



# Q3'20 Earnings Call

November 4<sup>th</sup>, 2020



# 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, 2019 and "Part II – Item 1A. Risk Factors" of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and June 30, 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.

# New CEO: Clear Observations ... ~ 100 Days



- **COVID-related market impacts >80%** of orders and revenue declines
- Industrial Air markets rebounding well
- Energy orders pipeline starting to build ... More “studies and engineering” work underway



- Talented leadership in application engineering and business / customer relationships
- **300+ engineers and application specialists** (approximately 40% of total headcount)
- Team is engaged and passionate to win with CECO



- **Drive the Core:** Track and drive more recurring revenue, ops excellence and market expansion
- **Strategy / Portfolio:** Focused work underway to drive long-term growth and transformation
- **Expand the Message:** Committed to Environment/Social/Governance (ESG) ... Increase Awareness
  - Launched cross-functional ESG taskforce ... phased rollout of content, metrics and targets

# Overcoming Challenging Markets

(\$MM)

## Q3'20 Financial Results

- **Orders:** ~ \$67 ... Down >40% Y/Y ... Largest decline in Energy (Refining, Nat. Gas)
- **Sales:** ~ \$77 ... Down 9% ... lower backlog / project impacts (COVID) but executing well
- **Gross Margins & EBITDA:** ~ 32% GM and \$7 EBITDA ... as expected
- **EPS & FCF:** Adjusted EPS \$0.11 down \$0.01 Y/Y... FCF \$6 up and TTM up +\$2 Y/Y

## Key Takeaways ... Market Reality

- **Refining** = “At or near” worst bottom in decades ... significant maintenance delays
- **Midstream O&G** = Challenging market with reduced capex ... some pockets of upside
- + **Industrial Air** = Encouraging trends ... Q3 up 60%+ sequentially (~10% Y/Y)
- ? **Continued Uncertainty** ... Anxious markets driven by COVID impacts

## Key Actions To Position for 2021+

- **Cost Structure:** Aggressive cost actions to reduce SG&A \$10 annually ... majority executed
- **Strategy / Portfolio:** Process kicked-off ... “platform-based” / capital allocation
- **ESG:** Launched cross-functional team to drive ESG initiative ... Phased rollout

# Near-term Industrial markets improving; Energy stalled especially Refinery

(\$MM)

## Refinery

Q3 Orders: \$3 | (85%) **Bottomed Out**  
 TTM Orders: \$25 | (58%)

## Midstream O&G

Q3 Orders: \$20 | (10%) **At/Near Bottom**  
 TTM Orders: \$66 | (36%)

## Power Gen: Natural Gas

Q3 Orders: \$11 | (72%) **30-35GW (Flattish)**  
 TTM Orders: \$52 | (37%)

## Power Gen: Solid Fuel

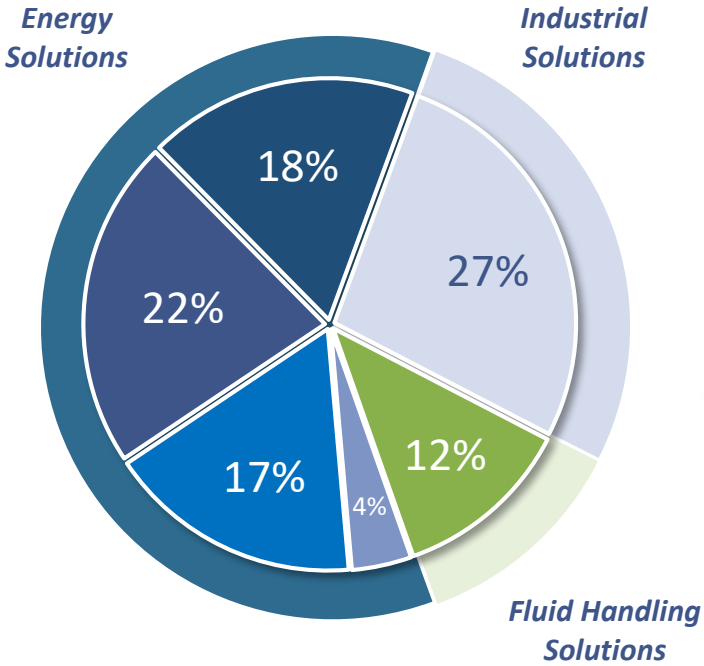
Q3 Orders: \$4 | +10% **Improving**  
 TTM Orders: \$15 | (4)%

## Industrial Solutions

Q3 Orders: \$21 | +8% **Improving**  
 TTM Orders: \$78 | (11)%

## Industrial Fluid Handling

Q3 Orders: \$8 | (11)% **Improving**  
 TTM Orders: \$35 | (13)%



2019 Revenue Mix

# COVID doesn't change our market leading positions

## Long Cycle End Markets

### Refinery



FCC Cyclones

- Crack Spreads & Jet Fuel Demand at record lows
- Refiners deferring **mission-critical maintenance CAPEX**
- **Global Leader.** Market must rebound!

