



**MONTROSE**  
ENVIRONMENTAL



## 2022 Annual Report

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-39394

**Montrose Environmental Group, Inc.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
5120 Northshore Drive,  
North Little Rock, Arkansas  
(Address of principal executive offices)

46-4195044  
(I.R.S. Employer  
Identification No.)

72118  
(Zip Code)

Registrant's telephone number, including area code: (501) 900-6400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.000004 per share	MEG	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on June 30, 2022, the last day of the Registrant's second fiscal quarter, based on the closing price of \$33.76 of the Registrant's common stock on The New York Stock Exchange on such date, was \$1.0 billion.

The number of shares of Registrant's Common Stock outstanding as of February 23, 2023 was 29,868,373.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2022.



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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “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. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “position,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will” and similar terms and phrases to identify forward-looking statements. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- our history of losses and ability to achieve profitability;
- general global economic, business and other conditions, including inflationary pressures and rising interest rates, the cyclical nature of our industry and the significant fluctuations in events that impact our business;
- the parts of our business that depend on difficult to predict natural or manmade events and the fluctuations in our revenue and customer concentration as a result thereof;
- the highly competitive nature of our business;
- our limited operating history;
- our ability to execute on our acquisition strategy and successfully integrate and realize benefits from our acquisitions;
- any failure in or breach of our networks and systems or other forms of cyber-attack;
- our ability to promote and develop our brands;
- our ability to maintain and expand our client base;
- our ability to maintain necessary accreditations and other authorizations in varying jurisdictions;
- significant environmental governmental regulation and liabilities;
- our ability to attract and retain qualified managerial and skilled technical personnel;
- safety-related issues;
- the impact of the COVID-19 pandemic on our business operations and on local, national and global economies;
- allegations regarding compliance with professional standards, duties and statutory obligations and our ability to provide accurate results;
- the lack of formal long-term agreements with many of our clients;
- our ability to adapt to changing technology, industry standards or regulatory requirements;
- government clients and contracts;
- our ability to maintain our prices and manage costs;
- our ability to protect our intellectual property or claims that we infringe on the intellectual property rights of others;
- laws and regulations regarding handling of confidential information;
- our international operations;
- product related risks;
- legal and regulatory claims and proceedings;
- research and development activities;
- anti-corruption and similar laws;
- taxation in multiple jurisdictions;
- insufficient insurance coverage;
- seasonality of demand;
- catastrophic events, including pandemics, natural disasters and environmental disruptions caused by climate change;

- our indebtedness and ability to maintain sufficient liquidity;
- the increase in expenses associated with being a public company; and
- additional factors discussed in our SEC filings, including this Annual Report on Form 10-K, and in our public statements.

The forward-looking statements contained in this Annual Report on Form 10-K are based on historical performance and management's current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results or outcomes may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors described in Item 1A. "Risk Factors." Further, many of these factors are, and may continue to be, amplified by the COVID-19 pandemic. Additional factors or events that could cause our actual results or outcomes to differ may also emerge from time to time, and it is not possible for us to predict all of them. In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results or outcomes may vary in material respects from what we may have expressed or implied by any forward-looking statement and, therefore, you should not regard any forward-looking statement as a representation or warranty by us or any other person that we will successfully achieve the expectation, plan or objective expressed in such forward-looking statement in any specified time frame, or at all. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which we make it. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

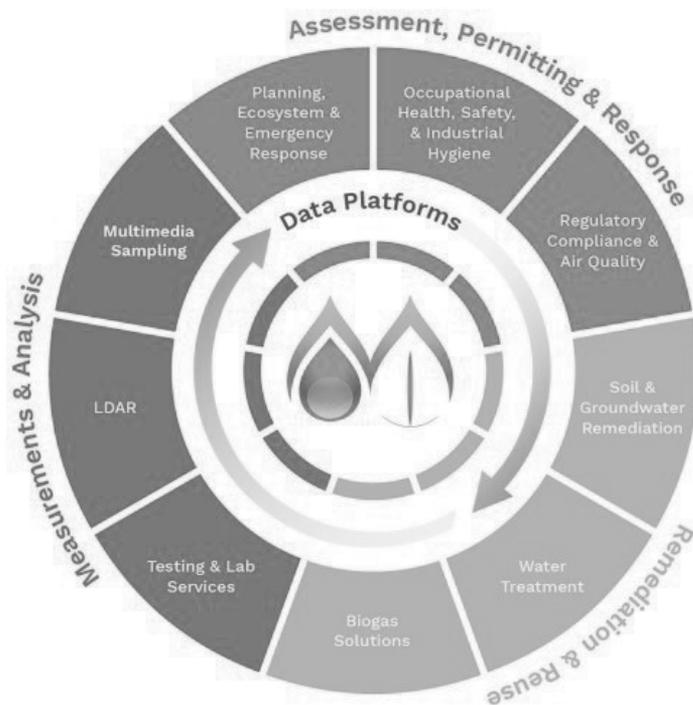
In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of the filing or public statement, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

## PART I

### Item 1. Business.

Since our inception in 2012, our mission has been to help clients and communities meet their environmental goals and needs. Today, we have emerged as one of the fastest growing companies in a highly fragmented and growing \$ 1.34 trillion global environmental industry.

We service complex and often non-discretionary environmental needs of our diverse clients across our three business segments: Assessment, Permitting and Response; Measurement and Analysis; and Remediation and Reuse. Examples of our services include:



Our industry is highly fragmented with no single market leader. By focusing on environmental solutions, we believe we are uniquely positioned to become a leading platform in the industry. We provide a diverse range of environmental services to our private and public sector clients across the life cycle of their needs—whether they are launching new projects, maintaining operations, decommissioning operations, rehabilitating assets, managing the impacts of climate change or responding to unexpected environmental disruption. Our integrated platform has been a catalyst for our organic growth and we have built on this platform through strategic acquisitions.

Innovation is core to our strategy. The world's environmental challenges continue to grow in number, scope and complexity, and mounting public pressure and regulatory changes continue to drive demand for better information and solutions. We focus on innovation in order to improve the quality of information we can provide to clients (such as more accurately measuring methane and greenhouse gas emissions or identifying variations of Per- and polyfluoroalkyl substances, or PFAS, in water) and provide better solutions to their environmental needs (such as the efficient removal of PFAS from contaminated water). We intend to continue innovating by investing in research, development, software development, and technology (directly and through strategic partnerships) to develop better solutions for our clients. We believe these investments—together with our investments in geographic expansion, sales and marketing initiatives, environmental service offerings and strategic acquisitions—will continue to distinguish us in the marketplace.

Our revenue and earnings are highly resilient. We are not dependent upon any single service, product, political approach or regulatory framework. We also serve a diverse set of approximately 5,600 clients across a wide variety of end markets and geographies within the private

and public sectors. Funding for our services is typically non-discretionary given regulatory drivers and public health concerns. As a result, our business is positioned to be less susceptible to political and economic cycles.

Our financial success is driven by both strong organic and acquisition-driven growth, and as a result, our total revenue has grown at a compounded annual growth rate of 30% since 2018.

Our environmental focus and reputation have enabled us to attract and retain some of the most highly sought-after employees in our industry. These employees have contributed to our organic growth, differentiated brand, reputation and culture.

Our approach has allowed us to successfully and consistently scale our business, and we believe we are well positioned to continue our trajectory and market leadership as we address the growing environmental needs of our clients and communities.

## **The Industry**

The environmental industry is large, growing, highly fragmented and subject to complex regulatory frameworks. Federal, state, provincial and local environmental regulations dictate compliance requirements that create demand for environmental services. Increasingly, public and stockholder interest in environmental sustainability is also driving prudent management of our shared and finite environmental resources.

### ***Global Environmental Industry is Large and Growing***

According to data derived from environmental industry studies updated annually by Environmental Business International, Inc. ("EBI") and research commissioned by Montrose, as of 2022 the global environmental industry is estimated to generate approximately \$1.34 trillion in revenues, with \$444 billion concentrated in the United States. According to EBI, this \$444 billion U.S. environmental market is expected to grow at a CAGR of 2.8% per year from 2023 through 2026, up from its previous forecast. EBI concludes that strong tailwinds of ESG, energy security, energy transition and climate resilience, in addition to traditional drivers of air quality, water quality, responsible waste management and resource recovery are leading to positive growth across all environmental sectors in the global market.

### ***Public Demands, Industrial Activity, Climate Change and Regulations Each Increase Need for Environmental Services***

Heightened public awareness and increasing stakeholder demand for environmental sustainability has increased the need and demand for environmental services. Many companies around the world have implemented initiatives on Sustainability and Corporate Social Responsibility, or CSR, and Environmental, Social and Governance, or ESG, making environmental impact a core factor in many business decisions. These initiatives are often focused on managing potential future risks, as opposed to past emphasis on regulatory compliance.

Steady increases in industrial activity and infrastructure investment, and the regulations underpinning these activities, are also driving demand for environmental services. In addition, environmental disruptions caused by climate change or aging infrastructure drive demand for environmental services. Infrastructure investments and environmental emergency responses often require substantial assessments, planning and/or permitting services in addition to environmental testing or remediation services. Testing and monitoring are typically recurring processes driven by regulations throughout the industrial production process.

In addition to current regulations, future regulatory changes may also drive demand for additional or different environmental services. In the United States, Canada, Australia and Europe, the federal, state, provincial and local regulations targeting air and water quality management, waste and contaminated soil management or reductions in greenhouse gas emissions, each of which drives portions of our business, have been implemented over many decades, and are subject to change.

We expect these trends to continue and to spur future growth in the environmental services industry.

### ***The Environmental Services Industry is Highly Fragmented and Complex***

According to EBI, thousands of firms operate in many of the markets in which we operate. Several larger firms provide environmental services as a part of their broader product portfolio. However, much of the industry is served by small firms that provide limited service offerings addressing specific regulations and geographies. It is difficult for small firms to expand given the technical expertise, accreditations and licenses necessary to serve a broad array of clients and industries across geographies and service lines. These dynamics create significant barriers to entry in our industry.

As clients increasingly focus on environmental solutions to address their impact on the environment, we believe they value environmental solutions providers with scale, technology and broad service capabilities. Providers able to address the full lifecycle of environmental concerns and needs, particularly for companies and organizations with multi-jurisdictional footprints subject to complex regulatory frameworks and impacts across environmental media (e.g., air, water and soil) will continue to enjoy competitive advantages.

## **Competitive Strengths**

We are a leading global brand focused on environmental services with a resilient revenue base anchored on long-term client relationships. Our focus on innovation, our ability to acquire and integrate leading companies, our highly accredited businesses and our experienced and credentialed team provide our clients with quality solutions and create significant barriers to entry. Our competitive strengths include:

### ***Resilient Revenue Across Political and Economic Cycles***

Our revenues are largely resilient over political cycles primarily because our business is not dependent on any one industry, geography or regulatory framework. We have a diversified client and geographic footprint, and we often help clients comply with multiple regulatory frameworks. As a result, we are often insulated from major shifts in individual federal, state, provincial and local regulations. While federal governments set certain minimum standards, many state, provincial or local policies are more stringent. In addition, state, provincial and local governments often define how environmental standards will be met or implemented. These different levels of government often serve as counterweights to each other and minimize the risk and impact of sudden shifts in policy.

We believe our diverse portfolio of services and end markets also positions us to be resilient across economic cycles. For example, clients use our services when launching development projects, while maintaining ongoing operations, when decommissioning operations, and when remediating the release of contaminants into air, water or soil. These client activities can occur at different times for different industries, regardless of economic cycles. In addition, many of our service offerings are typically non-discretionary and our projects often create significant economic value for our clients (in the form of reduced liability, cost savings or revenue streams), further incentivizing the continued use of our services. Furthermore, community demands, such as those for PFAS-free water or better air quality monitoring in disadvantaged communities surrounding industrial facilities, continue regardless of political or economic cycles. As another example, during the COVID-19 shelter-in-place orders, most of our services were deemed essential and continued to be requested by clients. Though there were some delays in the scheduling of certain services due to travel restrictions or social distancing requirements, the environmental and/or regulatory implications of not completing environmental projects resulted in a resilient demand for our services, even during the heights of the pandemic. Including revenues generated by CTEH, whose clients do not necessarily recur each year due to the emergency response nature of their services, clients generating 95% of revenue in the fiscal year ended December 31, 2021 repeated in the fiscal year ended December 31, 2022. Excluding revenues generated by CTEH, clients generating 96% of revenue in the fiscal year ended December 31, 2021 repeated in the fiscal year ended December 31, 2022. Similarly, inclusive of CTEH clients generating 86% of our revenue in the fiscal year ended December 31, 2020 repeated in the fiscal year ended December 31, 2021 and excluding revenues from CTEH, clients generating 93% of our revenue in the fiscal year ended December 31, 2020 repeated in the fiscal year ended December 31, 2021.

### ***Long-term Relationships Across a Large and Diversified Client Base***

We currently serve approximately 5,600 clients. We have long-standing relationships with a number of Fortune 1000 companies and government entities, and our legacy acquired businesses have been operating for as long as a century.

We provide services to our largest clients across multiple projects and/or multiple locations, and the number of services we provide to these clients varies from one project per year to several dozen projects per year. With the exception of CTEH, whose environmental response business may at times experience higher customer concentration levels based on the severity, duration and outcome of certain types of environmental emergencies for which we provide response services, our revenues are not dependent on any one single client or industry. In fiscal year ended December 31, 2022, our largest client represented approximately 14% of revenue, with those revenues being generated by more than 30 separate projects. In fiscal year ended December 31, 2021, our largest client represented approximately 10% of revenue, with those revenues being generated by more than 20 separate projects. Further, the Industrial Manufacturing Industry, the industry from which we generated the most revenue in 2022, represented 23% of total revenue. The Media industry, the industry from which we generated the most revenue in 2021, represented 32% of total revenue.

### ***Differentiated Technology, Processes and Applications***

Our focus on innovation and on accessing and developing proprietary technologies, processes and applications is a key competitive advantage and differentiator of our brand and services. These innovative tools complement our professionals' years of experience, technical expertise and industry knowledge and bolster the solutions we provide our clients. We have consistently used technology and process advancements across geographies, to accelerate growth and to address our clients' environmental concerns.

In fiscal year 2022, our Research and Development team was awarded six patents in the United States related to water treatment technology. In total, our research and development team has been awarded eighteen patents and has an additional twenty patents submitted for

patent consideration in the United States. Our research and development team continued to innovate in the following areas: water treatment, particularly PFAS and selenium removal, PFAS destruction, PFAS testing, foam fractionation, and CO2 capture. In addition, with the acquisition of SensibleIoT in 2021, our software and environmental sensor connectivity platform targeting air and water quality continued to advance.

### ***Significant Scale with Global Reach***

Clients value our ability to provide coordinated, diversified services across many geographies, including domestic and international geographies that reach beyond our approximately 80 locations. Through our strategic acquisitions and targeted recruiting, we have achieved a scale that combines knowledge of local environments and regulations with global reach, which positions us to win and execute our projects globally. As a result, we expect to continue to capture market share.

Our global footprint supports our ability to gain market share by attracting new clients and by expanding offerings to our existing clients. As clients seek environmental solutions providers able to address the life cycle of their environmental concerns and needs across jurisdictions, we believe our footprint and diversified portfolio of services position us well to attract and retain clients, and expand our relationships with those clients over time.

Our scale has enabled us to leverage our investments in technology, innovation and process resources in a way that we believe will continue to support our industry leadership position.

### ***Proven Ability to Identify, Execute and Integrate Acquisitions***

We have acquired and integrated over 65 businesses over the last ten years, and we intend to continue selectively acquiring companies in our industry. Key characteristics of past and expected acquisition targets include quality management teams, complementary services, access to differentiated technologies and extension of our geographic reach.

We believe we add value to the businesses we acquire by introducing a culture focused on teamwork and innovation, and by providing superior operating discipline. As a result of our focus on integration, our acquired businesses typically begin contributing to our organic growth after the first year following acquisition. Post-acquisition performance is typically driven by revenue synergies, which, excluding the impact of CTEH, whose revenues are episodic, is demonstrated by our consistent organic revenue growth.

We maintain a robust acquisition pipeline primarily driven by word of mouth and existing relationships. As we have to-date, we intend to continue acquiring businesses at disciplined valuation levels. We believe our approach to acquisitions will enable us to continue creating substantial value for all our stakeholders.

