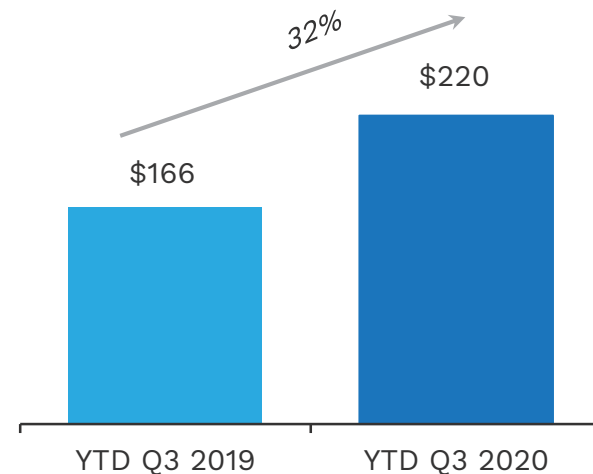
Q3 2020 Revenue

(\$ in mm)



YTD Q3 2020 Revenue

(\$ in mm)

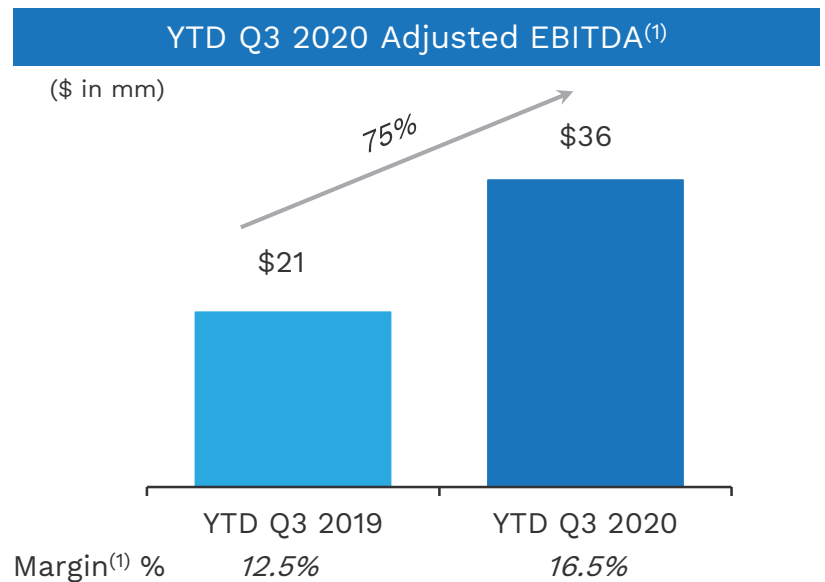
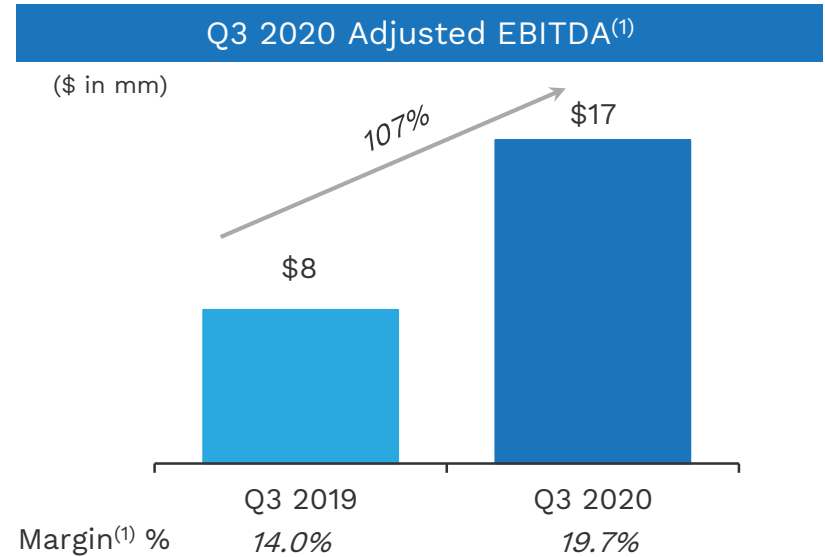


(1) Excluding discontinued services, which generated revenues of \$4.5 million in third quarter of 2019, and revenues of \$3.8 million and \$15.4 million in the 2020 and 2019 first nine month periods.