### Midstream O&G



Gas & Water Separation

- Gas surplus has Midstream/MLPs cutting CAPEX
- Growing Water Separation with NPI and US Navy

### Power-Gen: Nat Gas



Noise & NOx Emissions

- Market **stable at 30-35 GW p.a.**; Electricity demand ↑
- Bottom of 4Yr trough... expect rebound to '19 levels
- **Global Leader** in Noise Attenuation & NOx emissions

## Shorter Cycle End Markets

### Industrial Solutions



Air Pollution Equipment

- US Mfg frugal with CAPEX budgets, likely thru elections
- Since April/May lows, **improvement in Monthly orders**
- **Global Leader.** Sustainability & GHG emission trends ↗

### Fluid Handling



Pumps & Filters

- Desal, Aquaculture, Auto, and Midstream O&G markets
- OPEX purchase ... **industrial recoveries mixed up / down**

### Power-Gen: Solid Fuel



Dampers & Expansion Joints

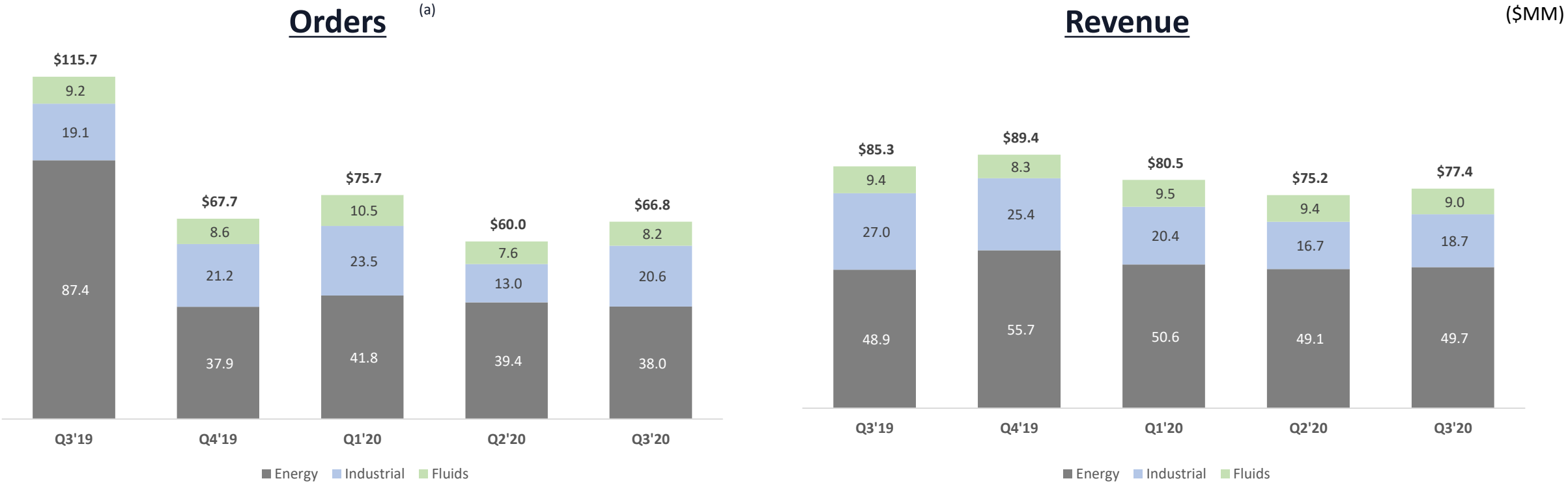
- Strong install base, mostly aftermarket
- Sequential improvements in order rate
- Coal in secular decline, growing share



# Q3 2020 Financials



# Energy markets, specifically refinery, weighs on orders ... project delays persist on COVID



- Energy averaging \$40 orders per quarter in TTM as customers preserve CAPEX ... Refinery orders hit hardest at \$19 YTD and ↓(63)%
- Refinery challenged on jet fuel demand, customers deferring maintenance CAPEX ... similar to '17 cycle, fully expect market to rebound
- Industrial & Fluid Handling Orders up +40% sequentially and +2% Y/Y ... field service work stalled but short cycle pumps/parts improved

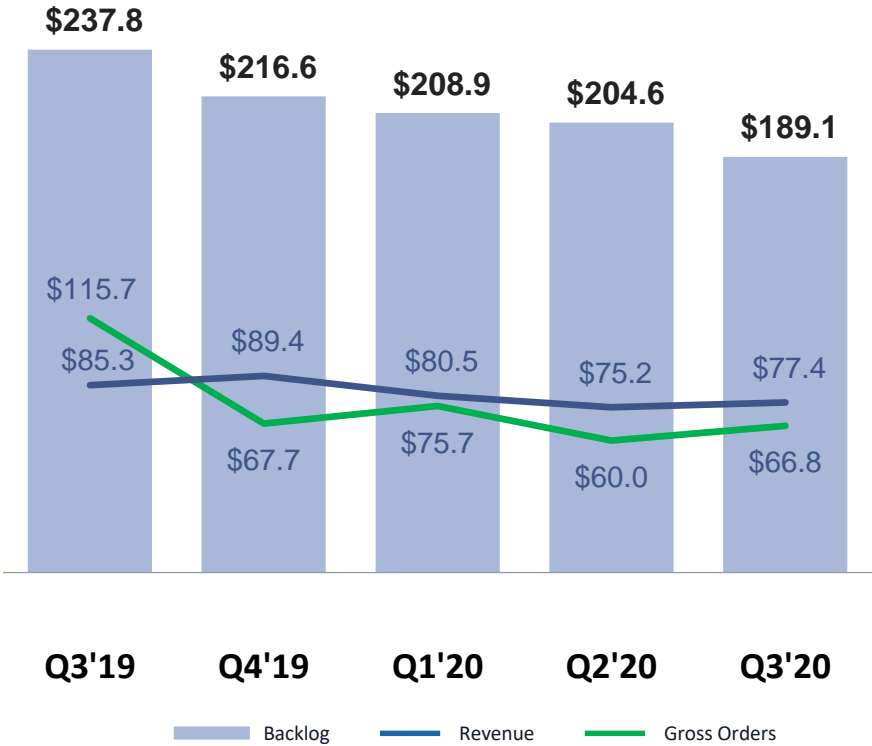


(a) Gross Bookings, excludes Cancellations.