### ***Experienced Management Team Coupled with a Team-Centric Culture***

Our leadership and culture define who we are. Our senior leadership team includes industry pioneers who have led a number of industry organizations and are considered among the foremost experts in the environmental services industry. The average tenure of our operational leadership in the environmental industry is more than 25 years. Our key executives and board members also have extensive experience in growing businesses both organically and through acquisitions. Finally, we review talent metrics, including those related to hiring, retention, and diversity with the Board on a quarterly basis.

Our management and employees share a passion for the environment and a compassion for each other. In addition, The Montrose Community Foundation, a non-profit organization formed and operated by our employees for the benefit of our employees continued to offer assistance to employees in need. Through its volunteer board, The Montrose Community Foundation uses employee donations to provide resources to our employees in times of need. Our employees' dedication of personal time and resources solely for the benefit of their colleagues exemplifies our team-oriented culture.

We believe it is our strong management team and our culture that enables us to attract and retain our exceptional talent.

### **Growth Strategies**

Our goal is to become a global leader in the growing environmental services industry. We expect to continue our long-term organic growth by maintaining and expanding existing client relationships, developing new client relationships and investing in sales and marketing infrastructure. For the fiscal year ended December 31, 2022, 35% of our revenue came from customers buying more than one service. This is nearly double from the fiscal year ended December 31, 2021 of 18%. We also expect to continue growing by strategically acquiring companies in our highly fragmented industry. Our proven ability to recruit and retain industry leaders and innovators across all our business segments will

further contribute to our success. We believe these growth strategies position us well to capture market share from competitors and accelerate beyond our industry's attractive growth profile.

### ***Continue Organic Growth***

- ***Build Montrose brand awareness and marketing strategy:*** We believe we are uniquely positioned to capitalize on the growing demand for environmental solutions. We continue to expand and centralize our marketing resources to support both corporate and business-line specific needs, adding personnel, processes, and tools to drive brand awareness. Anchored on a content marketing strategy where we provide relevant, technical information through story-driven campaigns, our goal is to engage specific customers and support our sales teams with data-driven insights. Though our brand awareness is rapidly improving, our technical capabilities remain broadly unknown to most prospective customers; therefore, we believe our investments in brand development remain very additive to our ability to recruit talent, generate organic growth, and ultimately can create shareholder value.
- ***Provide sales training and deploy a targeted sales team to drive growth and acquire new clients:*** We are investing in our dedicated sales capabilities and intend to continue these efforts. We are providing sales and account management training to our technical practitioners, investing in customer relationship management systems and building sector-specific sales teams to help identify new clients and capture market share from competitors. We believe a targeted investment in sales and marketing will help facilitate cross selling across our products and geographies, and support ongoing market share capture within each individual environmental service.
- ***Sell additional environmental services to existing clients:*** Many of our clients have historically hired us for a specific environmental service such as environmental audits or tests. As we have diversified our service offerings, and as clients have grown accustomed to the quality and consistency that our teams provide, clients have increasingly engaged us to perform additional environmental services. As a result, we have won new business historically served by competitors that are typically single service-line focused. We expect to continue cross-selling additional environmental services to existing clients with multidimensional needs, including where we can replace services provided in-house.
- ***Deploy innovative technologies, processes and applications to address unmet client needs:*** Newly identified contaminants, public health concerns and changes to regulations have created and are expected to continue to create unmet environmental service needs for many of our current and prospective clients. Our investments in innovation—both stand-alone and through partnerships—have better equipped us to address these client needs in a manner that differentiates us from our competitors. We have won and expect to continue winning business from both existing and new clients because of the innovative solutions we offer.
- ***Capture environmental service opportunities arising from federal, state or provincial spending and stimulus measures:*** Government stimulus packages may include incentives and guidelines to target improved water treatment and water infrastructure, soil remediation and land development, air quality improvement, and infrastructure development initiatives (which often require environmental assessments). These types of initiatives can both directly or indirectly increase demand for our environmental services and would be additive to our ability to recruit talent, generate organic growth, and ultimately can create shareholder value.
- ***Expand existing local relationships into national and international relationships:*** Many of our clients have a broad national and international presence. Historically, these clients have often managed their environmental programs locally using regional service providers. However, these clients often have a desire to minimize the number of vendors they work with and standardize their programs across geographies, which requires their environmental services providers to have the scale, reach and capabilities to match their footprint. Meeting this need is challenging for many in our industry given their regional focus and limited service offerings. Our geographic reach, strong relationships and reputation for quality enable us to address our clients' ever-growing and diverse needs in a way most of our regional competitors cannot. As a result, we have generated many intra-client referrals and won new business with existing clients in geographies historically served by competitors. We intend to continue to expand into new geographies where our existing clients operate.

### ***Pursue Strategic Acquisitions***

The environmental services industry is highly fragmented and has no single leading brand. Through strategic acquisitions, we can continue to accelerate our growth, brand development and market leadership. Over the last ten years, we have acquired and integrated over 65 businesses that have provided us with talent, complementary services, access to differentiated technologies and geographic reach. Most of our acquisitions were initiated with personal introductions given our favorable reputation in the market. We believe our ability to identify, execute and integrate acquisitions and retain talent has been and remains a key driver of our operational and financial success.

Our pipeline of potential future acquisitions is robust, and we plan to continue pursuing acquisitions to enhance our strategic and competitive positions in existing and new markets.

### ***Recruit, Develop, and Retain Industry Professionals and Leaders***

Given the highly technical nature of many of our services, our ability to recruit and retain talent enhances our ability to capture market share. We believe our mission and focus on the environment, our emphasis on ownership opportunities for our employees and our team of renowned industry leaders creates a competitive advantage when competing for talent.

## Segments

We provide environmental services to our clients through our integrated solutions across three business segments—Assessment, Permitting and Response, Measurement and Analysis and Remediation and Reuse.



**Assessment, Permitting and Response.** Our Assessment, Permitting and Response segment provides scientific advisory and consulting services to support environmental assessments, environmental emergency response and recovery, toxicology consulting and environmental audits and permits for current operations, facility upgrades, new projects, decommissioning projects and development projects. We work closely with clients to navigate the regulatory process at the local, state, provincial and federal levels, identify the potential environmental and political impacts of their decisions and develop practical mitigation approaches, as needed. In addition to environmental toxicology, and given our expertise in helping businesses plan for and respond to disruptions, our scientists and response teams have helped clients navigate their preparation for and response to COVID-19 infections.

We believe this segment maintains a number of competitive advantages, including:

- strong brands and market leadership, particularly with environmental preparedness and response;
- strong relationships with key private and public sector clients with needs for multiple environmental services, facilitating cross selling opportunities;
- a core team of approximately 1,150 employees, including well-known technical experts with longstanding client relationships and significant experience across the key disciplines in the segment;
- technology, software and data management capabilities, particularly within our response segment;
- our proven ability to help clients navigate regulatory, public and legal scrutiny; and
- a national reach established by having successfully assessed and permitted hundreds of projects in jurisdictions across the United States.

This segment, which is primarily based on a time and materials, or T&M, revenue model, generated approximately 34% of our revenue for the fiscal year ended December 31, 2022.

**Measurement and Analysis.** Our Measurement and Analysis segment is one of the largest providers of environmental testing and laboratory services in North America. Supported by approximately 1,160 employees across more than 50 locations in the US and Canada, our highly credentialed teams test and analyze air, water and soil to determine concentrations of contaminants, as well as the toxicological impact of contaminants on flora, fauna and human health. Our offerings include source and ambient air testing and monitoring, leak detection, and advanced multi-media laboratory services, including air, soil, stormwater, wastewater and drinking water analysis.

We believe we have a variety of sustainable competitive advantages in this market, including:

- reputable brands;
- one of the most prominent air testing companies in North America with vertically integrated testing and analytical capabilities, including ultra-trace analysis;
- comprehensive laboratory network in the United States, offering a complete suite of analytical solutions for virtually all environmental projects;
- one of the most experienced providers of advanced optical gas imaging “OGI” testing used to detect hydrocarbon gas leaks; and
- our proprietary software, technologies, processes and applications, including the ability to detect air contaminants in real time at ultra-trace concentrations.

This segment, which is primarily based on a fixed price and, for out-of-scope work, a T&M revenue model, generated approximately 32% of our revenue for the fiscal year ended December 31, 2022.

**Remediation and Reuse.** Our Remediation and Reuse segment provides clients with engineering, design, and implementation services, primarily to treat contaminated water, remove contaminants from soil or create biogas from waste. Approximately 450 of our employees, including engineers, scientists and consultants, provide these services to assist our clients in designing solutions, managing products and mitigating environmental risks and liabilities at their locations. We do not own the properties or facilities at which we implement these projects or the underlying liabilities, nor do we own material amounts of the equipment used in projects.

We believe this segment's competitive advantages include:

- strong brands;
- advanced technologies and our owned and licensed intellectual property portfolio, such as our patented water treatment systems and proprietary process to optimize the generation of biogas;
- a team with industry-leading experts and several patent-generating scientists; and
- local expertise and capabilities with respect to unique soil, sediment and water table characteristics and contamination types.

This segment, which is primarily based on a fixed price and, for out-of-scope work, a T&M revenue model, generated approximately 34% of our revenue for the fiscal year ended December 31, 2022 through a combination of project-based work and recurring, monthly fee operating & maintenance (O&M) revenue stream.

This table illustrates a summary of our segments.

	Assessment, Permitting & Response	Measurement & Analysis	Remediation & Reuse
Exemplary Services	<p><b>Emergency Response (CTEH):</b></p> <ul style="list-style-type: none"> <li>Environmental Incident Response</li> <li>Risk Assessment &amp; Mitigation</li> </ul> <p><b>Regulatory Consulting:</b></p> <ul style="list-style-type: none"> <li>Air Quality</li> <li>Water Quality</li> </ul> <p><b>Planning and Ecosystems Consulting:</b></p> <ul style="list-style-type: none"> <li>NEPA Compliance Documents</li> <li>Natural Resource Damage Assessment (NRDA)</li> <li>Net Environmental Benefit Analysis (NEBA)</li> </ul>	<p><b>Air Testing:</b></p> <ul style="list-style-type: none"> <li>Source Emissions</li> <li>Ambient Air Monitoring</li> <li>Fenceline Monitoring</li> </ul> <p><b>Lab Services:</b></p> <ul style="list-style-type: none"> <li>Air, Soil, Water, Sediment Analysis</li> <li>Ultratrace Analysis and PFAS</li> <li>Environmental Toxicology</li> </ul> <p><b>Leak Detection and Repair (LDAR):</b></p> <ul style="list-style-type: none"> <li>Detection &amp; Measurement</li> <li>Consulting &amp; Support Services</li> <li>Data Management and Reporting</li> </ul>	<p><b>Water Treatment and Renewable Energy (Biogas) Solutions:</b></p> <ul style="list-style-type: none"> <li>Initial Project Assessments and Feasibility Studies</li> <li>Integrated System Engineering and Design, Installation, Start-up and Commissioning and O&amp;M</li> </ul> <p><b>Soil and Groundwater Remediation:</b></p> <ul style="list-style-type: none"> <li>Site Investigations and Assessments</li> <li>Remediation System Engineering and Design, Installation and O&amp;M</li> <li>Underground Storage Tank Closure and Management</li> </ul>
Revenue Model	Primarily time & materials	Primarily fixed price and, for out of scope work, time & materials	Primarily fixed price and, for out of scope work, time & materials

### Differentiated Technology, Processes and Applications

Advanced technology and innovative processes and applications are key competitive advantages in the environmental services industry. Our team of industry leaders are integral drivers of our investments in differentiated services. As our brand and environmental platform grows, our experts are increasingly able to deploy innovative technologies that address our clients' needs, further differentiate our services and create new barriers to entry. Recent examples of our investment and development activities are related to real time air quality and methane emissions monitoring, environmental data management and visualization software, and PFAS removal and destruction technologies.

In fiscal year 2022, our Research and Development team was awarded six patents in the United States related to water treatment technology. In total, our research and development team has been awarded eighteen patents and has an additional twenty patents submitted for patent consideration in the United States. Our research and development team continued to innovate in the following areas: water treatment, particularly PFAS and selenium removal, PFAS destruction, PFAS testing, foam fractionation, and CO2 capture.

### Strategic Acquisitions

We operate in a growing and highly fragmented market with thousands of potential acquisition targets. Given our success in identifying, executing and integrating more than 65 acquisitions since our inception in 2012, we believe we can continue to selectively acquire additive businesses. We seek to acquire businesses at disciplined valuation levels that:

- (1) are led by high quality scientists and management teams,
- (2) expand our portfolio of services,
- (3) provide access to differentiated technologies or processes, and
- (4) extend our geographic coverage.

We have personnel specifically dedicated to identifying acquisition targets, exploring acquisition opportunities, negotiating terms and overseeing acquisition and post-acquisition integration. Our in-house acquisition team has established extensive relationships throughout the industry and maintains and regularly re-evaluates an established pipeline of potential acquisition opportunities, largely driven by word of mouth and personal introductions.

Since January 1, 2020 we have acquired the following businesses:

Acquired Business	Date of Acquisition	Segment	Location
<b>2023 Acquisitions</b>			
Frontier Analytical Laboratories ("Frontier")	January 3, 2023	Measurement and Analysis	El Dorado Hills, CA
Environmental Alliance ("EAI")	February 1, 2023	Remediation and Reuse	Wilmington, DE

### 2022 Acquisitions

Environmental Standards, Inc. (“Environmental Standards”)	January 31, 2022	Assessment, Permitting and Response	Valley Forge, PA
Industrial Automation Group, Inc. (“IAG”)	January 31, 2022	Remediation and Reuse	Atlanta, GA
TriAD Environmental Consultants, Inc. (“TriAD”)	August 1, 2022	Remediation and Reuse	Nashville, TN
AirKinetics, Inc. (“AirKinetics”)	September 1, 2022	Measurement and Analysis	Anaheim, CA
Huco Consulting, Inc. (“Huco”)	November 30, 2022	Assessment, Permitting and Response	Houston, TX

### 2021 Acquisitions

Horizon Water and Environment, LLC (“Horizon”)	November 1, 2021	Assessment, Permitting and Response	Oakland, CA
Environmental Chemistry, Inc. (“ECI”)	October 1, 2021	Measurement and Analysis	Houston, TX
SensibleIoT, LLC (“Sensible”)	August 1, 2021	Measurement and Analysis	Paso Robles, CA
Environmental Intelligence, LLC (“EI”)	July 1, 2021	Assessment, Permitting and Response	Laguna Beach, CA
Vista Analytical Laboratory, Inc. (“Vista”)	June 3, 2021	Measurement and Analysis	El Dorado Hills, CA
MSE Group, LLC (“MSE”)	January 1, 2021	Remediation and Reuse	Orlando, FL

### 2020 Acquisitions

American Environmental Testing Co., Inc. (“AETC”)	September 21, 2020	Measurement and Analysis	Burbank, CA
LEED Environmental Inc. (“LEED”)	September 10, 2020	Remediation and Reuse	Reading, PA
The Center for Toxicology and Environmental Health, L.L.C. (“CTEH”)	April 2020	Assessment, Permitting and Response	Little Rock, AR

We believe we add value to the businesses we acquire by emphasizing a team-centric culture focused on innovation and investment, expanding career opportunities for new employees from smaller businesses, providing a larger eco-system of environmental services and capabilities to further client relationships, and implementing award-winning safety programs and operating processes. Each business we acquire is systematically integrated into our systems and processes, thereby creating revenue synergy opportunities and operating leverage.

### Clients

We provide environmental services to approximately 5,600 clients operating in a number of sectors and industries, including but not limited to technology, media, chemicals, energy (oil, gas and/or petrochemical), power and utilities, industrials and manufacturing, financial services, and engineering services as well as local, state, provincial and federal government entities. We have long-term, and through our legacy companies, decades-old relationships. We serve a diversified client base in both the private and public sectors. For the fiscal year ended December 31, 2022, our revenues were derived approximately 89% from the private sector and 11% from the public sector.

Our largest client represented approximately 14% of revenue for fiscal year ended December 31, 2022, with these revenues derived from over 30 separate projects. As a result of the nature of CTEH’s environmental response business, our Assessment, Permitting and Response segment may at times experience higher customer concentration levels based on the severity, duration and outcome of certain types of environmental emergencies for which we provide response services, as was the case in 2022 when 38% of CTEH’s revenues were attributable to three customers, each of whom engaged CTEH in connection with COVID-19 response support. See Item 1A. “Risk Factors.”