Q3 and YTD Q3 2020 Adjusted EBITDA⁽¹⁾

- Solid Q3 Adjusted EBITDA⁽¹⁾ growth
 - Up 107% YoY to \$16.7 million
 - Adjusted EBITDA Margin⁽¹⁾ expanded 570 basis points YoY
- Strong YTD Q3 Adjusted EBITDA⁽¹⁾
 - Up 75% YoY to \$36.2 million
 - Adjusted EBITDA Margin⁽¹⁾ grew 400 basis points YoY

- Favorable business mix
- Proactive cost containment in response to COVID-19 accelerating margin expansion due to defensive posture, which we do not expect to continue



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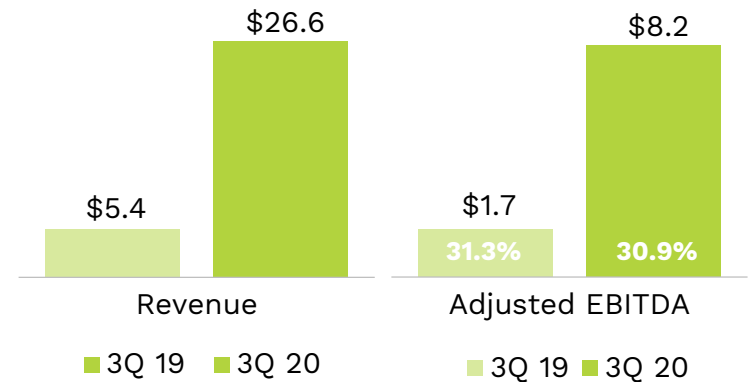


Q3 2020 Segment Highlights

- Assessment, Permitting and Response increase in Adjusted EBITDA and margin impact primarily reflects the CTEH acquisition
- Measurement and Analysis higher Adjusted EBITDA and margin driven by favorable business mix and cost mitigation initiatives
- Remediation and Reuse Adjusted EBITDA relatively flat and margin modestly lower owing to higher revenues offset by investments to support anticipated growth

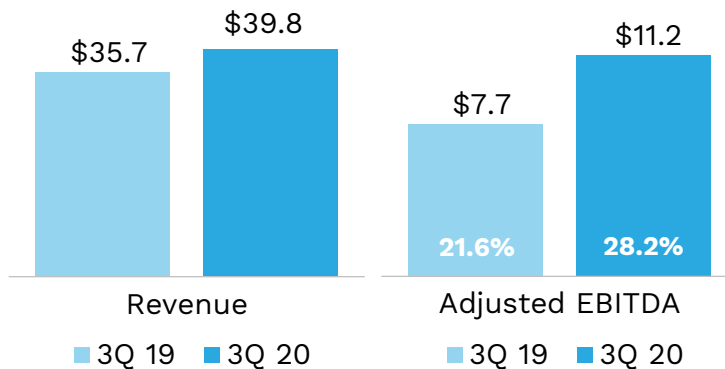
Assessment, Permitting and Response

(\$ in mm)



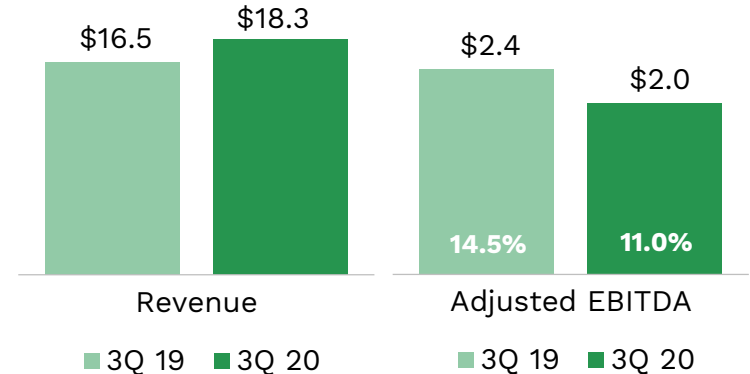
Measurement & Analysis

(\$ in mm)



Remediation & Reuse

(\$ in mm)