# Backlog lower as end markets remain frugal with CAPEX budgets

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- Backlog down (8)% sequentially and (20)% Year over Year
- TTM Book to Bill Ratio at 0.84x
- \$7 COVID-related cancellations to industrial customers with Aerospace exposure

Book/Bill	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
	1.36	0.76	0.94	0.80	0.86

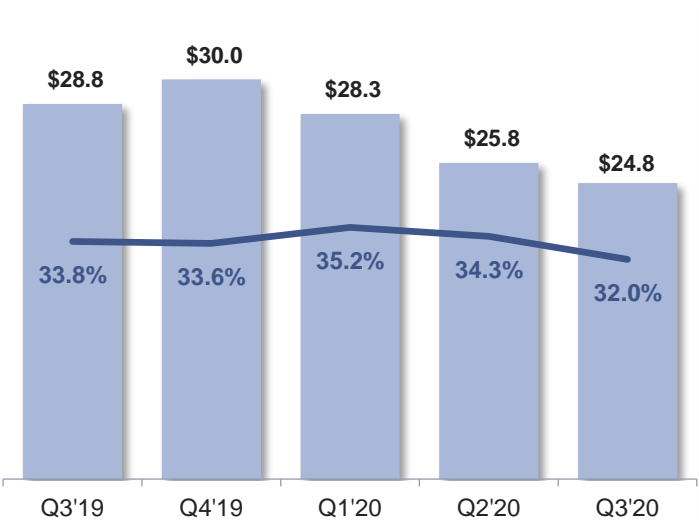


Note: Starting Backlog – Revenue + Gross Orders – Cancellations +/- FX = Ending Backlog. FX typically +/- ~\$1-3 per quarter.

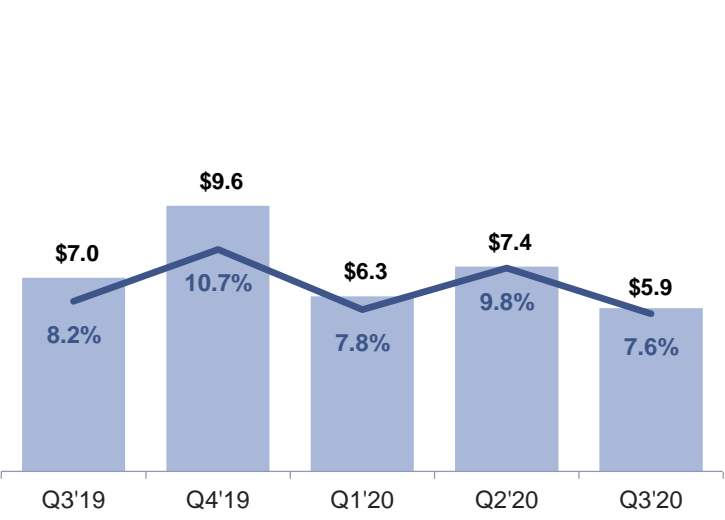
# EBITDA and Operating margin rates contract as volume and project mix softens

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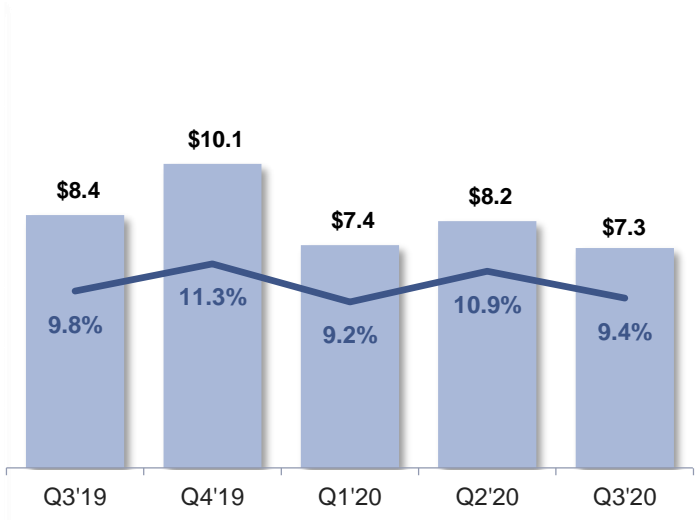
Non-GAAP Gross Profit



Non-GAAP Operating Income



Adjusted EBITDA



- Q3 GM at 32% is ↓(2.3)pts sequentially and ↓(1.7) pts Y/Y on project mix
- Non-GAAP OI down (20)% sequentially on project mix and non-cash stock comp. Down (16)% Y/Y on mix offset by lower SG&A
- Adjusted EBITDA down (11)% sequentially on project mix. Down (13)% Y/Y on mix, offset by lower SG&A