For the fiscal year ended December 31, 2022, 35% of our revenue came from customers buying more than one service, which is nearly double from the 18% generated from this type of customer in the fiscal year ended December 31, 2021. We have expanded our relationships with our existing customer base with our vertically integrated business model. Our maturing client relationships coupled with our integrated structure across all our business lines has increased the level of client engagement.

## **Contracts**

Our client contracts are generally fixed price, including milestone-based fixed price contracts in our Remediation and Reuse segment, and, for out-of-scope work, T&M based. Our Assessment, Permitting and Response client contracts are generally T&M based. Our client contracts vary from purchase-order based contracts utilizing standard terms and conditions to comprehensive master services agreements with terms of multiple years. In accordance with industry practice, most of our contracts, both in the private and public sector, are subject to termination at the discretion of the client. In such situations, our contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of termination. See Item 1A. "Risk Factors."

## **Competition**

We operate in a competitive, but fragmented, market. No single company or group of companies dominates across the entire environmental services market in which we operate. Our primary competitors are divisions of large companies, various small companies, which generally are limited to a specific service and focused on a niche market or geographic region and our clients' own in-house resources. We believe that few, if any, of our competitors currently provide the full range of environmental solutions that we offer. Instead, each of our segments has competitors with narrower service offerings and/or geographies. Our Assessment, Permitting and Response segment competitors include the environmental divisions of ERM, Ramboll, Geosyntec, Exponent, and other large engineering companies and small businesses. Our Measurement and Analysis segment competitors include the environmental divisions of SGS, TRC Companies, Eurofins, Pace Analytical and other large testing companies and small businesses. Our Remediation and Reuse segment competitors include the environmental divisions or remediation segments of Tetra Tech, AECOM, Evoqua, Mead & Hunt, and other large engineering companies and other small businesses.

We compete based on the following factors, among others: reputation, safety track record, quality, geographic reach, price, technical capabilities, access to innovative technology and breadth of services. We believe that our current capabilities position us to compete favorably in each of these factors.

The environmental services industry has significant barriers to entry which would make it difficult for new competitors to enter the market. These barriers include:

- highly technical, costly and time-consuming accreditation and licensure requirements;
- ability to deploy/services client needs across geographies;
- advanced quality and safety programs and mandated scores;
- the complex and geographically varying regulatory landscape that requires significant industry experience;
- the need to acquire or develop innovative technologies and processes that are acceptable to regulatory bodies, which in our case occurred over many years of client and regulator engagements and at significant research and development expense; and
- emphasis by large clients on size and scale, length of relationship and past service record.

## **Intellectual Property**

We utilize a combination of intellectual property safeguards, including patents, copyrights, trademarks, trade secrets and licenses, as well as employee and third-party confidentiality agreements, to protect our intellectual property. However, we do not principally rely on any single piece of intellectual property, nor is any single piece of intellectual property material to our financial condition or results of operations.

## **Seasonality**

Because demand for environmental services is not driven by specific or predictable patterns in one or more fiscal quarters, our business is better assessed based on yearly results. Additionally, due to the field-based nature of certain of our services, weather patterns generally impact our field-based teams' ability to operate in the winter months. As a result, our operating results in our Measurement and Analysis segment experience some quarterly variability with generally lower revenues and lower earnings in the first and fourth quarters and typically we experience higher overall revenues and earnings in the second and third quarters. As we continue to grow and expand into new geographies and service lines, quarterly variability in our Measurement and Analysis segment may deviate from historical trends.

## **Human Capital Resources**

### ***Employees***

As of December 31, 2022, we had approximately 2,900 employees, including approximately 2,250 full-time employees in the United States. Approximately 97% of our full-time employees work in our U.S. operations and approximately 3% work in foreign operations. None of our facilities are covered by collective bargaining agreements.

### ***Employee Communication***

We continue to advance our employee communication strategy at Montrose. In 2022, we held an annual meeting for key leaders, an annual sales meeting targeting key business development initiatives, and townhalls for all employees and for specific business lines. The townhalls update all employees, to share progress on Diversity, Fairness, and Inclusion ("DF&I") initiatives, and to update individual business lines and divisions. The townhalls, which are open to all employees in the relevant group, provide comprehensive updates about the company or the business line's talent and people strategy, key operational successes and focus areas, financial updates, and opportunities to ask questions of the leadership team.

In addition to live townhall events, we leverage internal newsletters published by our Human Resources ("HR") and Marketing departments, respectively. The HR newsletters inform employees of initiatives and accomplishments towards building a better workplace and the Marketing newsletters provide employees with information on new business projects, research and development updates, client updates, upcoming and completed marketing events, and Montrose in the news.

### ***Diversity, Fairness and Inclusion***

At Montrose, diversity, fairness, and inclusion are key to fulfilling our Company aspirations to be the future of environmental solutions. Our DF&I Task Force, established in July 2020, continues to build awareness across Montrose and to establish and formalize employee development and policies that support diversity, inclusion and fairness. We conducted a DF&I survey in 2021 with the goal of understanding our employee's perspectives and assessing areas of opportunity for the Company. The findings are continuing to inform our DF&I mission, vision, and roadmap, including: communicating and educating on DF&I topics, concerns, and holidays; prompting a review of our Montrose Handbook and DF&I-related policies; developing training and education programs on topics such as unconscious bias and inclusion; encouraging participation in community events, such as additional townhalls, supporting local causes, and celebrating our first company Diversity Day; and improving our programs and sharing milestones.

These roadmap initiatives could not be completed without the engagement of our various Montrose departments. Our operations team, for example, implemented changes intended to make employee gender identification more inclusive, and encouraged existing employees to complete and validate race and veteran status in our internal tracking systems. The DF&I Task Force also works with our executive leadership team and divisional leadership teams to propose changes in policies or work practices. Recent changes to policy include the addition of floating holidays and a dedicated Employee Appreciation & Diversity Day to the Company's vacation policy, and various diversity, fairness and inclusion efforts globally. We have also deployed mandatory inclusion training to the Company's full-time workforce, with 97% of such employees having completed the training in 2022, and our Task Force is continuing to evaluate other DF&I related trainings and updates for future roll-outs.

Our DF&I Task Force actively works with our HR and Talent Acquisition teams to expand our recruiting efforts of science, technology, engineering and math ("STEM") professionals, as well as engaging with colleges and professional organizations that promote individuals from underrepresented populations. For example, we have sponsored events for the Society of Women Environmental Professionals in an effort to build a long-term relationship. Additionally, the Task Force, in coordination with HR, now reviews our job posting templates for inclusive and fair recruitment language.

### ***We LEAD***

The Montrose Environmental Group Women Empowering Leadership, or WeLEAD, program, which was established in January 2020, is focused on fostering the recruitment, retention and professional development of women at our company. Our WeLEAD program is developing an alliance of women leaders across Montrose, with a key emphasis on mentorship and talent development. Since the program's inception, a standardized pay parity effort was launched across the organization to support fair pay across job titles and functions, both for existing employees and for new hires going forward. In addition, several prominent female leaders have been promoted into senior roles within the Company's science and engineering departments and two female Board members have been added to the Company's Board of Directors. In coordination with the DF&I Task Force, WeLEAD recently made policy recommendations which have been implemented to promote the development and retention of female talent within the organization. Most recently, based on these recommendations, the Company has adopted a new parental leave policy which expanded paid parental leave, expanded bereavement leave scope to include loss of pregnancy, and WeLEAD is creating a new liaison program for new mothers to navigate parental leave and subsequent return to work.

Further to its mission, WeLEAD has, since 2020, coordinated a formal annual mentorship program for women leaders within our Company.

### ***Talent Acquisition and Development***

In 2022 we established a dedicated Talent Acquisition team that bring decades of combined recruitment experience to allow Montrose to be more competitive in today's hiring. The team is actively engaged in ensuring the Company's strong growth profile is matched by the recruitment and development of key talent.

We have also advanced on a number of employee development initiatives in 2022, including:

- The launch of our Talent Profile, an internal resume database that allows us to more easily collaborate internally by identifying individuals with particular experience and skills, as well as to understand employee career interests. The Talent Profile has been an important factor in furthering thoughtful career discussions between leaders and employees.
- The deployment of onsite Leadership Development Days, aimed at providing leaders with the right insight and tools on a variety of topics to better develop and lead their own teams.
- The launch of the Montrose Leadership Excellence Program, an 8-month leadership development program that focuses on building leadership skills for executive-nominated next level leaders and helps prepare them for more prominent leadership roles at Montrose.
- 360-degree feedback surveys to identify key leader strengths and development opportunities.
- Continued investments in training, including online platforms and content, on-the-job training and mentoring, and in person training programs, all of which are reviewed annually, to further employee development and compliance.

### ***Compensation and Benefits***

We strive to maintain a fair and equitable compensation program for comparable roles, experience and performance that is independent of employee race, gender, sexual orientation or other personal characteristics. Moreover, we consistently review and adjust, as may be needed, salaries in each role, in each level, and in all business and corporate functions to ensure employees are paid fairly based on their positions and qualifications, regardless of gender.

As part of our dedication and commitment to motivating and rewarding our employees, we offer annual cash bonuses based on performance. We also offer equity incentives to a large number of our employees under our stock incentive plans. We believe strongly in employee ownership of Montrose and we believe our approach creates value for our clients, for our employees, for the communities in which our employees live, and for our shareholders.

We conduct annual employee benefit surveys and in 2022 have implemented solutions in response to some of this feedback we received. We expanded our parental leave and continue to offer a robust Employee Assistance Program, which we believe has been a positive impact to our employees' lives during difficult times.

### ***Engagement***

Our employees' dedication to supporting each other has led to the establishment of The Montrose Community Foundation, a non-profit organization formed and operated by our employees for the benefit of our employees, in 2016. Through its volunteer board, The Montrose Community Foundation uses employee donations to provide resources to our employees in times of need. Our employees' dedication of personal time and resources solely for the benefit of their colleagues exemplifies our team-oriented culture.

### ***Health, Safety and Wellness***

We offer a spectrum of benefit plans to meet the needs of our diverse employee population, including health, dental, vision, life insurance, and various supplemental plans. In response to the global COVID-19 pandemic, we provided employees with paid time off to help address their personal or family needs during an unprecedented time and Personal Protective Equipment resources and a 24/7 emergency response hotline were and continue to be made available to our teams across the globe.

Our culture of safety and wellbeing of our employees is supported by a dedicated team of health and safety professionals.

Across our organization, we demonstrate our strong commitment of safety to our employees with frequent communications and systems that actively engage employees and encourage all employee's input and involvement. The foundation of the safety program focuses on ensuring that our employees are sufficiently trained to perform their job duties, have properly operating equipment including correct Personal Protective Equipment such as gloves, eyewear and respirators, job hazards are properly identified, mitigated and planned for prior to work commencement, and the entire process is documented to validate and improve performance. All employee time associated with safety preparation and training is

fully paid to employees. Current initiatives include driving safety, job safety planning and job hazard analysis. Further to our commitment to our employees, we employ a third party occupational medical provider that is available to all employees 24/7 to discuss occupational health concerns. Finally, all of our employees have complete stop work authority and can stop any project or task if there is any concern about a safety issue without any fear of retribution.

Our dedication and commitment to safety have resulted in us again receiving National Safety Council Award for Operational Excellence as well as the recognition of our CEO, Vijay Manthripragada as 2022's CEOs Who "Get It" in recognition of our excellence in safety across our business.

Additionally, CTEH was recognized for having received the Houston Outstanding Safety Performance "Best in Class" award in the 'Technical Support - Medium' category by The Houston Area Safety Council and the Houston Business Roundtable, which awards companies who operate regionally for their safety excellence.

### **Compliance with Federal, State/Provincial and Local Laws**

Our operations subject us to environmental, health and safety laws and regulations in jurisdictions where we operate, including the United States, Australia and Canada. Such laws and regulations relate to, among other things, the discharge of wastewater, the discharge of hazardous materials into the environment, the handling, storage, use, transport, treatment and disposal of hazardous materials and solid, hazardous and other wastes and workplace health and safety. These laws and regulations impose a variety of requirements and restrictions on some of our operations and the services we provide. The failure by us to comply with these laws and regulations could result in fines, penalties, enforcement actions, third-party claims, damage to property or natural resources and personal injury claims, requirements to investigate or cleanup property or to pay for the costs of investigation or cleanup or regulatory or judicial orders requiring corrective measures, and could negatively impact our reputation with clients. We are not aware of any pending environmental compliance or remediation matters that, in the opinion of management, are reasonably likely to have a material effect on our business, financial condition, results of operations or prospects.

A portion of our revenue is derived from working with the U.S. federal government. When working with U.S. governmental agencies and entities, we must comply with laws and regulations relating to the formation, administration and performance of contracts. Internationally, we are subject to various government laws and regulations (including the U.S. Foreign Corrupt Practices Act, or FCPA, and similar non-U.S. laws and regulations). To help promote compliance with these and other laws and regulations, our employees are sometimes required to complete tailored ethics and other compliance training relevant to their position and our operations.

### **Information About Our Executive Officers**

*Vijay Manthripragada, 46* – Mr. Manthripragada joined Montrose Environmental as our President in September 2015. In June 2016 Mr. Manthripragada also joined our Board of Directors and, since February 2016, he has served as our President and Chief Executive Officer. Before joining Montrose Environmental, Mr. Manthripragada most recently served as the Chief Executive Officer of PetCareRx, Inc., from 2013 to 2015. Prior to PetCareRx, Mr. Manthripragada was at Goldman Sachs where he held various positions from 2006 to 2013. Mr. Manthripragada received his Master of Business Administration from The Wharton School, University of Pennsylvania and his Bachelor of Science in Biology from Duke University.

*Allan Dicks, 50* – Mr. Dicks has been our Chief Financial Officer since August 2016. Before joining Montrose Environmental, Mr. Dicks first served as a consultant interim Chief Financial Officer from February 2015 to April 2015 and then Chief Financial Officer from April 2015 to June 2016 of Convalo Health International, Corp., a public Canadian healthcare company. Prior to that, Mr. Dicks held a number of finance-focused executive positions starting in 2000, including Chief Financial Officer of Universal Services of America, Chief Financial Officer of Moark, LLC, a division of Land O' Lakes, Inc., Vice President of Finance of White Cap Construction Supply, a division of HD Supply, and first as assistant Corporate Controller and subsequently as a division Chief Financial Officer of Dole Food Company, Inc. Mr. Dicks started his career at PricewaterhouseCoopers where he spent nine years, three of which were in the mergers and acquisitions group. Mr. Dicks received his Bachelor of Commerce and Accounting degrees from the University of the Witwatersrand in South Africa. He is a Chartered Accountant in South Africa and is a Certified Public Accountant (inactive) in the State of California.

*Nasym Afsari, 40* – Ms. Afsari has been our General Counsel since November 2014 and our Secretary since August 2015. Before joining Montrose Environmental, Ms. Afsari was an attorney in the corporate practice of Paul Hastings LLP, an international law firm, from September 2007 to October 2014. At Paul Hastings, Ms. Afsari represented a variety of business entities in all aspects of corporate and business law, including domestic and cross-border mergers and acquisitions, venture capital financing, private placements and joint venture transactions. Ms. Afsari earned her Juris Doctorate from the University of California at Los Angeles and a dual Bachelor of Arts degree in Economics and Psychology from the University of California at Berkeley.

*Joshua W. LeMaire, 49* – Mr. LeMaire has been our Chief Operating Officer since June 2017, prior to which he was our Vice President, Business Development and Marketing, starting in July 2015. Before Montrose Environmental, from 2011 to 2015, Mr. LeMaire consulted on

acquisitions of dental service organizations through his consulting firm, Aries Dental Management Group, LLC and prior to that, Mr. LeMaire was the Vice President, Sales and Marketing at ExamWorks Group, Inc., from 2008 to 2011, where he managed the company's corporate branding initiative, sales and marketing programs and strategic corporate relationships. Prior to ExamWorks, Mr. LeMaire held several leadership roles at Becker-Parkin Dental Supply Co., including Executive Vice President of Sales and Marketing, Vice President of Full Service Sales and National Sales Manager. Mr. LeMaire also worked as a National Sales Manager at Sky Financial Solutions.