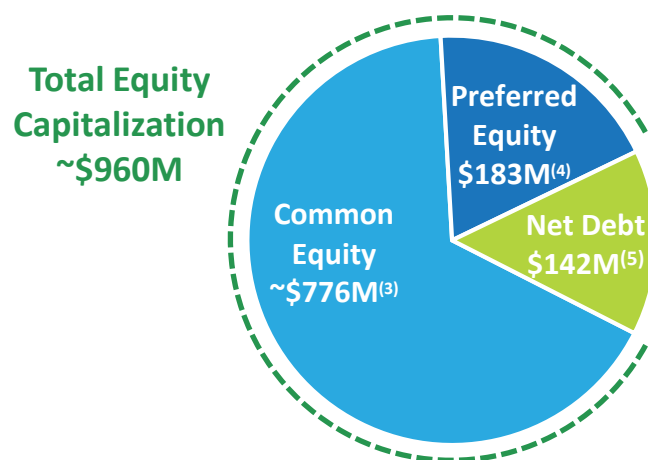
Note: For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 19 to our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

Attractive Capital Structure

Commentary

- Flexible balance sheet to pursue investments in innovation and acquisitions in highly fragmented industry
- Montrose has \$88.4 million of liquidity, including \$38.4 million of cash and \$50.0 million of availability under its revolving credit facility
- Net leverage of 2.9x as of 9/30/20
- Excluding 2021 CTEH contingent earnout payments, net leverage was 2.7x⁽¹⁾ as of 9/30/20
- Equity capitalization of ~\$960 million⁽³⁾ consisting of 25.0 million shares of common stock outstanding plus \$182.6 million of A-2 Preferred Equity held by Oaktree⁽⁴⁾

Post-IPO Capitalization



(1) Calculated pursuant to the Company's credit agreement. Excludes 2021 CTEH contingent earnout payments.

(2) As set forth in the 10Q.

(3) As of November 11, 2020.

(4) Includes Initial \$175M stated value and accrued interest through July 27, 2020.

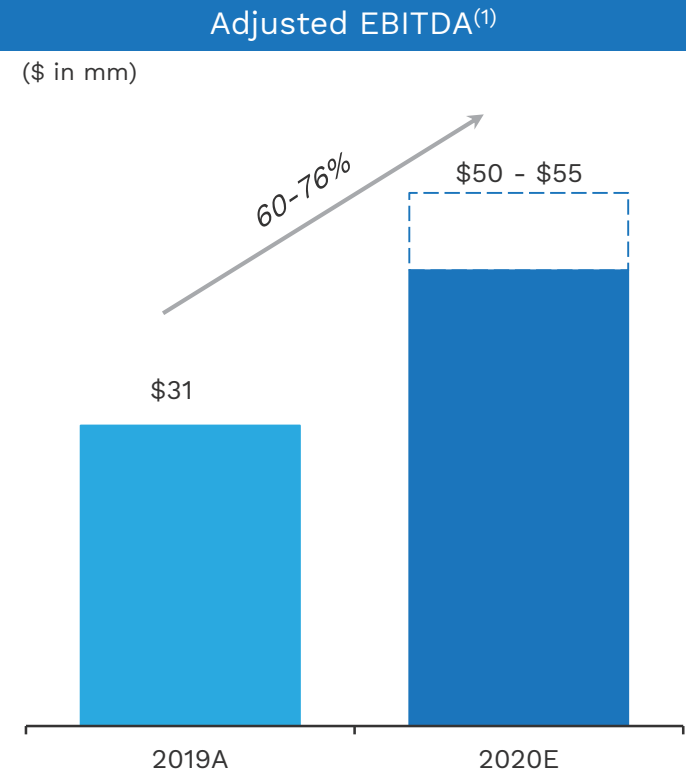
(5) Net debt is a non-GAAP measure and is calculated as debt of \$180.8 million less cash on hand of \$38.4 million.