# Encouraging signs from Industrial markets as Energy remains depressed

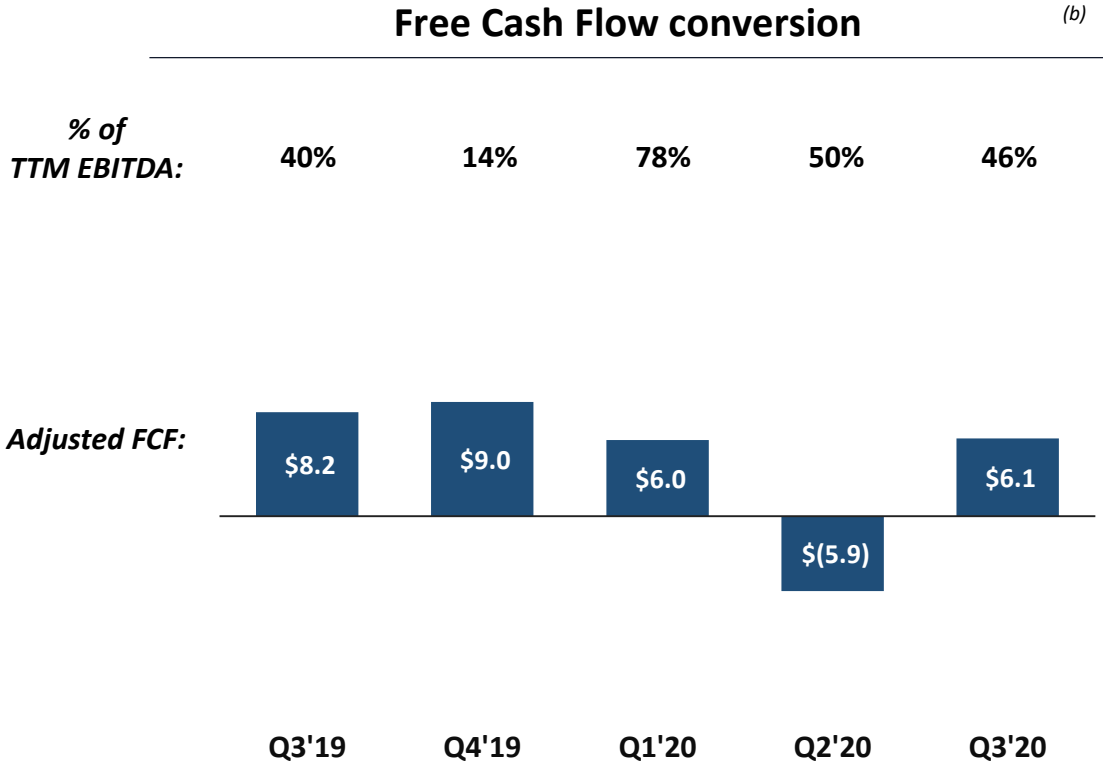
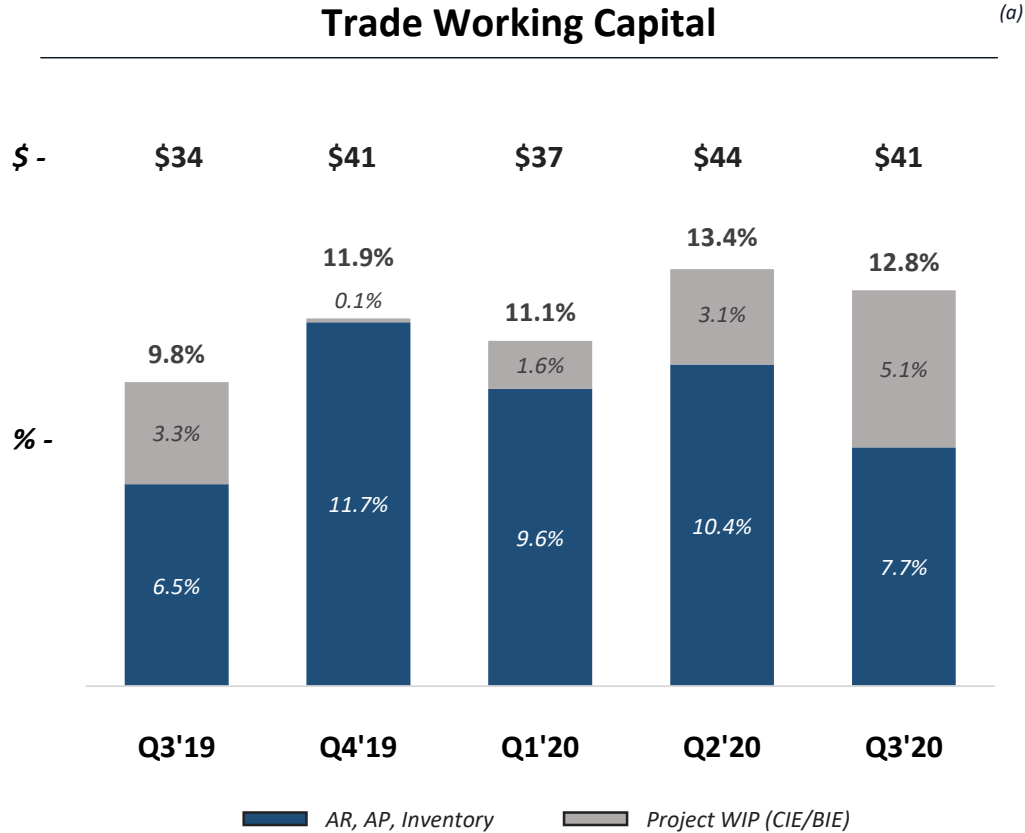
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	Three Months Ended		
	Q3'20	Y/Y	Y/Y \$
<b>GAAP:</b>			
Orders	\$ 66.8	(42.3)%	\$ (48.9)
Revenue	\$ 77.4	(9.3)%	\$ (7.9)
Gross Profit	\$ 24.8	(13.9)%	\$ (4.0)
-%	32.0%	(1.7)pts	
Op Income	\$ 1.0	(75.6)%	\$ (3.1)
-%	1.3%	(3.5)pts	
Diluted EPS	\$ (0.01)	(120.0)%	\$ (0.06)
<b>Non-GAAP:</b>			
Op Income	\$ 5.9	(15.7)%	\$ (1.1)
-%	7.6%	(0.6)pts	
Adj. EBITDA	\$ 7.3	(13.1)%	\$ (1.1)
-%	9.4%	(0.4)pts	
Diluted EPS	\$ 0.11	(8.3)%	\$ (0.01)

- \$67 of Orders up +12% Q/Q... Energy markets muted, Ind'ls improving since COVID lows
  - Revenue down (9)% Y/Y but up +3% sequentially with 1<sup>st</sup> full quarter's worth of EIS revenue
  - (170) bp GM degradation as Energy project mix declines
  - GAAP EPS down (6) cents Y/Y on acquisition expenses and executive transition expense
- .....
- Non-GAAP OI down (16)% Y/Y on GP mix (~2 pts), offset by lower SG&A (~\$3)
  - Adjusted EBITDA down Y/Y and Q/Q driven by reduced Energy project mix
  - Non-GAAP EPS down Y/Y. SG&A and interest reductions couldn't overcome volume / mix