*Jose M. Revuelta, 41* – Mr. Revuelta has served as our Chief Strategy Officer since June 2017, prior to which he was our Vice President and served in several other interim executive positions with Montrose Environmental since March 2014. Prior to joining Montrose Environmental, Mr. Revuelta was a Vice President with the Infrastructure and Private Equity business of UBS Global Asset Management, a large scale global investment manager, from 2008 to 2014, where he focused on the energy, utility, transportation and environmental sectors, and a member of the Infrastructure Group in the Investment Banking division of UBS from 2006 to 2008. Mr. Revuelta previously served on the Board of Northern Star Generation. Mr. Revuelta received his Master of Business Administration from the Columbia Business School, Columbia University and a Master of Science/Bachelor of Science in Industrial Engineering from Universidad Pontificia Comillas in Madrid, Spain.

## **Available Information**

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and in accordance therewith, we file reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available through the investor relations section of our website, [www.montrose-env.com](http://www.montrose-env.com). Reports are available on our website free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The information on or that can be accessed through our website is not a part of this Annual Report on Form 10-K or incorporated into any other filings we make with the SEC and the inclusion of our website address is an inactive textual reference only. In addition, the SEC maintains an Internet site that contains our reports, proxy statements and other information that we electronically file with, or furnish to, the SEC at [www.sec.gov](http://www.sec.gov).

## **Item 1A. Risk Factors.**

### **Summary**

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the financial statements and the related notes included in Item 8. "Financial Statements and Supplementary Data," before making an investment decision. The discussion of these risks is organized by the following sections: Risks Related to Our Limited Operating History, Risks Related to Our Industry and the Broader Economy, Risks Related to Our Acquisition Strategy, Risks Related to the Nature of Our Business, Risks Related to Our Contracts and Revenue Streams, Technology and Privacy Related Risks, Risks Related to Our Indebtedness, Risks Related to Ownership of Our Common Stock, Risks Related to Provisions in Our Charter Documents, and General Risks. Some of the more significant risks include:

- our history of losses and ability to achieve profitability;
- our ability to promote and develop our brands;
- general global economic, business and other conditions and the cyclical nature of some of our end markets;
- the highly competitive nature of our business;
- our limited operating history;
- our ability to execute on our acquisition strategy and successfully integrate and realize benefits of our acquisitions;
- the parts of our business that depend on difficult to predict natural or manmade events;
- our ability to maintain necessary accreditations and other authorizations;
- significant environmental governmental regulation;
- our ability to attract and retain qualified managerial and skilled technical personnel;
- the impact of the COVID-19 pandemic;
- our ability to expand our client base; and
- lack of compliance with prescribed organizational policies and procedures may result in poor performance or suboptimal transactions.

If any of the risks described below actually occurs, our business, financial condition and results of operations could be materially and adversely affected and the trading price of our common stock could decline, causing you to lose all or part of your investment in our common stock.

### **Risks Related to Our Limited Operating History**

***We have a history of losses and may not be able to achieve or sustain profitability in the future.***

While we have been able to generate revenues, we may not be able to increase the amount of revenues we generate, and we might incur net losses for some time as we continue to grow. We experienced net losses in each year since inception, including net losses of \$31.8 million and \$25.3 million for the fiscal years ended December 31, 2022 and 2021, respectively, and we may incur net losses in the future. As of December 31, 2022, we had an accumulated deficit of \$ 179.5 million. It is difficult for us to predict our future results of operations, and we expect our operating expenses to increase significantly over the next several years as we continue to hire additional personnel, expand our operations and infrastructure, integrate completed acquisitions, make and integrate future acquisitions and invest in research and development. If we fail to increase our revenue to offset the increases in our operating expenses, we may not achieve or sustain profitability in the future.

***Our limited operating history may make it difficult to evaluate our business, which may be unsuccessful.***

We have a limited operating history since our inception in 2012. As such, there is limited information on which to base an evaluation of our business and prospects. Our operations are subject to all of the risks inherent in the establishment of a recently formed business. Our success may be limited by expenses, difficulties, complications, problems and delays, including the need for additional financing, uncertainty surrounding our research and development efforts, challenges with the successful commercialization of our services, market and client acceptance of our services, unexpected issues with federal or state regulatory authorities, competition from larger organizations, uncertain intellectual property protection, fluctuations in expenses and dependence on corporate partners and collaborators. Any failure to successfully address these and other risks and uncertainties commonly associated with early stage companies could seriously harm our business and prospects, and we may not succeed given the technological, marketing, strategic and competitive challenges we will face in the sectors in which we operate or may choose to operate in the future. Any evaluation of our business and our prospects must be considered in light of these factors and the other risks and uncertainties frequently encountered by companies in our stage of development. No assurance can be given that we will successfully navigate these issues or implement any of our plans for future growth in a timely or effective manner, including our acquisition strategy, which would negatively impact our business, financial condition and results of operations.

***We may not be successful in promoting and further developing our brands, which could adversely affect our business.***

We have a limited operating history as a company and, as a result, the Montrose Environmental brand is not fully established, although many of the brands we use, including those acquired through our acquisition activity, have a longer and more well-established history. Our industry is highly fragmented and we believe that our future success depends in part on our ability to maintain and further strengthen the Montrose Environmental brand across the diverse range of environmental services that we provide. Strengthening our brand will require significant time, expense and the attention of management, and any success will depend largely on our marketing efforts and ability to provide our clients with high-quality services. If a client is not satisfied with our services, including those of our technical employees, it may be more damaging to our brand and business as compared to that of larger, more established companies. Additionally, to the extent our clients draw regulatory or media scrutiny regarding their environmental impact or other areas where we may provide services to them, we may as a consequence also draw scrutiny. We are also investing more in brand development and there can be no assurances that this investment will generate additional revenues or business. If we fail to successfully maintain and continue to grow the Montrose Environmental brand and our other brands through promotion and other efforts, incur excessive unanticipated expenses in attempting to promote and maintain our brands, or lose clients as a result, our business, financial condition and results of operations may be adversely affected.

### **Risks Related to Our Industry and the Broader Economy**

***General global economic, business and other conditions and our vulnerability to the cyclical nature of the sectors and industries in which our clients operate, may adversely affect our business.***

We compete in various end markets and geographic regions domestically and around the world. We provide environmental services to clients operating in a number of sectors and industries, including the financial, oil & gas, utilities, construction, automotive, real-estate, midstream energy, manufacturing, commodities, petrochemical, tobacco, food and beverage, telecommunications and engineering industries, as well as local, state, provincial and federal government entities. These sectors and industries and the resulting demand for our services have been, and we expect will continue to be, cyclical and subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions, such as inflation and supply chain difficulties, regulatory requirements, appropriation levels and changes in client capital spending, particularly during periods of economic or political uncertainty. Important factors for our business and the businesses of our clients include macroeconomic conditions, the overall strength of, and our clients' confidence in, the economy, industrial and governmental capital spending, governmental fiscal and trading policies, environmental and regulatory policies the strength of the residential and commercial real estate markets, unemployment rates, consumer spending, availability of financing, interest rates, tax rates and changes in tax laws, political conditions, energy and commodity prices and programs such as renewable fuel standard programs and low-carbon fuel standard programs.

While we attempt to minimize our exposure to economic or market fluctuations by serving a balanced mix of end markets and geographic regions, any of the above factors, individually or in the aggregate, or a significant or sustained downturn in a specific end market or geographic region, can impact our business and that of our clients. These factors may make it difficult for our clients and us to accurately forecast and plan future business activities; neither we nor our clients can predict the timing, strength or duration of any economic downturn or subsequent recovery. Furthermore, if a significant portion of our clients or projects are concentrated in a specific geographic area or industry, our business may be disproportionately affected by negative trends or economic downturns in those specific geographic areas or industries. These factors may also cause our clients to reduce their capital expenditures, alter the mix of services purchased, seek more favorable prices and other contract terms and otherwise slow their spending on our services. In addition, due to these conditions, many of our competitors may be more inclined to take greater or unusual risks or accept terms and conditions in contracts that we might not deem acceptable. These conditions and factors may reduce the demand for our services and solutions, and more generally may adversely affect our business, financial condition and results of operations.

***We engage in a highly competitive business and any failure to effectively compete could have a material adverse effect on us.***

The assessment, permitting and response, measurement and analysis and remediation and reuse industries are highly fragmented and competitive. Our primary competitors in these industries include companies that specialize in one or more services similar to those offered by us on a local or regional basis. We also compete with global, national, regional and local firms specializing in testing, environmental engineering and consulting services, remediation services and other services we provide. Some of our primary competitors include, in our Assessment, Permitting and Response segment, the environmental divisions of ERM, Ramboll, Geosyntec, Exponent, and other large engineering companies and small businesses, in our Measurement and Analysis segment, the environmental divisions of SGS, TRC Companies, Eurofins, Pace Analytical and other large testing companies and small businesses, and in our Remediation and Reuse segment, the environmental divisions or remediation segments of Tetra Tech, AECOM, Evoqua, Mead & Hunt, and other large engineering companies and other small businesses. It is also possible that our clients may establish in-house capabilities to perform certain services that we currently provide.

We operate in markets that are characterized by client demand that is often broad in scope but localized in delivery. We compete with companies that may be better positioned to capitalize on highly localized relationships and knowledge that are difficult for us to replicate. Our potential clients may prefer local providers, whether because of existing relationships or local legal restrictions or incentives that favor local businesses. Smaller regional companies may also have lower cost structures with fewer fixed costs. As a result, efforts to expand, whether organically or through acquisition, or support our service network may not improve our ability to penetrate new local markets or expand our footprint in existing markets. New entrants to our key markets could cause us to lose clients and otherwise harm our competitive position.

Competition in our industry is based on many factors, but we believe the principal points of competition in our markets are the quality, range, pricing, technology and availability of services. Maintaining and improving our competitive position will require successful management of these factors, including continued investment by us in research and development, sales, marketing, technology, customer service and support, personnel and our professional networks. Our future growth rate depends upon our ability to compete successfully, which is impacted by a number of factors, including our ability to identify emerging technological trends in our target end markets, develop and maintain a wide range of competitive and appropriately priced services and solutions, defend our market share against competitors, including new and non-traditional competitors, expand into new markets and attract, develop and retain individuals with the requisite technical expertise and understanding of clients' needs to develop and sell new services.

We may not be successful in maintaining or growing our competitive position for a number of reasons. Some of our competitors may have access to greater financial or other resources than we do, which may afford them greater power, efficiency, financial flexibility, geographical reach or capital resources for growth. In addition, some of our competitors are vertically integrated and can leverage this structure to their advantage. We may fail to identify optimal service or geographic markets, focus our attention in suboptimal service or geographic markets or fail to execute an appropriate business model in certain service or geographic markets. Our competitors may develop new services or technologies that are superior to ours, develop more efficient or effective methods of providing services or adapt more quickly, efficiently or effectively than we do to new technologies. Our competitors may be positioned to provide better service or influence client requirements, or more quickly respond to changing client requirements, and thereby establish stronger relationships with clients. Our competitors may offer their services at lower prices because, among other things, they possess the ability to provide similar services more efficiently, as part of a bundle with other services or generally at a lower cost. These pricing pressures could cause us to lower the price for any one or more of our services to at or below our costs, requiring us to sacrifice margins or incur losses. Alternatively, we may choose to forgo entering certain markets or exit others, which would limit our growth and competitive reach.

Any failure by us to compete or to generally maintain and improve our competitive position could have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to develop successful new services or adapt to rapidly changing technology and industry standards or changes to regulatory requirements, our business could be harmed.***

The market for our services is characterized by rapid technological change and evolving industry standards and, to a lesser extent, changing regulatory requirements. This constant evolution may reduce the effectiveness of or demand for our services or render them noncompetitive or obsolete. Our continued success and growth depend upon our ability to anticipate these challenges and to innovate by enhancing our existing services and developing and successfully implementing new services to keep pace with the ever-changing and increasingly sophisticated needs of our clients.

New service introductions that are responsive to new technologies and changing industry and regulatory standards can be complex and expensive as they require significant planning, design, development and testing. We may find it difficult or costly to update our services and to develop new services quickly enough to work effectively with new or changed technologies, to keep the pace with evolving industry standards or to meet our clients' needs. In addition, our industry may be slow to accept new technologies that we develop because of, among other things, existing regulations or standards written specifically for older technologies and general unfamiliarity of clients with new technologies. As a result, any new services that we may develop may not be successful for a number of years, if at all. If we are unable to successfully enhance or update existing services or develop new services to meet these challenges, our business, financial condition and results of operations may be adversely affected.

***The COVID-19 pandemic has adversely affected our business and may continue to do so.***

On March 11, 2020, the World Health Organization designated the global outbreak of a new strain of coronavirus, COVID-19, a pandemic. The global and domestic response to the COVID-19 pandemic by both governments and businesses was unprecedented and responsive measures included government mandates and restrictions on movement and travel, and restriction or required closure of commercial and business activity.

Our business has been adversely, and may be materially adversely affected, by the COVID-19 pandemic and the government or global response. We provide important services to the public's health, safety, and welfare, including COVID-19 response support, and therefore most of our businesses were classified as "essential" in most jurisdictions in which we operate. However, we did experience some postponements and cancellations of projects, particularly within our Remediation and Reuse segment, as a result of the COVID-19 pandemic that adversely impacted our operating results. We also had employees who have contracted COVID-19 or were exposed to the virus. The COVID-19 pandemic also adversely affected many industries as well as the economies and financial markets of many countries, at times, causing a significant deceleration of economic activity and extreme volatility in capital markets. These changes early in the pandemic reduced production, decreased demand for a broad variety of goods and services, diminished trade levels and led to widespread corporate downsizing, causing a sharp increase in unemployment. More recently, global supply chain issues and high rates of inflation have impacted many industries and businesses. The closure of client sites, limitations on our ability to travel to client sites and other disruptions to our operations and the availability of the resources we need to provide our services, including a significant outbreak at certain of our laboratory facilities, could adversely impact our ability to provide our services and our results of operations. If any of the third parties with whom we work, including our customers and suppliers, are adversely affected by the pandemic, we could similarly be negatively impacted, even if the pandemic is not directly impacting our operations.

The continued impact of this outbreak on the United States and world economies, on our business and results of operations and those of our customers and suppliers remains uncertain and, unless the pandemic is further controlled, these adverse impacts could again worsen, impacting all segments of the global economy, and could result in a significant recession or worse, any of which could impact our business.

Considerable uncertainty still surrounds the COVID-19 pandemic and the new strains identified globally as well as the extent and effectiveness of responses taken on a local, national, and global level, including the long-term efficacy of vaccines and vaccines mandates and the ability to develop new vaccines in response to future variants. While we expect the pandemic and related events will continue to have a negative effect on our business and could accelerate or magnify one or more of the risks described elsewhere in this Annual Report on Form 10-K, the full extent and scope of the impact on our business and industry as well as on national, regional and global markets and economies remains uncertain and cannot be predicted. Accordingly, our ability to conduct our business in the manner and on the timelines previously done or presently planned could be adversely affected.

### **Risks Related to Our Acquisition Strategy**

***The success of our business depends, in part, on our ability to execute on our acquisition strategy.***

A significant portion of our historical growth has occurred through acquisitions, and we anticipate continued growth through acquisitions in the future. Our growth strategy is primarily dependent on acquiring and integrating the operations of companies in the environmental services industry. Since January 1, 2020, we have acquired 16 companies. We are presently evaluating, and we expect to continue to evaluate on an ongoing basis, a variety of possible acquisition transactions. We cannot predict the timing of any contemplated transactions, and there can be no assurances that we will identify suitable acquisition opportunities or, if we do identify such opportunities, that any transaction can be consummated on terms acceptable to us. We also compete for acquisitions with other potential acquirers, some of which may have greater

financial or operational resources than we do. A significant change in our business or the economy, an unexpected decrease in our cash flows or any restrictions imposed by our debt may limit our ability to obtain the necessary capital for acquisitions or otherwise impede our ability to complete an acquisition. Certain proposed acquisitions or dispositions may also trigger a review by the U.S. Department of Justice, or DOJ, and the U.S. Federal Trade Commission, or FTC, under their respective regulatory authority, focusing on the effects on competition, including the size or structure of the relevant markets and the pro-competitive benefits of the transaction. Any delay, prohibition or modification required by regulatory authorities could adversely affect the terms of a proposed acquisition or could require us to modify or abandon an otherwise attractive acquisition opportunity. The terms of our Series A-2 preferred stock also restrict our ability to make certain acquisitions without the consent of the holder majority, including acquisitions in excess of \$75.0 million. The failure to identify suitable transaction partners and to consummate transactions on acceptable terms could have a material adverse effect on our business, financial condition and results of operations.