Improved 2020 Outlook

Revenue expected to grow in excess of 20% YoY

Adjusted EBITDA margin⁽¹⁾ anticipated to be in range of 16.5% to 17.5%, delivering solid YoY improvement

Resilient financial performance through COVID-19 expected to continue, supporting improved outlook



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Investment Highlights



ESG Is Who We Are – The Environment is Our Business



Strong Financial Performance with Consistent Track Record of Growth and Cash Flow Generation



Resilient Across Political and Economic Cycles with Diverse Customers and End Markets



Differentiated Technology, Processes and Applications



Significant Scale with Global Reach in Large, Growing and Highly Fragmented Industry



Proven Ability to Identify, Execute and Integrate Acquisitions with a Strong Pipeline Ahead



Experienced Management Team Coupled with a Team-Centric Culture





Appendix



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Non-GAAP Financial Information

In addition to our results under GAAP, in this presentation we also present certain other supplemental financial measures that are not required by, or presented in accordance with, U.S. GAAP, including Adjusted EBITDA and Adjusted EBITDA margin. We calculate these measures as follows:

- Adjusted EBITDA represents net income (loss) before interest expense, income tax expense (benefit) and depreciation and amortization, adjusted for the impact of certain other items, including stock-based compensation expense and acquisition-related costs, as set forth in greater detail in this appendix
- Adjusted EBITDA margin represents Adjusted EBITDA as a percentage revenue for a given period

Adjusted EBITDA and Adjusted EBITDA margin are some of the primary metrics used by management to evaluate our results and financial position and compare them to those of our peers, evaluate the effectiveness of our business strategies, make budgeting and capital allocation decisions and in connection with our executive incentive compensation. These measures are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Further, we believe they are helpful in highlighting trends in our results and financial position because they allow for more consistent comparisons between periods. For example, Adjusted EBITDA excludes gains and losses that are non-operational in nature or outside the control of management, as well as items that may differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments.

These non-GAAP measures do, however, have certain limitations and should not be considered as an alternative to any measure calculated in accordance with GAAP. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items for which we may make adjustments. In addition, our use of these non-GAAP measures may not be comparable to similarly titled measures used by other companies in our industry or across different industries, and other companies may not present these or similar measures at all. Management compensates for these limitations by using these measures as supplemental metrics and in conjunction with our results prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety, not to rely on any single measure and to view non-GAAP measures in conjunction with the related GAAP measures.

Additionally, we have provided estimates regarding Adjusted EBITDA and Adjusted EBITDA margin for 2020. These projections account for estimates of revenue, operating margins and corporate and other costs. However, we cannot reconcile our projection of Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure, without unreasonable efforts because of the unpredictable or unknown nature of certain significant items excluded from Adjusted EBITDA and the resulting difficulty in quantifying the amounts thereof that are necessary to estimate net income (loss). Specifically, we are unable to estimate for the fourth quarter of 2020 the impact of certain items, including income tax (expense) benefit, stock-based compensation expense, fair value changes and the accounting for the issuance of the Series A-2 preferred stock. We expect the variability of these items could have a significant impact on our reported GAAP financial results.

This presentation also presents revenues and Adjusted EBITDA on a last twelve month (“LTM”) basis. Information presented for LTM periods that do not track our fiscal year (i.e., the LTM period ended Q3 2020) reflect unaudited trailing four quarter financial information calculated by starting with the results from the most recent audited fiscal year included in such LTM period and then (x) adding quarterly information for subsequent fiscal quarters and (y) subtracting quarterly information for the corresponding prior year period. For each line item shown, LTM Q3 2020 has been calculated by taking the relevant reported financial information from Fiscal 2019 and adding the reported financial information for the nine months ended September 30, 2020, and then subtracting the reported financial information for the nine months ended September 30, 2019. This presentation is not in accordance with GAAP. However, we believe LTM information is useful to investors as we use it to evaluate our financial performance for ongoing planning purposes, including a continuous assessment of our financial performance in comparison to budgets and internal projections. This presentation has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Please see our Final Prospectus filed on July 23, 2020 and our Quarterly Reports on Form 10-Q filed on November 12, 2020 for the historical amounts used to calculate the LTM information presented.

This presentation also includes Net debt, a non-GAAP measure which represents total debt less cash and restricted cash. Management uses Net debt as one of the means by which it assesses financial leverage and capitalization, and it is therefore useful to investors in evaluating our business using the same measures as management. This measure is also useful to investors because it is often used by securities analysts and other interested parties in evaluating our business. The measure does, however, have certain limitations and should not be considered as an alternative to or in isolation from gross debt and cash or any other measure calculated in accordance with GAAP. Other companies, including other companies in our industry, may not use Net debt in the same way or may calculate it differently than as presented herein.