# Effectively managing working capital in Q3 to drive positive free cash flow

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- Project WIP +\$5 on large MEA project offset

- \$7 CFOA on collections & milestone billings offset \$(1) CAPEX
- Q3 FCF includes \$2 prepay of annual insurance @ lower interest rates

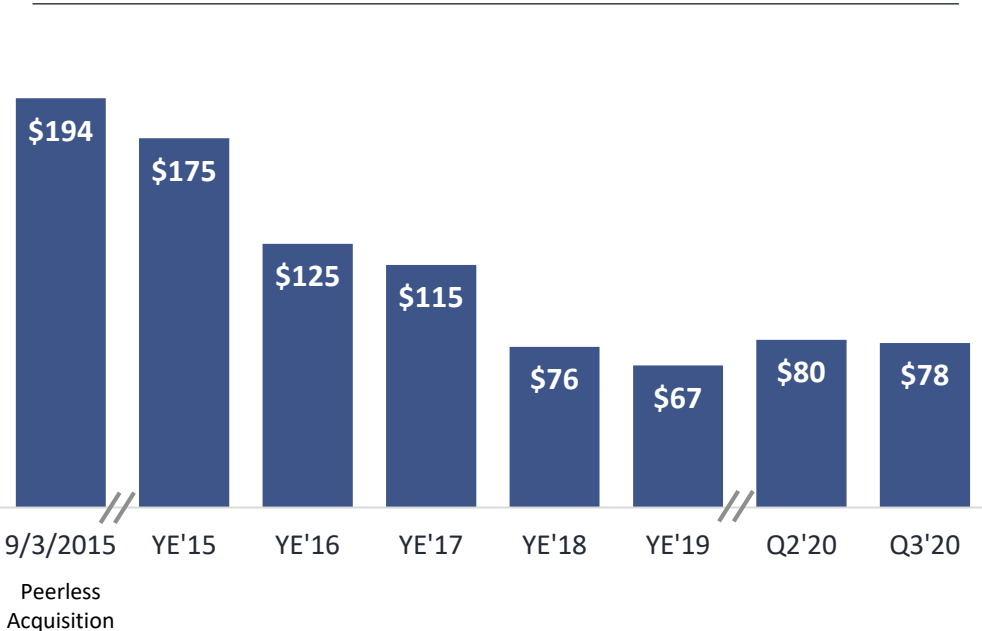


(a) W/C includes: Trade AR, Trade AP, Inventory and Cost/Billings of on TTM Revenue; Reported Basis.  
 (b) Adjusted Free Cash Flow = Cash Flow From Operations less Earnouts classified as Operating Cash Flow less CAPEX spend.

# Continued debt paydown post EIS acquisition ... ample balance sheet capacity

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## Debt Paydown



## Balance sheet

	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Term Debt	\$ 49.4	\$ 48.8	\$ 48.1	\$ 47.5	\$ 46.9
Revolver	20.0	18.5	61.5	32.0	31.0
<b>Total Debt</b>	<b>\$ 69.4</b>	<b>\$ 67.3</b>	<b>\$ 109.6</b>	<b>\$ 79.5</b>	<b>\$ 77.9</b>
Cash	\$ 29.0	\$ 35.5	\$ 84.1	\$ 43.1	\$ 46.3
<b>Bank Defined Leverage Ratio</b>	<b>1.8x</b>	<b>1.5x</b>	<b>1.5x</b>	<b>1.7x</b>	<b>1.8x</b>
<b>Total Net Debt/TTM EBITDA</b>	<b>1.1x</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.8x</b>

- Debt paydown of \$(2) in Q3... ~\$75 of capacity remains under credit facility
- Cash on hand is split 23% North America and 77% International