***Our acquisition strategy exposes us to significant risks and additional costs.***

Acquisitions involve risks that the businesses acquired will not perform as expected and that judgments concerning the value, strengths and weaknesses of acquired businesses will prove wrong. We may not accurately assess the value, strengths, weaknesses or potential profitability of an acquisition target, and our acquisition strategy for a particular business may prove to be unsuccessful or expose us to additional risks. We may become liable for certain unforeseen pre-acquisition liabilities of an acquired business, including, among others, tax liabilities, environmental liabilities, contingent consideration and liabilities for employment practices, and these liabilities could be significant. In addition, an acquisition could result in the impairment of client relationships and other acquired assets such as goodwill. We may also incur costs and experience inefficiencies to the extent an acquisition expands the industries, products, markets or geographies in which we operate due to our limited exposure to and experience in a given industry, market or region. Acquisitions may require that we incur additional debt to finance the transaction, which could be substantial and limit our operating flexibility or, alternatively, acquisitions may require that we issue stock as consideration, which could dilute share ownership. Acquisitions can also involve post-transaction disputes regarding a number of matters, including a purchase price or working capital adjustment, earn-out or other contingent payments, environmental liabilities or other obligations. Our recent growth and our acquisition strategy have placed, and will continue to place, significant demands on our management's time, which may divert their attention from our day-to-day business operations, and may lead to significant due diligence and other expenses regardless of whether we pursue or consummate any acquisition. We may also not be able to manage our growth through acquisitions due to the number and the diversity of the businesses we have acquired or for other reasons. If any of these risks were to occur, our business, financial condition and results of operations may be adversely affected.

***Any inability to successfully integrate our recent or future acquisitions, or realize their anticipated benefits, could have a material adverse effect on us.***

Acquisitions have required, and in the future will require, that we integrate into our existing operations separate companies that historically operated independently or as part of another, larger organization, and had different systems, processes and cultures. Acquisitions may require integration of finance and administrative organizations and involve exposure to different legal and regulatory regimes in jurisdictions in which we have not previously operated.

We may not be able to successfully integrate any business we have acquired or may acquire, or may not be able to do so in a timely, efficient or cost-effective manner. Our inability to effectively complete the integration of new businesses on schedule and in an orderly manner could increase costs and lower profits. Risks involved with the successful integration of an acquired business include, but are not limited to:

- diverting the attention of our management and that of the acquired business;
- merging or linking different accounting and financial reporting systems and systems of internal controls and, in some instances, implementing new controls and procedures;
- merging computer, technology and other information networks and systems, including enterprise resource planning systems;
- assimilating personnel, human resources and other administrative departments and potentially contrasting corporate cultures;
- integrating our governmental contracting work with similar services provided by acquired companies;
- incurring or guaranteeing additional indebtedness;
- disrupting relationships with or losses of key clients and suppliers of our business or the acquired business;
- interfering with, or loss of momentum in, our ongoing business or that of the acquired company;
- failure to retain our key personnel or that of the acquired company; and
- delays or cost-overruns in the integration process.

Our inability to manage our growth through acquisitions, including the integration process, and to realize the anticipated benefits of an acquisition could have a material adverse effect on our business, financial condition and results of operations.

## **Risks Related to the Nature of Our Business**

***Parts of our business may depend on certain natural or manmade events which are impossible to predict, and our revenue and customer concentration resulting from these businesses may fluctuate significantly based on the frequency and scale of these events.***

Certain of our businesses depend on specific environmental circumstances, including both naturally occurring and manmade events. Our Assessment, Permitting and Response segment, in particular, which includes the operations of CTEH, engages in response activities following an environmental incident or a natural disaster. There is no way for us to predict the occurrence of these events, nor the significance, duration or outcome of the events. As a result, this segment may experience revenues one year that are not indicative of future results due to the occurrence of an incident that was neither typical nor predictable. For example, this segment's revenues were significantly higher at the end of 2020 and during in the fiscal year ended December 31, 2021, due in significant part to the contribution of CTEH's COVID work during the heights of the pandemic. But, as the pandemic subsided, these revenue streams declined, adversely affecting segment results in the year ended December 31, 2022 when comparing those results to the prior year. The volatile nature of our environmental emergency response business, and its dependency on factors beyond our control, as well as the impact the revenues generated by CTEH or our overall results, makes it difficult to predict its potential profitability or success. Any extended period without these types of events or other downturn in activity for these business lines may negatively impact our business, financial condition and results of operations.

In addition, as a result of the nature of these services, our Assessment, Permitting and Response segment may at times experience higher customer concentration levels based on the severity, duration and outcome of environmental emergencies (e.g. those caused by natural disasters and industrial accidents) for which we provide response services. For example, during the heights of the pandemic, for the fiscal years ended December 31, 2021 and 2020, 65% and 58% of CTEH's revenues, respectively, were attributable to just three customers, each of whom engaged CTEH in connection with COVID-19 related support. However, in the year ended December 31, 2022, as the pandemic has subsided, this percentage dropped to 38%. We cannot predict from period to period whether we will experience risks associated with high customer concentration, including the inability of such customers to pay for our services, and such concentration could have a material adverse effect on our business, financial condition and results of operations.

***We may work on high profile projects, and any negative publicity or perceived failures of those projects, or litigation resulting from such projects, could damage our reputation and harm our operating results.***

We may be engaged on high profile projects that garner public attention and scrutiny, particularly with respect to the emergency response division of the CTEH business. This division of the CTEH business conducts environmental sampling, among other services, in emergency situations and natural disasters, many of which are widely covered by the press and in the public eye, such as performing COVID-19 work for the Golden Globes Awards, performing COVID-19 work for the U.S. Department of State – African Leaders Summit in 2022, implementing a disinfection plan and overseeing the implementation of the plan for a contaminated international cruise ship in the early stages of the COVID-19 outbreak, the Intercontinental Terminals Co, or ITC, fires in 2019 and Hurricane Harvey in 2017. Any mishandling of these situations, even if not our own, could lead to negative publicity. The negative publicity may be attributed to our business and services at no fault of our own other than our association with the project. Our involvement with these high-profile projects exposes us to the risk of reputational damage which may have a material adverse effect on our business, financial condition and results of operations. In addition, such high-profile projects often lead to an enhanced risk of litigation, and we may be brought into such litigation regardless of our role in the project. Any such litigation proceedings are inherently costly and uncertain, and could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to maintain or expand our accreditation and other authorizations, which may adversely affect our ability to provide our services.***

A significant part of our business is subject to obtaining and maintaining accreditations, approvals, licensing permits, delegated authority, official recognition and general authorizations at the federal, state, provincial and local level, including in some instances accreditations and licenses for individual professionals. A major risk inherent in our operations is the need to obtain and renew these authorizations. Our operations are also subject to inspection and regulation by various governmental agencies, including the Occupational Safety and Health Administration and equivalent state, provincial and local agencies, as well as their counterparts in the various foreign jurisdictions in which we operate. These authorizations are issued by public authorities or professional organizations following application processes, reviews and investigations which are often long and complex, at times resulting in delays in our ability to bid on and execute certain projects. These authorization requirements can also be costly or difficult to meet, and often vary from jurisdiction to jurisdiction, meaning our capacity to obtain such authorizations could affect our ability to provide services in certain regions, states, provinces or localities. Certain authorizations are granted for limited periods of time and are subject to periodic renewal, requiring us to go through similar processes on multiple occasions, which necessitates that we utilize additional financial and operational resources. Authorizations or the requirements to obtain an authorization may also change without notice and we may not be able to comply with the revised or new requirements to maintain one or more of these authorizations.

Although we closely monitor the quality of services performed under our various authorizations, as well as the need to obtain any new authorizations and the renewal and maintenance of our existing portfolio of authorizations, any failure to meet the applicable requirements, whether actual or perceived, could cause us to lose, either temporarily or permanently, one or more of our authorizations. A public authority or professional organization that has granted us one or more authorizations may also decide unilaterally to withdraw such authorizations. Further,

we may not be able to obtain or renew the required authorizations for businesses we acquire in the future, or for an organic expansion we wish to pursue, and the failure to obtain these authorizations could limit the opportunity to expand our business.

If we fail to secure or maintain any such authorizations, or if the relevant bodies place burdensome restrictions or limitations on our ability to obtain or maintain the necessary authorizations, we may not be able to operate in one or more jurisdictions and our business, financial condition and results of operations may be materially adversely affected as a result.

***Our clients are subject to significant governmental regulation with respect to the environment and any changes to these laws and regulations could have a material adverse effect on our business.***

As a company involved in the provision of environmental services, our clients operate in a heavily regulated environment. Our clients are subject to federal, state, provincial and local laws and regulations, including laws and regulations relating to, among other things, air emissions, the release or discharge of materials into the environment and the management, use, generation, treatment, processing, handling, storage, transport or disposal of hazardous wastes and materials. In addition, because of the site-specific nature of our services, the laws and regulations to which we are subject may vary from one state, province or region to another, sometimes substantially. We and our clients are also required to obtain various government approvals, certificates, permits and licenses in order to conduct our respective businesses, which may require making significant capital, operating and maintenance expenditures to comply with applicable laws and regulations.

Any future changes to laws and regulations, including changes to permit requirements, applicable to our clients could have a material impact on their businesses and their service needs. If the needs of our clients change, we may be required to incur significant capital and operating expenditures to shift the environmental services we provide in order to address such needs. If we are unable to address the changing needs of our clients in a timely manner, or at all, demand for our services may decrease, which would have a material adverse effect on our financial condition, results of operations and liquidity.

Our future growth and performance are dependent in part on the impact and timing of potential new laws and regulations, as well as potential changes to existing laws and regulations, including the potential impact of environmental policies of the current presidential administration in the United States or other executives in the foreign countries in which we operate. If stricter laws or regulations are delayed or are not enacted, are enacted with prolonged phase-in periods, or not enforced, if existing laws and regulations are repealed or amended to be less strict or if a generally less restrictive regulatory framework develops, demand for our services may be reduced. Conversely, the strengthening or enforcement of regulations may also create operating conditions that limit our business areas or more generally slow our development. In extreme cases, such changes in the regulatory environment could lead us to exit certain markets.

Rapid and/or important changes in current regulations may in the future have a significant adverse effect on our business, financial position and results of operations. Federal and state, provincial legislatures may review and consider legislation that could impact our business and our industry. Such legislation or enforcement policies may intensify competition in the markets that we serve, impact demand for some or all of our services or require us to develop new or modified services in order to meet the needs of and compete effectively in the marketplace. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to attract and retain qualified management and skilled technical personnel, our business may be adversely affected.***

Our long-term success depends, in significant part, upon the continued service and performance of our senior management and other key personnel. We rely on knowledgeable, experienced and skilled technical personnel, particularly engineers, analysts, technicians, scientists, policy experts and service personnel to provide environmental services in stringent regulatory markets. Certain of our employees, including our senior management and the key employees of the various businesses we have acquired, have exceptionally strong knowledge of our businesses, sectors and clients. Their departure could lead to the loss of know-how and information of value to us, and their departure could pose a risk to key client relationships. Our continued growth will also depend upon our ability to attract and retain additional skilled management and other key employees, including skilled technical personnel in new markets, whether organically or through acquisitions. For certain of our businesses, there may be a limited number of qualified people to fulfill roles in such businesses, particularly given the recent competition in the job market. The loss of the services of one or more members of our management team or of qualified employees and other key personnel, or the inability to identify, hire and retain the key personnel that may be necessary to grow our business, could have a material adverse effect on our business, financial condition and results of operations.

***Safety-related issues could adversely impact our business.***

We often work on complex projects, sometimes in geographically remote locations and in challenging environments. These sites often put our employees and others in close proximity with chemical, manufacturing, construction and other dangerous processes and highly regulated materials. In addition, our employees sometimes handle hazardous materials, including pressurized gases or concentrated toxins and other highly regulated materials, which, if improperly handled, could subject us to civil and/or criminal liabilities. If we fail to implement proper safety procedures or if the procedures we implement are ineffective, or if others working at the site fail to implement and follow appropriate safety procedures, our employees and others may become injured, disabled or even lose their lives, the completion or commencement of our projects

may be delayed and we may be exposed to litigation or investigations. Unsafe work sites also have the potential to increase employee turnover, increase project costs, damage our reputation and brand and raise our operating and insurance costs. Any of the foregoing could result in, among other things, financial losses or reputational harm, which could have a material adverse effect on our business, financial condition and results of operations.

We are responsible for the training and safety of our employees at work, and, on occasion, we take on expanded site safety responsibilities, which subjects us to regulations dealing with occupational health and safety. Although we implement what we believe to be appropriate health, safety and environmental work procedures throughout our organization, including hazardous sites, we cannot guarantee the safety of our personnel and others for whom we may be responsible. If our employees or others become injured, if we fail to implement appropriate training and health and safety procedures, or if we fail to comply with applicable regulations, among other things, we may be subject to claims, investigations or litigation or required to pay penalties or fines, and our business, financial condition and results of operations could be harmed.

Our safety record is critical to our reputation. Many of our clients require that we meet certain safety criteria to be eligible to bid for contracts or perform on-site services. If our safety record is not within the levels required by our clients, or compares unfavorably to our competitors, we could lose business, incur significant costs or reputational damage, be prevented from working at certain facilities or suffer other adverse consequences. Additionally, we may incur costs to defend our position even if we do not believe we have any liability for a release of or exposure to a hazardous substance or waste or other environmental damage. Any of the foregoing could, among other things, negatively affect our profitability or cause us to lose one or more projects or clients, or otherwise could have a material adverse impact on our business, financial condition and results of operations.

***The business of CTEH places its employees in dangerous situations which may present serious and enhanced safety issues that could adversely affect our business.***

The CTEH business is focused on assisting companies, governments and communities with responses to and recovery from environmental emergencies and in response to the COVID-19 pandemic. A significant portion of CTEH's employees work in emergency situations that pose threats to the environment and surrounding communities. Danger of injury or death is inherent in this role, despite safety precautions, training and compliance with federal, state and local health and safety regulations. These employees and any subcontractors we use for such projects are at an enhanced risk of workplace-related injuries given the dangers of their workplace environment. Oftentimes, the risks of the emergency situations are not yet known, and there is no way to predict the magnitude of the danger. While we have insurance coverage in place that we believe is reasonable in addition to policies and procedures designed to minimize these risks, including stringent training, we may nonetheless be unable to avoid material liabilities for an injury or death arising out of these emergency-related hazards. In light of the potential cost and uncertainty involved in litigation, we may settle matters even when we believe we have a meritorious defense. Litigation and its related costs, as well as the damage to our reputation should any employee or subcontractor injury or death occur during these emergency situations, could have a material adverse effect on our business, financial condition and results of operations.

***Allegations regarding whether we have complied with professional standards, duties and statutory obligations or our failure to provide accurate results may have an adverse effect on our business.***

Our services typically involve difficult analytical assignments and carry risks of professional and other similar liabilities, both directly and through the actions of our testing personnel. In delivering our measurement and analytics services, we provide reports regarding emissions and other testing results to our clients who rely on the accuracy of the data that we gather or analyze on their behalf. Similarly, in delivering our remediation and reuse services, we provide environmental engineering solutions which our clients rely on to design and implement major projects. We take our professional responsibilities very seriously in light of this reliance and the fact that many of our engagements involve matters that could have a significant impact on a client's business, create substantial financial obligations for the client or prevent the client from pursuing desirable business opportunities. Notwithstanding the fact that our professionals maintain credentials and we perform our services based on our professional expertise and these professional credentials, we face exposure to a variety of claims, ranging from alleged or actual breaches of applicable professional standards, duties and statutory obligations to allegedly inaccurate data and/or faulty analysis.