Adjusted EBITDA Reconciliation

	Years Ended December 31,				Q3 September 30,		YTD Q3 September 30,		LTM
	2016A	2017A	2018A	2019A	2019A	2020A	2019A	2020A	September 30, 2020
Net Loss	\$ (9)	\$ (11)	\$ (16)	\$ (24)	\$ (7)	\$ (31)	\$ (12)	\$ (59)	\$ (71)
Interest expense	3	6	11	7	2	3	5	11	13
Income Tax (benefit) Expense	(4)	(7)	(5)	(3)	(0)	3	(1)	(2)	(3)
Depreciation and amortization	15	19	24	28	7	10	20	27	35
EBITDA	\$ 5	\$ 7	\$ 14	\$ 8	\$ 2	\$ (15)	\$ 11	\$ (22)	\$ (26)
Stock-based compensation ⁽¹⁾	3	6	6	4	1	1	4	3	4
Start-up losses and investment in new services ⁽²⁾	1	2	-	1	-	1	1	1	2
Acquisition costs ⁽³⁾	-	1	2	3	1	-	2	4	4
Fair value changes in contingent put option ⁽⁴⁾	-	-	-	7	-	(26)	-	(19)	(12)
Fair Value changes in warrant options ⁽⁴⁾	-	-	-	4	3	9	4	9	9
Fair Value changes in compound embedded options ⁽⁵⁾	-	-	-	-	-	27	-	27	27
Fair value changes in contingent liabilities ⁽⁶⁾	-	(1)	-	1	-	13	(1)	17	19
Short term purchase accounting fair value adjustment to deferred revenue ⁽⁷⁾	-	-	-	1	-	-	-	-	1
IPO preparation costs ⁽⁸⁾	-	-	-	1	-	6	-	7	8
Discontinued Service Lines ⁽⁹⁾	(1)	-	(2)	1	-	-	(1)	8	9
Other (gains), losses and expenses ⁽¹⁰⁾	-	1	-	-	-	-	-	-	-
Expenses related to financing transactions ⁽¹¹⁾	-	-	-	-	-	-	-	-	-
Insurance Gain ⁽¹²⁾	(1)	(2)	-	-	-	-	-	-	-
Adjusted EBITDA	\$ 7	\$ 14	\$ 19	\$ 31	\$ 8	\$ 17	\$ 21	\$ 36	\$ 46

Note: Amounts may not total due to rounding

- (1) Represents non-cash stock-based compensation expenses related to option awards issued to employees and restricted stock grants issued to directors.
- (2) Represent start-up losses related to losses incurred on (i) the expansion of lab testing methods and lab capacity, including into new geographies, (ii) expansion of our Canadian testing capacity in advance of new regulations and (iii) expansion into Europe in advance of projects driven by new regulations.
- (3) Acquisition costs include financial and tax diligence, consulting, legal, valuation, accounting and travel costs and acquisition-related incentives related to our acquisition activity.
- (4) Amounts relates to the change in fair value of the contingent put option attached to the Series A-1 and the warrant option attached to the Series A-1 and Series A-2 preferred stock.
- (5) Amounts relates to the change in fair value of the Series A-2 compound embedded derivative.
- (6) Fair value changes in value of contingent liabilities, reflects the difference between the expected settlement value of acquisition related earn-out payments at the time of the closing of acquisitions and the expected (or actual) value of earn-outs at the end of the relevant period.
- (7) Purchase accounting fair value adjustment to deferred revenue represents the impact of the fair value adjustment to the carrying value of deferred revenue as of the date of acquisition of ECT2.
- (8) IPO preparation costs relate to expenses incurred by us to prepare for the Company's initial public offering.
- (9) Represents (earnings) loss from the Discontinued Service Lines. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors that Affect Our Business and Our Results."
- (10) Represents non-operational charges incurred as a result of lease abandonments.
- (11) Non-capitalizable expenses associated with the issuance of the Convertible and Redeemable Series A-2 Preferred Stock Warrants.
- (12) Represents the gain from insurance proceeds received in 2016 and 2017 related to a fire in one of our environmental laboratories that occurred in June 2016.