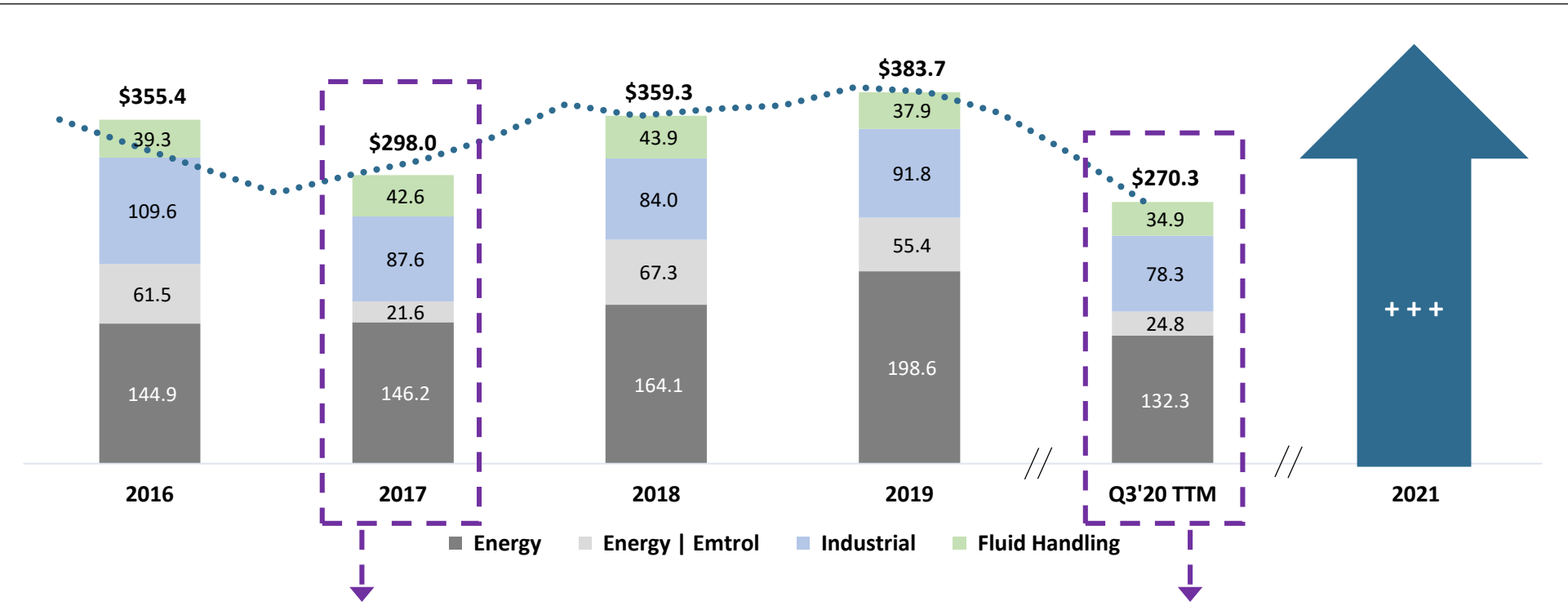


# Looking Forward



# In better position today than previous downturn to capitalize on '21-'22 market recovery

Orders by Segment



**Power Gen & Refinery Micro-Downturn (2017)**

- Complex organizational structure + higher cost structure
- Ahead of downturn leverage ratio at 2.1x, peaking at 3.3x
- Product portfolio with “non-core” platforms

**COVID Pandemic (2020)**

- ✓ Proactive >\$10 cost reduction program
- ✓ Streamlined operations, fewer entities & ERPs, nimbler organization
- ✓ Stronger balance sheet with 1.5x leverage ratio ahead of downturn
- ✓ Inorganic growth with EIS investment
- ✓ ESG, Sustainability, and GHG Emission reduction trends are tailwinds



(a) Graph excludes divestitures.

# CECO: Committed to deliver increased and sustainable value

**Long-term  
Growth &  
Profitability**



**~ 5% Topline Growth Target: Expand “Core” Platforms + Modest M&A**



**13%+ EBITDA Margin Target: Streamlined G&A + Ops Excellence**



**100%+ Free Cash Flow Conversion of Net Income: Historically Achieved**

**Driving Now:**

**Significant  
Opportunity To  
“Up Our Game”**



**Increased focus on new markets, recurring revenue, partnerships ...**



**ESG: (1) “Get in the Game” ... (2) Leadership Examples, Metrics & Targets**





# Conclusion

- Thank you Team CECO ... Commitment to our customers and health & safety!
- Navigating challenging markets with strong project execution and cost management
- Energy markets – especially Refining and Midstream – remain low but slowly improving
- Revamping CECO strategy to aggressively evaluate and prioritize opportunities
- Launching ESG initiative to tell the CECO “story”, track targets, and demonstrate commitment

**Questions?**

# Supplemental Materials

Non-GAAP Reconciliation

# Revenue excluding Acquisitions & Divestitures

<i>(dollars in millions)</i>	Annual 2016	Annual 2017	Annual 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Annual 2019	Q1 2020	Q2 2020	Q3 2020	TTM
Revenue as reported in accordance with GAAP	\$ 417.0	\$ 345.1	\$ 337.3	\$ 86.0	\$ 81.2	\$ 85.3	\$ 89.4	\$ 341.9	\$ 80.5	\$ 75.2	\$ 77.4	\$ 322.5
<i>Less revenue attributable to divestitures</i>	\$ (50.9)	\$ (34.6)	\$ (9.3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Less revenue attributable to acquisitions and joint ventures</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.5)	\$ (5.9)	\$ (6.4)
Organic revenue	\$ 366.1	\$ 310.5	\$ 328.0	\$ 86.0	\$ 81.2	\$ 85.3	\$ 89.4	\$ 341.9	\$ 80.5	\$ 74.7	\$ 71.5	\$ 322.5

# Non-GAAP Gross Profit and Margin

<i>(dollars in millions)</i>	Annual 2017	Annual 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Annual 2019	Q1 2020	Q2 2020	Q3 2020	TTM
Gross profit as reported in accordance with GAAP	\$ 113.2	\$ 111.5	\$ 28.4	\$ 26.8	\$ 28.8	\$ 30.0	\$ 114.0	\$ 28.3	\$ 25.8	\$ 24.8	\$ 108.9
<i>Gross profit margin in accordance with GAAP</i>	32.8%	33.1%	33.0%	33.0%	33.8%	33.6%	33.3%	35.2%	34.3%	32.0%	33.8%
Legacy design repairs	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ 0.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP gross profit	\$ 115.8	\$ 111.5	\$ 28.4	\$ 26.8	\$ 28.8	\$ 30.0	\$ 114.0	\$ 28.3	\$ 25.8	\$ 24.8	\$ 108.9
<i>Non- GAAP Gross profit margin</i>	33.6%	33.1%	33.0%	33.0%	33.8%	33.6%	33.3%	35.2%	34.3%	32.0%	33.8%

# Non-GAAP Operating Income and Margin

<i>(dollars in millions)</i>	Annual 2017	Annual 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Annual 2019	Q1 2020	Q2 2020	Q3 2020	TTM
Operating income as reported in accordance with GAAP	\$ 8.0	\$ 10.0	\$ 4.9	\$ 2.0	\$ 4.1	\$ 7.0	\$ 18.0	\$ 4.2	\$ 4.4	\$ 1.0	\$ 16.6
<i>Operating margin in accordance with GAAP</i>	2.3%	3.0%	5.7%	2.5%	4.8%	7.8%	5.3%	5.2%	5.9%	1.3%	5.1%
Legacy design repairs	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ 0.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 1.6
Amortization	\$ 11.5	\$ 9.7	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.0	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 7.5
Earn-out and retention expenses	\$ (4.4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Intangible asset impairment	\$ 7.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) Loss on divestitures, net of selling costs	\$ -	\$ 4.4	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ 1.9	\$ -	\$ -	\$ 0.2	\$ 0.7	\$ 0.1	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 1.9
Executive transition expenses	\$ 1.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 1.5
Facility exit expenses	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-GAAP operating income</b>	<b>\$ 28.3</b>	<b>\$ 24.1</b>	<b>\$ 7.2</b>	<b>\$ 4.4</b>	<b>\$ 7.0</b>	<b>\$ 9.6</b>	<b>\$ 28.2</b>	<b>\$ 6.3</b>	<b>\$ 7.4</b>	<b>\$ 5.9</b>	<b>\$ 29.2</b>
<i>Non-GAAP Operating margin</i>	8.2%	7.1%	8.4%	5.4%	8.2%	10.7%	8.2%	7.8%	9.8%	7.6%	9.1%