In certain instances, in performing our services, we may rely on our interpretation of reports or data prepared or gathered by third parties. If such information is not properly prepared or gathered, or is not accurate or complete, we may become subject to claims or litigation, regardless of whether we had any responsibility for the error. The CTEH business is often responsible for the presentation of plans and advice in emergency situations, including natural disasters and manmade accidents. While the CTEH employees are not responsible for the ultimate approval of such plans, the failure or minimized success of a plan could expose us to potential litigation and damage to our reputation. Further, claims that we performed negligently, disclosed client confidential information, infringed on intellectual property, falsified data, are required to withdraw due to an apparent or actual conflict, or otherwise breached our obligations to a client, including as a result of actions of our employees, could expose us to significant liabilities to our clients and other third parties and tarnish our brand and reputation.

A client who is dissatisfied with our performance could threaten or bring litigation on the basis of our failure to perform our professional duties in order to recover damages or to contest its obligation to pay our fees, even if our results were accurate or our services were otherwise performed without issue. If the results or design we provided do turn out to be errant or we otherwise fail to meet our contractual obligations,

because some of the agreements that we have in place with clients require us to indemnify them for losses that they suffer as a result of errors and omissions or negligence by us, we may be subject to legal liability or required to pay significant damages, and the client relationship could be harmed. Our contracts typically include provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be enforceable in all cases. Further, we maintain professional liability insurance and such other coverage as we believe appropriate based on our experience to date, this coverage may prove insufficient. Regardless of any contractual provision or insurance, any client claims could have an adverse effect on our business, financial condition and results of operations.

***We may use small aircraft to transport employees to project sites which could expose us to risks associated with air travel.***

Through our acquisition of CTEH, we acquired an airplane that we used for transportation of employees. On February 22, 2023, the airplane carrying five employee passengers crashed on route to an emergency response, and none of the passengers survived. There are inherent risks associated with air travel, including aviation accidents due to weather, technical malfunctions or human error. While we will strive to comply with all safety regulations and ensure the aircraft undergoes necessary and adequate maintenance, accidents or incidents may occur while the aircraft is transporting employees. An accident or incident involving our aircraft such as the one which occurred on February 22, 2023 could result in significant claims of injured employees and others, as well as repair or replacement of the damaged aircraft and its consequential loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear losses from the accident. The success of the CTEH business depends on its employees, and an aviation accident or incident that results in the serious injury or death of those employees could have a material adverse effect on the business. As of the date of this Annual Report, we are not aware of any material adverse effect on the business resulting from the February 22, 2023 accident.

***ESG matters, including those related to climate change, sustainability and the goals and initiatives we set and implement and the public statements and disclosures we make in respect of these matters, may have an adverse effect on our business.***

Companies across all industries are facing increasing scrutiny relating to their environmental, social and governance, or ESG, practices. Changing consumer preferences are also resulting in increased demands regarding the environmental impact on sustainability. This scrutiny and demand could require additional transparency, due diligence and reporting and could cause us to incur additional costs or to make changes to our operations to comply with these demands. Further, concern over climate change and other environmental sustainability matters may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment, including greenhouse gas emissions regulations, alternative energy policies and sustainability initiatives. Increased regulatory requirements may be more aggressive than any sustainability measures we may be currently undertaking or may implement in the future may cause disruptions in supply chains or an increase in operating and compliance costs. If we do not adapt to or comply with new regulations or if we are perceived to have not responded appropriately to the growing concern for ESG matters, we may face legal or regulatory actions or the imposition of fines, penalties, or other sanctions and adverse publicity, any of which could materially harm our reputation or have a material adverse effect on our business, financial condition or results of operations.

We have developed, and will continue to establish, goals, targets and other objectives related to sustainability matters. These statements reflect our current plans and do not constitute a guarantee that they will be achieved. Our efforts to research, establish, accomplish and accurately report on these goals, targets and objectives expose us to numerous operational, reputational, financial, legal and other risks. Our ability to achieve any stated goal, target or objective is subject to numerous factors and conditions, many of which are outside of our control. Examples of these factors include evolving regulatory requirements affecting sustainability standards or disclosures or imposing different requirements, the pace of changes in technology, the availability of requisite financing and the availability of third parties with whom we do or will do business that can meet our sustainability and other standards.

Our business may face increased scrutiny from the investment community, other stakeholders, regulators and the media regarding our sustainability activities, including the goals, targets and objectives that we announce, and our methodologies and timelines for pursuing them. Additionally, we may be subject to higher expectations or greater scrutiny than other companies due to the nature of our business. If our sustainability practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, or as an acquirer could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives, to comply with ethical, environmental or other standards, regulations or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or

at all, could have the same negative impacts, as well as expose us to government enforcement actions and private litigation. Even if we achieve our goals, targets and objectives, we may not realize all of the benefits that we expected at the time they were established.

***Product and systems offerings subject us to risks that could adversely affect our business.***

Certain of our environmental solutions include product or system offerings, including those offered by ECT2 and our biogas division. We have a limited history in offering products and designing and building systems as compared to the services we offer, and this expansion subjects us to new and different risks generally associated with offering products manufactured by third parties, including but not limited to:

- production difficulties of third-party manufacturers, including problems involving changes in their production capacity and yields, quality control and assurance, component supply and shortages of qualified personnel;
- failure to establish or maintain supplier relationships;
- supply chain issues of third-party manufacturers and the failure of suppliers to produce components to specification or supply us with a sufficient amount or adequate quality of materials, including those that began during the COVID-19 pandemic;
- increases in the cost of raw materials, components or the overall cost of production passed to us;
- failure to adequately design new or improved products or respond to changing regulatory requirements;
- use of defective materials or workmanship in the manufacturing process;
- improper use of our products;
- failure to satisfy any warranty or performance guarantee;
- product liability claims; and
- lack of market acceptance, delays in product development and failure of products to operate properly.

Under any of these circumstances, demand may suffer, we may incur substantial expense to remedy the problem, may incur penalties under the customer agreement and may be required to obtain replacement products if available. If we fail to remedy any such problem in a timely manner, we risk the loss of revenue resulting from the inability to sell those products or systems and related increased costs. If product or system defects or other issues are not discovered until after they are purchased by our clients, our clients could lose confidence in our products and our brand and reputation may be negatively impacted. Any failure to successfully respond to the foregoing risks or any others that we may not appreciate as a result of our limited history of production could have material adverse effect on our business, financial condition and results of operations.

***Our operations are subject to environmental laws and regulations and any liabilities may have a material adverse effect on our business.***

We are in regular contact with waste, biogas, chemicals and other hazardous materials in the ordinary course of providing services to our clients. We also operate a number of O&M client sites. As a result, our business is subject to numerous U.S. and international laws and regulations relating to the protection of the environment. For example, we must comply with a number of U.S. federal and state laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances. As an operator of client O&M facilities, if there is a spill of a hazardous substance or other contamination event at one of these sites, under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, or CERCLA, and comparable state, provincial and local laws, we may be required to investigate, mitigate and remediate any contamination, including addressing natural resource damage, compensating for human exposure or property damage and installing costly pollution control equipment. CERCLA and comparable state, provincial and local laws typically impose strict, joint and several liabilities without regard to whether an entity knew of or caused the release of hazardous substances. Other environmental laws affecting our business include, but are not limited to, the Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, Resource Conservation and Recovery Act, National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Mine Safety and Health Act of 1977, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar international laws relating to environmental protection. Liabilities related to contamination or violations of these laws and regulations could result in material costs to us, including clean-up costs, fines, civil or criminal sanctions and third-party claims for property damage or personal injury, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Seasonality of demand for certain of our services and weather conditions and other factors outside our control may adversely affect, or cause volatility in, our financial results.***

We experience seasonal demand with respect to certain of the services we provide, particularly in our Measurement and Analysis segment, as demand for those services can follow weather trends. Seasonal effects may vary from year to year and are impacted by weather patterns, particularly by temperatures, rainfall and droughts. In addition, we may experience earnings volatility as a result of the timing of large contract

wins and the timing of large emergency response projects following an incident or natural disaster due to the unpredictable nature thereof. Further, we have generated meaningful revenues related to COVID-19 response work, particularly in 2020 and 2021, and if the pandemic continues to subside, as demonstrated by the decrease in revenues specific to COVID-19 work in 2022, we may not be able to replace these revenue streams in future periods. Our business, financial condition and results of operations could be materially and adversely affected by severe weather, natural disasters or environmental factors. Furthermore, our ability to deliver services on time to our clients can be significantly impeded by such conditions and events.

***Our business could be disrupted by catastrophic events.***

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war or terrorist attack, could result in lengthy interruptions in our services. Our insurance coverage may not compensate us for losses that may occur in the wake of such events. In addition, acts of terrorism could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, our services could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver services to our clients would be impaired or we could lose critical data. If we are unable to develop or, in the event of a disaster or emergency, successfully execute on, adequate plans to ensure that our business functions continue to operate during and after a disaster, our business, results of operations, financial condition and reputation would be harmed.

**Risks Related to Our Contracts and Revenue Streams**

***We may not be successful in expanding our client base or the services we provide to existing clients, which could adversely affect our business.***

Our success and the planned growth and expansion of our business depends on our ability to expand into new markets and further penetrate existing markets. Our ability to expand is to a large extent contingent on our services and solutions achieving greater and broader acceptance, resulting in a larger client base, a broader array of prospective clients and expanded services provided to existing clients. However, demand for our services is uncertain, and there can be no assurance that clients will purchase our offerings, or that we will be able to continually expand our client base within existing geographies or into new geographies, whether we expand organically or through acquisition. Expanding our client base is also subject to external factors, many of which are beyond our control, including the overall demand for the services we offer, the actions of our competitors and the finite number of prospective clients in a given market. We cannot provide any assurances regarding our immediate or long-term growth rates in any geographic market or segment, or if we will grow at all. If we are unable to effectively market or expand our offerings to new clients or cross-market our services to existing clients, we may be unable to grow our business or implement our business strategy. Any of the above could materially impair our ability to increase sales and revenue and have a material adverse effect on our business, financial condition and results of operations.

***We generally do not have formal long-term agreements with our clients and attempts by clients to change the terms of or terminate their relationships with us may have a negative impact on our business.***

Our operations depend upon our relationships with our clients. Our clients are companies operating in a number of sectors and industries, including the financial, oil & gas, utilities, construction, automotive, real-estate, midstream energy, manufacturing, commodities, petrochemical, tobacco, food and beverage, telecommunications and engineering industries, as well as local, state, provincial and federal government entities. As is customary in our industry, we do not always enter into formal written agreements with our clients, and to the extent we do, such agreements do not generally restrict our clients from altering the terms of the relationship. These arrangements allow clients to attempt to seek concessions, introduce unfavorable terms or limit the services and solutions that we provide to them before a project is finished or as a condition to continued or increased business. The arrangements also generally allow a client to terminate or to decide not to renew their contracts or purchase orders with little or no advanced notice to us. A loss of one or more clients, a meaningful reduction in their purchases from us or an adverse change in the terms on which we provide our services and solutions could have a material adverse effect on our business, financial condition and results of operations.

***Public clients involve unique policy, contract and performance risks, and we may face challenges to our government contracts or our eligibility to serve government clients, any of which could materially adversely impact our business.***

We derive, and expect to continue to derive in the future, revenues from federal, state, provincial or local government clients, which accounted for approximately 11% of our revenues for the fiscal year ended December 31, 2022. Sales to governments and related entities present risks in addition to those involved in sales to many of our other clients, including policy-related risks such as potential disruption due to appropriation and spending patterns, delays in the adoption of new technologies due to political, fiscal or bureaucratic processes, delays in approving budgets and the government's right to cancel contracts and purchase orders for its convenience. General political and economic conditions, which we cannot accurately predict, also directly and indirectly affect policies relating to the quantity and allocation of expenditures by government clients. In addition, government contracts may involve long purchase and payment cycles, competitive bidding requirements, qualification requirements, delays or changes in agreed-to funding, budgetary constraints, political agendas, extensive specification development and price negotiations, milestone requirements and the potential unenforceability of limitations on liability or other contractual provisions, any of which may create price pressure and reduce our margins. As a result, we could experience a material adverse effect on our business, financial condition and results of operations.

Each government entity also maintains its own rules and regulations with which we must comply and which can vary significantly among clients. We face risks associated with the failure to comply with such rules and regulations such as bid protests, in which our competitors could challenge the contracts we have obtained, or suspension, debarment or similar ineligibility from serving government clients. Challenges to our current or future government contracts or to our eligibility to serve government clients could result in a loss of government sales and have a material adverse effect on our business, financial condition and results of operations.

***Our contracts with federal, state, provincial and local governments may be terminated or adversely modified prior to completion, which could adversely affect our business.***

Government contracts generally contain provisions, and are subject to laws and regulations, that give the government rights and remedies not typically found in commercial contracts, including provisions permitting the government to:

- terminate our existing contracts;
- reduce potential future revenues from our existing contracts;
- modify some of the terms and conditions in our existing contracts;
- suspend or permanently prohibit us from doing business with the government or with any specific government agency;
- impose fines and penalties;
- subject us to criminal prosecution or debarment;
- subject the award of some contracts to protest or challenge by competitors, which may require the contracting agency or department to suspend our performance pending the outcome of the protest or challenge and which may also require the government to solicit new bids for the contract or result in the termination, reduction or modification of the awarded contract;
- suspend work under existing multiple year contracts and related task orders if the necessary funds are not appropriated by the relevant governmental authority; and
- decline to exercise an option to extend an existing multiple year contract.

Governmental authorities may terminate contracts with us either for convenience (for instance, due to a change in perceived needs or a desire to consolidate work under another contract) or if we default by failing to perform under the contract. Upon a termination for convenience, we are generally able to recover the purchase price for delivered items and reimbursement of allowable work-in-process costs. If a governmental authority terminates a contract with us based upon our default, we generally would be denied any recovery for undelivered work, and instead may be liable for excess costs incurred by the government in procuring undelivered work. The exercise by any governmental entity of one or more of these rights under its agreements with us could have a material adverse effect on our business, financial condition and results of operations.

## **Technology and Privacy Related Risks**

***A failure in or breach of our networks or systems, including as a result of cyber-attacks, could have a material adverse effect on our business.***

Our cybersecurity and processing systems, as well as those of our third-party service providers, newly acquired companies that have not yet been integrated and those of our clients which we periodically manage may experience damage or disruption from a number of causes, including power outages, computer and telecommunication failures, internal design, manual or usage errors, workplace violence or wrongdoing, catastrophic events, natural disasters and severe weather conditions. These systems may also be damaged, disrupted or fail entirely as a result of computer viruses or other malicious codes, social-engineering schemes, unauthorized access attempts and cyber-attacks that could include phishing-attacks, denial-of-service attacks, ransomware, malware and hacking. As previously disclosed, on June 11, 2022 we were the target of an organized ransomware attack on our IT systems that, although not ultimately material to our results of operations for the year ended December

31, 2022 or any individual fiscal quarter within the year, the attack led to the temporary disruption of our regular operations and lost revenues. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Key Factors that Affect Our Business and Our Results—Cybersecurity.”

Any of these numerous and evolving cybersecurity threats, particularly on internet applications, could compromise the confidentiality, availability and integrity of data in our systems or that on the systems of our clients which we are periodically responsible for managing. We believe our possession of confidential client information may put us at a greater risk of being targeted. In addition, we manage and operate supervisory control and data acquisition systems at a number of operations and maintenance, or O&M, client facilities, including water and biogas facilities, and another cyber-attack or other system failure could cause the facility to be shutdown, which could create regulatory compliance issues, cause a contamination event or have other adverse consequences for which we could have liability. The security measures and procedures we, our clients and third-party service providers have in place to protect sensitive data and other information may not be successful or sufficient to counter all data breaches, cyber-attacks or system failures. Although we devote what we believe to be appropriate resources to our cybersecurity programs and have implemented security measures to protect our systems and data, and to prevent, detect and respond to data security incidents, there can be no assurance that our efforts will prevent any additional future threats.

Because the techniques used to obtain unauthorized access, or to disable or degrade systems change frequently, have become increasingly more complex and sophisticated, and may be difficult to detect for periods of time, we may not anticipate these acts or respond adequately or timely. As these threats continue to evolve and increase, we may be required to devote significant additional resources in order to modify and enhance our security controls and to identify and remediate any security vulnerabilities.

Our systems and those of third parties with whom we do business have been, and will likely continue to be, subject to these types of malicious attacks. To our knowledge, other than as noted above, there has not been a significant breach of our systems, and no attack on our systems has had a direct, material impact on us or our business to date. We cannot, however, predict the extent and severity of any additional future attacks that may occur.