# Non-GAAP Net Income, Adjusted EBITDA and Margin

(dollars in millions)	Annual 2013	Annual 2014	Annual 2015	Annual 2016	Annual 2017	Annual 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Annual 2019	Q1 2020	Q2 2020	Q3 2020	TTM
Net income (loss) as reported in accordance with GAAP	\$ 6.6	\$ 13.1	\$ (5.6)	\$ (38.2)	\$ (3.0)	\$ (7.1)	\$ 1.9	\$ 5.5	\$ 1.9	\$ 8.4	\$ 17.7	\$ 3.4	\$ 3.3	\$ (0.2)	\$ 14.9
Legacy design repairs	\$ -	\$ -	\$ -	\$ -	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory valuation adjustment	\$ 1.1	\$ -	\$ 0.5	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant, property and equipment valuation adjustment	\$ 0.2	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ (1.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition and integration expenses	\$ 7.2	\$ 1.3	\$ 7.9	\$ 0.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ -	\$ 0.7	\$ 0.4	\$ 1.6
Amortization	\$ 4.7	\$ 7.6	\$ 12.3	\$ 13.9	\$ 11.5	\$ 9.7	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.0	\$ 8.6	\$ 1.7	\$ 1.8	\$ 2.0	\$ 7.5
Earn-out and retention expenses	\$ 2.1	\$ 2.5	\$ 13.3	\$ 6.3	\$ (4.4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Intangible asset impairment	\$ -	\$ -	\$ 3.3	\$ 57.9	\$ 7.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) Loss on divestitures, net of selling costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4.4	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring expense (income)	\$ -	\$ -	\$ -	\$ -	\$ 1.9	\$ -	\$ -	\$ 0.2	\$ 0.7	\$ 0.1	\$ 1.0	\$ 0.4	\$ 0.5	\$ 0.9	\$ 1.9
Executive transition expenses	\$ -	\$ -	\$ -	\$ -	\$ 1.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 1.5
Facility exit expenses	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal reserves	\$ 3.5	\$ 0.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred financing fee adjustment	\$ -	\$ -	\$ 0.3	\$ -	\$ -	\$ -	\$ -	\$ 0.4	\$ -	\$ -	\$ 0.4	\$ -	\$ -	\$ -	\$ -
Foreign currency remeasurement	\$ (1.1)	\$ 2.9	\$ 2.5	\$ 0.8	\$ (2.1)	\$ 0.8	\$ 0.6	\$ (0.3)	\$ 0.2	\$ (1.0)	\$ (0.5)	\$ 0.5	\$ (0.6)	\$ 0.4	\$ (0.7)
Tax benefit of expenses	\$ (4.6)	\$ (3.7)	\$ (7.1)	\$ (7.4)	\$ (5.7)	\$ 2.4	\$ (0.7)	\$ (0.6)	\$ (0.8)	\$ (0.4)	\$ (2.5)	\$ (0.7)	\$ (0.6)	\$ (1.3)	\$ (3.0)
Zhongli Tax benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4.4)	\$ -	\$ -	\$ (4.4)	\$ -	\$ -	\$ -	\$ -
Non-GAAP net income	\$ 19.7	\$ 24.6	\$ 28.0	\$ 33.5	\$ 9.5	\$ 10.3	\$ 4.1	\$ 3.0	\$ 4.2	\$ 9.6	\$ 20.9	\$ 5.3	\$ 5.1	\$ 3.8	\$ 23.8
Depreciation	\$ 1.6	\$ 3.1	\$ 3.5	\$ 4.5	\$ 3.9	\$ 3.5	\$ 0.6	\$ 0.6	\$ 0.5	\$ 0.5	\$ 2.2	\$ 0.5	\$ 0.6	\$ 0.6	\$ 2.2
Non-cash stock compensation	\$ 1.1	\$ 1.7	\$ 1.9	\$ 2.3	\$ 2.3	\$ 3.1	\$ 0.8	\$ 1.0	\$ 1.0	\$ -	\$ 2.8	\$ 0.6	\$ 0.2	\$ 0.7	\$ 1.5
Other (income)/expense	\$ 0.1	\$ (0.6)	\$ (0.4)	\$ (1.1)	\$ 2.0	\$ (0.4)	\$ -	\$ (0.5)	\$ (0.1)	\$ 0.3	\$ (0.3)	\$ (1.5)	\$ 0.2	\$ (0.1)	\$ (1.1)
Gain on insurance settlement	\$ -	\$ -	\$ -	\$ 1.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	\$ 1.5	\$ 3.1	\$ 5.7	\$ 7.7	\$ 6.7	\$ 7.1	\$ 1.5	\$ 1.1	\$ 1.3	\$ 1.1	\$ 5.0	\$ 1.0	\$ 0.9	\$ 0.8	\$ 3.8
Income tax expense (benefit)	\$ 4.5	\$ 6.8	\$ 9.7	\$ 12.7	\$ 10.1	\$ 6.6	\$ 1.5	\$ 0.8	\$ 1.5	\$ (1.4)	\$ 2.4	\$ 1.5	\$ 1.2	\$ 1.5	\$ 2.8
Adjusted EBITDA	\$ 28.5	\$ 38.7	\$ 48.4	\$ 60.6	\$ 34.5	\$ 30.2	\$ 8.5	\$ 6.0	\$ 8.4	\$ 10.1	\$ 33.0	\$ 7.4	\$ 8.2	\$ 7.3	\$ 33.0
Adjusted EBITDA margin	14.4%	14.7%	13.2%	14.5%	10.0%	8.9%	9.9%	7.4%	9.8%	11.3%	9.7%	9.2%	10.9%	9.4%	10.2%
Basic Shares Outstanding	20,116,991	25,750,972	28,791,662	33,979,549	34,445,256	34,714,395	34,835,550	34,923,587	35,070,449	35,117,916	34,987,878	35,155,377	35,275,729	35,358,913	35,226,984
Diluted Shares Outstanding	20,719,951	26,196,901	28,791,662	33,979,549	34,697,744	34,988,461	35,360,042	35,582,727	35,624,590	35,352,957	35,484,273	35,394,865	35,410,182	35,358,913	35,379,229
Earnings (loss) per share:															
Basic	\$ 0.33	\$ 0.51	\$ (0.19)	\$ (1.12)	\$ (0.09)	\$ (0.20)	\$ 0.05	\$ 0.16	\$ 0.06	\$ 0.24	\$ 0.51	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.42
Diluted	\$ 0.32	\$ 0.50	\$ (0.19)	\$ (1.12)	\$ (0.09)	\$ (0.20)	\$ 0.05	\$ 0.15	\$ 0.05	\$ 0.24	\$ 0.50	\$ 0.10	\$ 0.09	\$ (0.01)	\$ 0.42
Non-GAAP earnings per share:															
Basic	\$ 0.98	\$ 0.95	\$ 0.97	\$ 0.99	\$ 0.28	\$ 0.30	\$ 0.12	\$ 0.09	\$ 0.12	\$ 0.27	\$ 0.60	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.68
Diluted	\$ 0.95	\$ 0.94	\$ 0.97	\$ 0.99	\$ 0.27	\$ 0.29	\$ 0.12	\$ 0.08	\$ 0.12	\$ 0.27	\$ 0.59	\$ 0.15	\$ 0.14	\$ 0.11	\$ 0.67

# Return on Tangible Capital

<i>(dollars in millions)</i>	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Non-GAAP Operating Income	5.3	3.5	4.0	5.2	6.5	8.4	7.2	4.4	7.0	9.6	6.3	7.4	5.9
<i>Other non-cash adjustments, not in Non-GAAP:</i>													
Add: Non-cash stock compensation	0.6	0.5	0.6	0.8	0.9	0.8	0.8	1.0	1.0	0.0	0.6	0.2	0.7
Adjusted Non-GAAP Operating Income	5.9	4.0	4.6	6.0	7.4	9.2	8.0	5.4	8.0	9.6	6.9	7.6	6.6
Cash Operating Taxes (assumed 27% rate)	-1.4	-0.9	-1.1	-1.4	-1.8	-2.3	-1.9	-1.2	-1.9	-2.6	-1.7	-2.0	-1.6
Net Operating Profit After Taxes (NOPAT)	4.5	3.1	3.5	4.6	5.6	6.9	6.1	4.2	6.1	7.0	5.2	5.6	5.0
TTM NOPAT	31.3	23.1	18.7	15.7	16.8	20.6	23.2	22.8	23.3	23.4	22.5	23.9	22.8
Net Tangible Capital	74.1	70.3	62.8	58.1	50.4	34.8	43.9	45.3	40.7	45.1	44.0	49.5	46.4
TTM ROTC	45.2%	36.8%	31.0%	25.4%	27.0%	39.2%	43.5%	44.1%	51.2%	58.6%	51.2%	50.4%	52.4%

- (a) Net Tangible Capital = (Currents Assets – Cash + PP&E) – (Current Liabilities less Current Debt)  
 (b) TTM ROTC % = NOPAT / (Current Quarter End Net Tangible Capital + Prior Year Quarter End Net Tangible Capital)/2)

# Adjusted Free Cash Flow

(dollars in millions)	Annual 2015	Annual 2016	Annual 2017	Annual 2018	1Q 2019	Q2 2019	Q3 2019	Q4 2019	Annual 2019	1Q 2020	Q2 2020	Q3 2020	TTM
Net cash provided by operating activities	12.6	69.6	6.6	22.0	(13.8)	2.5	10.7	10.8	10.2	7.0	(4.9)	7.0	19.9
Add: earn-outs classified as operating	-	-	7.8	2.9	-	-	-	-	-	-	-	-	-
Capital expenditures	(0.8)	(1.1)	(1.0)	(3.1)	(0.4)	(0.8)	(2.5)	(1.9)	(5.6)	(1.0)	(1.0)	(0.9)	(4.8)
<b>Adjusted free cash flow</b>	<b>11.8</b>	<b>68.5</b>	<b>13.4</b>	<b>21.8</b>	<b>(14.2)</b>	<b>1.7</b>	<b>8.2</b>	<b>8.9</b>	<b>4.6</b>	<b>6.0</b>	<b>(5.9)</b>	<b>6.1</b>	<b>15.1</b>
TTM Adjusted free cash flow	11.8	68.5	13.4	21.8	4.7	(2.1)	12.8	4.6	4.6	24.8	17.2	15.1	15.1
TTM EBITDA	48.4	60.5	34.5	30.2	33.2	32.3	32.3	33.0	33.0	31.9	34.1	33.0	33.0
TTM FCF / EBITDA Conversion	24.4%	113.2%	38.8%	72.3%	14.2%	-6.5%	39.6%	13.9%	13.9%	77.7%	50.4%	45.8%	45.8%