***Laws and regulations regarding the handling of client confidential data and information may have a negative impact on our business.***

Certain aspects of our business rely on the processing of our clients’ confidential data in a number of jurisdictions and the movement of data across borders. Legal requirements relating to the collection, storage, handling, use, disclosure, transfer and security of this information continue to evolve, and regulatory scrutiny in this area is increasing. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently in different jurisdictions and may create inconsistent or conflicting requirements. Although we have procedures and systems in place to address applicable legal and regulatory requirements for those aspects of our business impacted by these laws, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase, and we could be subject to such activity. The enactment of more restrictive laws, rules, regulations or future enforcement actions or investigations could increase costs or restrictions on certain of our businesses, and noncompliance with existing or future laws could have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Our Indebtedness**

***Our current indebtedness, and any future indebtedness we may incur, may limit our operational and financing flexibility and negatively impact our business.***

Our Senior Secured Credit Agreement provides for a \$300.0 million credit facility comprised of a \$175.0 million term loan and a \$125.0 million revolving line of credit, or the 2021 Credit Facility. As of December 31, 2022, the aggregate principal amount of our debt outstanding under the credit facility was \$166.3 million, all of which was outstanding under the term loan. The revolving credit facility includes a \$20.0 million sublimit for the issuance of letters of credit. Subject to certain exceptions, all amounts under the 2021 Credit Facility will become due on April 27, 2026. The Company has the option to borrow incremental term loans or request an increase in the aggregate commitments under the revolving credit facility up to an aggregate amount of \$150.0 million subject to the satisfaction of certain conditions described in greater detail in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” We also may enter into new borrowing arrangements and incur significant indebtedness in the future to continue to support our organic and acquisition-related growth.

Our existing and any future indebtedness could have important consequences, including:

- making it more difficult for us to make payments on our existing indebtedness;
- increasing our vulnerability to general economic and industry conditions;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

- exposing us to the risk of increased interest rates on our borrowings under our credit facility, which is at variable rates of interest;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged.

Our ability to make payments on debt, to repay existing or future indebtedness when due, to fund operations and significant planned capital expenditures and to support our acquisition strategy will depend on our ability to generate cash in the future. Our ability to produce cash from operations is, and will be, subject to a number of risks, including those described in “—Risks Related to Our Business and Industry” and elsewhere in this Annual Report on Form 10-K. Our financial condition, including our ability to make payments on our debt, is also subject to external factors such as interest rates, the level of lending activity in the credit markets and other external industry-specific and more general external factors, including those described in “—Risks Related to Our Business and Industry” and elsewhere in this Annual Report on Form 10-K.

We may not be able to borrow additional financing or to refinance our credit facility or other indebtedness we may incur in the future, if required, on commercially reasonable terms, if at all. In addition, our ability to borrow under our credit facility is subject to significant conditions, as described in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***Despite our current level of indebtedness, we may incur more debt.***

We may be able to incur significant additional indebtedness in the future. For example, we may incur additional indebtedness in connection with future acquisitions. Although our credit facility and our Series A-2 preferred stock contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us from incurring obligations that do not constitute indebtedness. Further, as of December 31, 2022, the 2021 Credit Facility provided for an aggregate unused commitment of \$125.0 million (without giving effect to any outstanding letters of credit, and subject to borrowing base limitations). The 2021 Credit Facility also allows us to increase the aggregate borrowings thereunder by up to \$150.0 million. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on, or to refinance our respective obligations under, our indebtedness, and to fund planned capital expenditures, future acquisitions and other corporate expenses will depend on our future operating performance and on economic, financial, competitive, legislative, regulatory and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which we may be subject. Many of these factors are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to satisfy our obligations under our indebtedness or to fund our other needs. In order for us to satisfy our obligations under our indebtedness and fund planned capital expenditures and future acquisitions, we must continue to execute on our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or execution of our acquisition strategy, seek additional capital, sell assets or refinance all or a portion of our indebtedness on or before maturity, any of which could materially and adversely affect our future revenue prospects.

Our ability to restructure or refinance our indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our existing or future debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Our credit facility and our Series A-2 preferred stock restrict our ability to consummate or use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair. Any proceeds that we receive may not be adequate to meet any debt service obligations then due. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

***Our credit facility restricts our ability to engage in some business and financial transactions.***

Our credit facility contains a number of covenants that among other things, limit our ability to:

- incur additional indebtedness or guarantees;
- create liens on assets;
- enter into sale and leaseback transactions;
- engage in mergers or consolidations;
- pay dividends and make distributions and other restricted payments;
- make certain investments, loans or advances;
- repay subordinated indebtedness;
- make certain acquisitions;
- engage in certain transactions with affiliates;
- change our lines of business;
- restrict distributions by our restricted subsidiaries;
- amend or otherwise modify organizational documents or certain debt agreements; and
- manage cash and other assets in our deposit accounts and securities accounts.

In addition, our credit facility contains certain financial covenants that, among other things, require us not to exceed specified total debt leverage ratios and to maintain a fixed charge coverage ratio. Among other things, we may not be able to borrow money under our credit facility if we are unable to comply with the financial and other covenants included therein. Our credit facility also contains certain customary representations and warranties, affirmative covenants and events of default (including, among other things, an event of default upon a change of control). If an event of default occurs, our lenders will be entitled to take various actions, including the acceleration of amounts due under our credit facility and all actions permitted to be taken by a secured creditor.

Any future debt that we incur may contain additional and more restrictive negative covenants and financial maintenance covenants. These restrictions could limit our ability to obtain debt financing, repurchase stock, pay dividends, refinance or pay principal on our outstanding debt, complete acquisitions for cash or debt or react to changes in our operating environment or the economy.

Our failure to comply with obligations under our credit facility or the agreements governing any future indebtedness may result in an event of default under the applicable agreement. A default, if not cured or waived, may permit acceleration of some or all of our other indebtedness and trigger other termination and similar rights under other contracts. We cannot be certain that we will be able to remedy any defaults and, if our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all, any of which could have a material adverse effect on our business, financial condition and results of operations.

See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

**Risks Related to Ownership of Our Common Stock**

***The trading price of our common stock has been and may continue to be volatile and could decline substantially.***

Since our initial public offering in July 2020, the market price of our common stock has been, and may continue to be, highly volatile and subject to wide fluctuations. Some of the factors that could negatively affect the market price of our common stock or result in significant fluctuations in price, regardless of our actual operating performance, include:

- actual or anticipated variations in our quarterly operating results;
- changes in market valuations of similar companies;
- changes in the markets in which we operate;
- additions or departures of key personnel;
- actions by stockholders, including sales of large blocks of our common stock;

- the continuation of an active trading market in our common stock or any significant volatility in the liquidity of that market;
- speculation in the press or investment community;
- short selling of our common stock or related derivative securities or hedging activities;
- general market, economic and political conditions, including an economic slowdown;
- inflation and changes in interest rates;
- our operating performance and the performance of other similar companies;
- our ability to accurately project future results and our ability to achieve those or meet the expectations of other industry and analyst forecasts; and
- new legislation or other regulatory developments that adversely affect us, our markets or our industry.

The trading market for our common stock is also influenced in part by the research and other reports that industry or securities analysts may publish about us or our business or industry. If one or more analysts downgrade our stock, issue other unfavorable commentary about us or our industry or inaccurate research, or cease coverage or fail to regularly publish reports on us, our stock price and trading volume could decline.

Furthermore, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry, and often occurs without regard to the operating performance of the affected companies. Therefore, factors that have little or nothing to do with us could cause the price of our common stock to fluctuate, and these fluctuations or any fluctuations related to our company could cause the market price of our common stock to decline materially.

***We ceased to be an emerging growth company as of the end of 2021, and any failure on our part to comply with our expanded reporting and disclosure requirements could adversely affect our business and cause the price of our common stock to fall.***

We ceased to be an emerging growth company as of the end of 2021 due to the aggregate market value of our common stock held by non-affiliates as of the end of our second fiscal quarter exceeding \$700.0 million. As an emerging growth company we previously took advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We also previously “opted in” to the extended transition periods that allow emerging growth companies to delay adopting new or revised accounting standards until such time as those standards apply to private companies. There can be no assurances that we will be able to comply with the new and expanded disclosure requirements that apply to us now that we are no longer an emerging growth company or that we will be able to timely adopt and implement revised accounting standards on the timelines applicable to other public companies on a non-delayed basis. Any failure to comply with these new and expanded disclosure requirements and obligations could restrict our access to the capital markets and otherwise adversely affect our business and could cause the market price of our common stock to decline materially.

***We have no present intention to pay dividends on our common stock.***

We have no present intention to pay dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our credit facility, the terms of our Series A-2 preferred stock, agreements governing any other indebtedness we may enter into and other factors that our board of directors deems relevant. See Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy.” Accordingly, you may need to sell your shares of our common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

***Oaktree may have conflicts of interest with other stockholders.***

OCM Montrose II Holdings, L.P., an affiliate of Oaktree Capital Management, L.P., or collectively, Oaktree, is the holder of all issued and outstanding shares of our Series A-2 preferred stock. Oaktree is in the business of making investments in companies and, notwithstanding its ownership of our preferred stock and that it has a right to appoint a representative on our board of directors, Oaktree may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Oaktree may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. In recognition that representatives of Oaktree and its affiliated entities and funds may serve as members of our board of directors, our amended and restated certificate of incorporation provides, among other things, that none of Oaktree, its affiliates or any of its representatives (including a representative who may serve on our

board of directors) has any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business that we do. In the event that any of these persons or entities acquires knowledge of a potential transaction or matter which may be a corporate opportunity for itself and us, we will not have any expectancy in such corporate opportunity, and these persons and entities will not have any duty to communicate or offer such corporate opportunity to us and may pursue or acquire such corporate opportunity for themselves or direct such opportunity to another person. Oaktree also has a right of first offer with respect to its pro rata portion of any new securities we may issue, excluding any shares to be issued by us in certain specified circumstances. These potential conflicts of interest could have a material adverse effect on our business, financial condition and results of operations if, among other things, attractive corporate opportunities are allocated by Oaktree to itself or one of its other affiliates. See “Corporate Opportunities” in the Description of Securities exhibit incorporated by reference as exhibit 4.2 to this Annual Report on Form 10-K.

***Future sales of our common stock in the public market could cause our stock price to fall.***

Shares held by our affiliates are eligible for resale in the public market, subject to applicable securities laws, including the Securities Act of 1933, as amended, or the Securities Act. Therefore, unless shares owned by any of our affiliates are registered under the Securities Act, these shares may only be resold into the public markets in accordance with the requirements of an exemption from registration or safe harbor, including Rule 144 and the volume limitations, manner of sale requirements and notice requirements thereof. However, pursuant to the terms of an Investor Rights Agreement, Messrs. Richard Perlman and James Price, Oaktree, and certain other stockholders have the right to demand that we register their shares under the Securities Act as well as the right to include their shares in any registration statement that we file with the SEC, subject to certain exceptions. Approximately 2,500,000 million shares of common stock held by affiliates and certain other parties entitled to these registration rights were registered on a shelf registration statement filed with the SEC on August 11, 2021 and declared effective on August 20, 2021. This registration statement also registered approximately 320,000 shares held at such time by other executive officers and directors. Oaktree also holds all outstanding shares of our Series A-2 stock, which may be converted into shares of common stock in the future and would also receive the benefit of these registration rights. See Note 18 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.” Registration of these or other shares enables those shares to be sold in the public market, subject to certain restrictions in the Investor Rights Agreement. Any sale by Messrs. Perlman and Price, Oaktree, by our executive officers or other stockholders or any perception in the public markets that such a transaction may occur could cause the market price of our common stock to decline materially.

We have also registered the shares available under our Amended and Restated 2017 Stock Incentive Plan and outstanding awards issued under this plan and our prior stock option plan. Subject to the terms of the awards pursuant to which these shares have been or may be granted, and except for shares held by affiliates who will be subject to the resale restrictions described above, the shares issuable pursuant to awards granted under our stock incentive plans will be available for sale in the public market immediately.

***Our ability to raise capital in the future may be limited. We may not be able to secure additional financing on terms that are acceptable to us, or at all.***

In order for us to grow and successfully execute our business plan, we will require additional financing. Additionally, our business and operations may consume resources faster than we anticipate. Therefore, in the future, we expect we will raise additional funds through various financings that may include the issuance of new equity securities, debt or a combination of both. However, any sale or perception of a possible sale by Oaktree or our other affiliates, and any related decline in the market price of our common stock, could impair our ability to raise capital. Further, additional financing, whether debt or equity, may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

**Risks Related to Provisions in Our Charter Documents**

***Provisions of our amended and restated governing documents, Delaware law and other documents could discourage, delay or prevent a merger or acquisition at a premium price.***

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. For example, our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- permit us to issue, without stockholder approval, preferred stock in one or more series and, with respect to each series, fix the number of shares constituting the series and the designation of the series, the voting powers, if any, of the shares of the series and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series;
- prevent stockholders from acting by written consent;

- limit the ability of stockholders to amend our certificate of incorporation and bylaws;
- require advance notice for nominations for election to the board of directors and for stockholder proposals;
- do not permit cumulative voting in the election of our directors, which means that the holders of a majority of our common stock may elect all of the directors standing for election; and
- establish a classified board of directors with staggered three-year terms.

These provisions may discourage, delay or prevent a merger or acquisition of our company, including a transaction in which the acquirer may offer a premium price for our common stock.

We are also subject to Section 203 of the Delaware General Corporation Law, or the DGCL, which, subject to certain exceptions, prohibits us from engaging in any business combination with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. In addition, our 2017 Stock Plan permits accelerated vesting of stock options and restricted stock, and payments to be made to the employees thereunder in certain circumstances, in connection with a change of control of our company, which could discourage, delay or prevent a merger or acquisition at a premium price. In addition, our credit facility includes, and other debt instruments we may enter into in the future may include, provisions entitling the lenders to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to our company, which also could discourage, delay or prevent a business combination transaction. See “Provisions of Our Certificate of Incorporation, Bylaws and Delaware Law That May Have an Anti-Takeover Effect” in the Description of Securities exhibit incorporated by reference as exhibit 4.2 to this Annual Report on Form 10-K.

***Our amended and restated certificate of incorporation includes an exclusive forum clause, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.***

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for any stockholder (including any beneficial owner) to bring (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine, is a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction or declines to accept jurisdiction, the federal district court for the District of Delaware); in all cases subject to such court having personal jurisdiction over the indispensable parties named as defendants.

In addition, our amended and restated certificate of incorporation provides that the federal district courts of the United States are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act but that the forum selection provision does not apply to claims brought to enforce a duty or liability created by the Exchange Act. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, and results of operations.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the foregoing provisions. The exclusive forum clause may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us. See “Exclusive Forum Clause” in the Description of Securities exhibit incorporated by reference as exhibit 4.2 to this Annual Report on Form 10-K.

## **General Risks**

***Our profitability will suffer if we are not able to price our services appropriately or control our costs.***

Our margins, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the costs incurred to provide such services. Accordingly, if we are not able to maintain, raise or otherwise appropriately set our pricing, or we are not able to maintain or reduce costs as and when needed, we will not be able to sustain our margins and our business and results of operations will be adversely affected. For example, in 2022, we experienced elevated rates of inflation, which primarily impacted direct costs, including outside services, field supplies and project-related travel costs, and to a lesser extent, labor costs. In some instances, these costs increases were in excess of pricing increases taken early in the year, which negatively impacted margins until additional pricing could be implemented. If we are not able to raise the rates we charge for our services to offset the impact of any cost increases, we will not be able to sustain our margins and our profitability will suffer.

The rates we are able to charge for our services are affected by a number of factors, including:

- our clients' perception of our ability to add value through our services;
- general competition;
- introduction of new services or solutions by us or our competitors;
- pricing policies of our competitors; and
- general economic conditions.

Our costs are affected by a number of factors, including:

- our cost of labor and our ability to transition our technical personnel from completed projects to new engagements;
- our ability to effectively and efficiently staff projects;
- our ability to forecast demand for our services;
- our ability to manage the costs of indirect expenses and other related factors, including inflation; and
- our overhead costs necessary to support the successful delivery of services.

Our profitability is a function of our ability to raise prices, control our costs and improve our efficiency. We may not be able to raise prices sufficiently to cover higher costs of labor and other input costs. In addition, as we increase the number of our technical personnel and execute both our strategy for growth, we may not be able to manage a significantly larger workforce, control our costs or improve our efficiency.

***Any inability to develop or maintain and protect our intellectual property could have a material adverse effect on us.***

We rely on a combination of patents, trademarks, trade names, confidentiality and nondisclosure clauses and agreements and other unregistered rights to define and protect our rights to our brand and the intellectual property used in our business. We also rely on industry and market "know-how" that cannot be registered and may not be subject to any confidentiality or nondisclosure clauses or agreements. Our ECT2 acquisition further expanded our IP portfolio. We are also expanding the software and application design work that we do in house, including applications to take real-time measurements of certain contaminants in the air and have increased our research and development spending. These intellectual property rights or others we develop, obtain or acquire may not, however, provide us with a significant competitive advantage because our rights may not be sufficiently broad or may be challenged, invalidated or subject to government march-in or sovereign rights or compulsory licensing, sunshine laws or be subject to freedom of information requests or court-ordered public disclosure. Further, our use of contractual provisions, confidentiality procedures and agreements and other registrations may not be sufficient to protect our intellectual property rights, these protective measures may be circumvented or our rights may be misappropriated, disparaged, diluted or stolen, particularly in countries where intellectual property rights laws are not highly developed, protected or enforced. Others may independently develop similar intellectual property or designed-around ours. Our intellectual property may also be replaced by new technologies to which we have no right of use or can only acquire such use at unreasonable or unsustainable costs. Any inability to develop or acquire and maintain the necessary intellectual property rights for our business or to protect our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***Claims that we infringe on the intellectual property rights of others could have a material adverse effect on us.***

Technology is an important part of our business and, as a result, from time to time others may claim that we have infringed upon, misappropriated, misused or otherwise violated their intellectual property rights, whether as a result of the use of third party equipment or technologies or those that we may develop in-house. Regardless of the merit of such claims, responding to these types of claims can be expensive, time consuming and may divert a substantial portion of management's time and attention away from running our business. If any aspect of our business is found to infringe the intellectual property rights of others, we could lose critical rights, we may be required to pay substantial damages or on-going licensing or royalty fees or we may be required to redesign, rework, replace or entirely discontinue aspects of our operations, any of which could come at substantial cost and significantly restrict or prohibit our future operations. Further, we may not be able to take any required actions on commercially reasonable terms or at all. Any infringement may also require us to enter into a settlement agreement and could also trigger indemnification obligations to our clients or under other contractual provisions. Any claim that we have misappropriated the intellectual property of others, whether or not valid, could have a material adverse effect on our business, financial condition and results of operations.

***Our global operations subject us to additional risks that could adversely affect our business.***

We have activities outside of the United States. Our operations, as well as those of our clients, are therefore subject to regulatory, economic, political and other events and uncertainties in countries where these operations are located. Further, our growth strategy includes

expansion into additional international markets, including our expansion into Europe. In addition to the risks discussed elsewhere herein that are common to both our domestic and international operations, we face risks specific to our foreign activities, including but not limited to:

- political, social, economic and financial instability, including wars, civil unrest, acts of terrorism and other conflicts;
- difficulties and increased costs in developing, staffing and simultaneously managing a large number of varying foreign operations as a result of distance, language and cultural differences;
- restrictions and limitations on the transfer or repatriation of funds and fluctuations in currency exchange rates;
- complying with varying legal and regulatory environments in multiple foreign jurisdictions, including privacy laws such as the E.U. General Data Protection Regulation;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- potential for privatization and other confiscatory actions; and
- other dynamics in international jurisdictions, any of which could result in substantial additional legal or compliance costs, liabilities or obligations for us or could require us to significantly modify our current business practices or even exit a given market.

Foreign operations bring increased complexity and the costs of managing or overseeing foreign operations, including adapting and localizing services or systems to specific regions and countries, can be material. Further, international operations carry inherent uncertainties regarding the effect of local or domestic actions, such as the impact of the United Kingdom's departure from the European Union (Brexit), any of which could be material. These and other risks related to our foreign operations, or the associated costs or liabilities, could have a material adverse effect on our business, financial condition and results of operations.

***Legal and regulatory claims and proceedings could have a material adverse effect on us.***

We and our clients are subject to claims, litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future, some of which could be material. In addition to those claims discussed in greater detail elsewhere in “—Risks Related to Our Business and Industry,” we have been, and may in the future be, subject to claims involving labor and employment, anti-discrimination, commercial disputes and other matters. We may also be exposed to potential claims arising from the conduct of our employees for which we may be liable. In addition, in the normal course of our business, we are required to make professional judgments and recommendations about environmental conditions of project sites for our clients, and we may be subject to claims that we are responsible for these judgments and recommendations if they are later found to be inaccurate.

Claims and proceedings, whether or not they have merit and regardless of the outcome, are typically expensive and can divert the attention of management and other personnel and require the commitment of significant resources for extended periods of time. Additionally, claims and proceedings can impact client confidence and the general public's perception of our company and services and solutions, even if the underlying assertions are proven to be false. The outcomes of litigation and similar disputes are often difficult to reliably predict and may result in decisions or settlements that are contrary to or in excess of our expectations and losses may exceed our reserves. Any claims or proceedings, particularly those in which we are unsuccessful or for which we did not establish adequate reserves, could have a material adverse effect on our business, financial condition and results of operations.

***If our research and development activities are unsuccessful, our business could be harmed.***

The success of our research and development activity is highly uncertain. Research and development efforts can require substantial technical, financial and human resources. We may focus our efforts and resources on potential technologies that ultimately prove to be unsuccessful and technologies that first appear promising may be delayed or fail to reach later stages of development. Decisions regarding the further advancement must sometimes be made with limited and incomplete data, which makes it difficult to ensure or even accurately predict the outcomes. Because we have limited resources, we may forego pursuing one opportunity that later is proven to have greater commercial potential. Even if our efforts do yield new technologies, we may not be able to convert those technologies into commercially viable offerings in the long term. Further, we may not be able to recover any increased investment in our research and development activities if the particular activities do not generate viable commercial services or products we can offer to our customers or use in the provision of services. If our research and development activities are unsuccessful, our technologies and offerings may not keep pace with the market, and we may lose clients and one or more competitive advantages, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Failure to comply with anti-corruption and similar laws could subject us to penalties and other adverse consequences.***

We are required to comply with the FCPA, and similar laws in other countries that prohibit improper payments or offers of payment to foreign officials and political parties for the purpose of obtaining or retaining business as well as require companies to maintain accurate books and records. Bribery, corruption and trade laws and regulations, and the enforcement thereof, are increasing in frequency, complexity and severity on a global basis. In many foreign countries it may be a local custom that businesses operating in such countries engage in practices that

are prohibited by the FCPA or other similar laws and regulations. Although we have implemented policies and procedures requiring our employees, consultants and other third parties with whom we do business to comply with the FCPA and similar laws and regulations, we have limited experience in these areas and there can be no assurance that our policies will be adequate or prevent and deter violations of these types of laws. If our employees, consultants or other third parties with whom we do business do violate these laws or our policies, we may be ultimately held responsible, and any violation could result in severe criminal or civil sanctions, fines and penalties and suspension or debarment from U.S. government contracting, any of which could have a material and adverse effect on our business, financial condition and results of operations.

***We are subject to taxation in multiple jurisdictions. Any adverse development in the tax laws of any of these jurisdictions, any disagreement with our tax positions or any changes in effective tax rates could have a material adverse effect on our business, financial condition or results of operations.***

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions, including non-U.S. jurisdictions as a result of the expansion of our international operations and our corporate entity structure. We are also subject to transfer pricing laws with respect to our intercompany transactions. Adverse developments in tax laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, financial condition or results of operations. In addition, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. If any applicable tax authorities were to successfully challenge the tax treatment or characterization of any of our transactions, it could have a material adverse effect on our business, financial condition or results of operations.

In addition, our tax obligations and effective tax rates could be adversely affected by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, varying tax rates in the different jurisdictions in which we operate, changes in foreign currency exchange rates or changes in the valuation of our deferred tax assets and liabilities.

***Insufficient insurance coverage could have a material adverse effect on us.***

We maintain property, business interruption, counterparty and liability insurance coverage that we believe is consistent with industry practice. However, our insurance program does not cover, or may not adequately cover, every potential risk associated with our business and the consequences thereof. In addition, market conditions or any significant claim or a number of claims made by or against us could cause our premiums and deductibles to increase substantially and, in some instances, our coverage may be reduced or become entirely unavailable. In the future, we may not be able to obtain meaningful coverage at reasonable rates for a variety of risks. If our insurance coverage is insufficient, if we are not able to obtain sufficient coverage in the future, or if we are exposed to significant losses as a result of any risks for which we may self-insure, any resulting costs or liabilities could have a material adverse effect on our business, financial condition and results of operations.

***Our internal control over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.***

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting; however, the year ended December 31, 2022 is only the second year we have been subject to this attestation requirement as a result of our prior status as an "Emerging Growth Company."

To comply with the requirements of being a public company, and to comply with the heightened standards of public companies who are not "Emerging Growth Companies" following the loss of that status at the end of 2021, we have undertaken and may need to undertake in the future various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. If we identify material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 or assert that our internal control over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting or issues an adverse report in the event it is not satisfied with the level at which our controls are documented, designed or operating, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources. Failure to maintain effective controls and procedures and comply with Section 404 could also delay or otherwise adversely affect our ability to timely produce accurate financial statements and related information, which could restrict our access to capital markets and cause the price of our common stock to fall.

***We will continue to incur increased costs and obligations as a result of being a publicly-traded company.***

As a company with publicly-traded securities, we are subject to the requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NYSE and other applicable securities rules and

regulations. These rules and regulations require that we adopt and maintain additional controls and procedures and disclosure, corporate governance and other practices thereby significantly increasing our legal, financial and other compliance costs. These new obligations also make other aspects of our business more difficult, time-consuming or costly and increase demand on our personnel, systems and other resources. For example, to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we will need to commit significant resources, hire additional staff and provide additional management oversight. Furthermore, as a result of disclosure of information in our Exchange Act and other filings required of a public company, our business and financial condition will become more visible, which we believe may give some of our competitors who may not be similarly required to disclose this type of information a competitive advantage. In addition to these added costs and burdens, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions, other regulatory actions and civil litigation, any of which could negatively affect the price of our common stock.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our principal executive offices are located at 5120 Northshore Drive, North Little Rock, Arkansas. We currently operate out of approximately 80 locations across North America, Australia and Europe, all of which are leased locations other than our corporate headquarters. Our lease terms vary from month-to-month to multi-year current commitments of generally up to 15 years, with our average commitment being 5 years. We believe that our existing facilities are adequate to meet our current requirements and that comparable space is readily available in similar locations.

**Item 3. Legal Proceedings.**

From time to time, we are subject to various legal proceedings that arise in the normal course of our business activities, including those involving labor and employment, anti-discrimination, commercial disputes and other matters. We are not a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations or financial position. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information for Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol “MEG”.

#### Holders of Record

As of February 23, 2023, there were approximately 201 stockholders of record of our common stock. This number does not represent the actual number of beneficial owners of our common stock because shares are often held in “street name” by securities dealers, brokers, institutions and others for the benefit of individual owners who have the right to vote their shares. We are unable to estimate the total number of beneficial owners represented by these record holders.

#### Dividend Policy

We have no present intention to pay cash dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in the agreements governing our existing indebtedness and any other indebtedness we may enter into and other factors that our board of directors deems relevant.

The agreements governing our existing indebtedness and the terms of our Series A-2 preferred stock contain, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay. Additionally, holders of our Series A-2 preferred stock are entitled to receive cumulative dividends, accruing daily and compounded quarterly, at a rate of 9% per annum on the then-stated value of each share, whether or not earned or declared by our board of directors, and in preference to the holders of any and all other series or classes of our capital stock, including our common stock. In addition, under Delaware law, our board of directors may declare dividends only to the extent of our surplus, which is defined as total assets at fair market value minus total liabilities, minus statutory capital, or, if there is no surplus, out of our net profits for the then current and immediately preceding year.

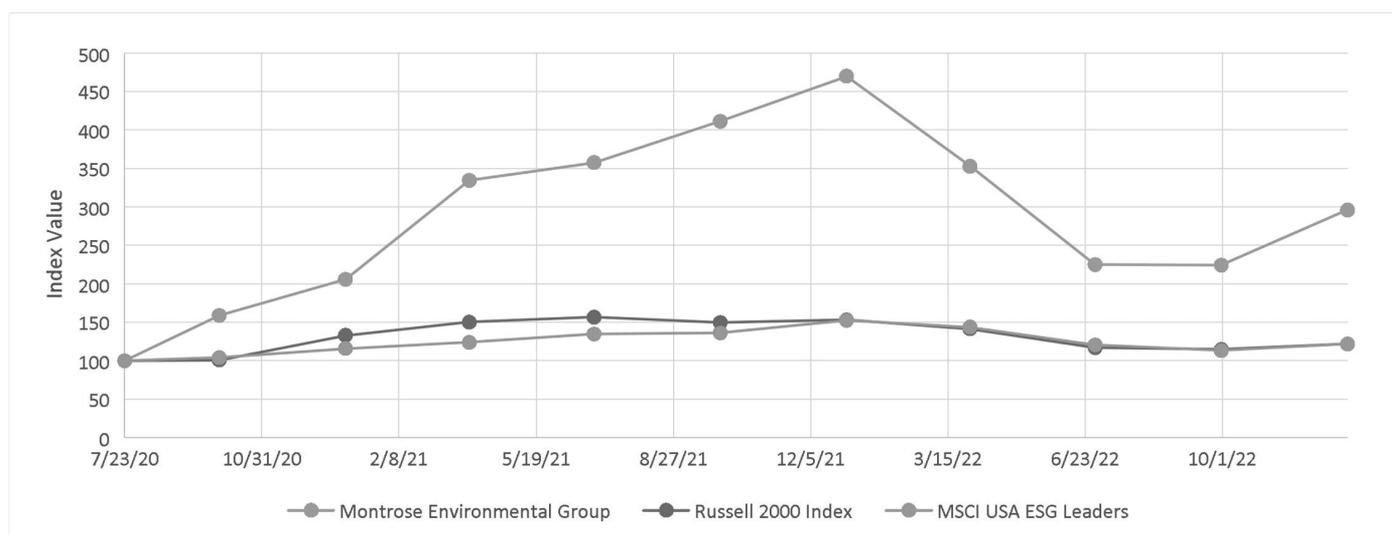
#### Unregistered Sales of Equity Securities

None.

#### Stock Performance Graph

The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, or otherwise subject to the liabilities under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph depicts the total cumulative stockholder return on our common stock from July 23, 2020, the first day of trading of our common stock on the NYSE, through December 31, 2022, relative to the performance of the Russell 2000 Index and MSCI USA ESG Leaders. The graph assumes an initial investment of \$100.00 at the close of trading on July 23, 2020 and that all dividends paid by companies included in these indices have been reinvested. The performance shown in the graph below is not intended to forecast or be indicative of future stock price performance.



Date	Montrose Environmental Group	Russell 2000 Index	MSCI USA ESG Leaders
7/23/20	\$ 100.00	\$ 100.00	\$ 100.00
9/30/20	159.00	101.00	104.00
12/31/20	206.00	133.00	116.00
3/31/21	334.60	150.20	123.97
6/30/21	357.73	156.65	134.98
9/30/21	411.60	149.82	136.20
12/31/21	470.07	153.03	152.66
3/31/22	352.87	141.51	143.68
6/30/22	225.07	117.18	120.76
9/30/22	224.33	114.62	113.16
12/31/22	295.93	121.75	121.81

### Securities Authorized for Issuance Under Equity Compensation Plans

For information on securities authorized for issuance under our equity compensation plans, see Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

**Item 6. [Reserved.]**

**Selected Financial Data.**

Our selected historical consolidated financial and other information presented and discussed below is derived from our audited consolidated financial statements and the notes thereto for the fiscal years ended December 31, 2022 and 2021 included in Item 8. “Financial Statements Supplementary Data.” Except where otherwise noted, our summary consolidated balance sheet data presented below as of December 31, 2020, 2019 and 2018, and our summary consolidated statements of operations and cash flow data presented below for the fiscal years ended December 31, 2019 and 2018 have been derived from our financial statements not included in this Annual Report on Form 10-K.

The summary financial data presented below represent portions of our audited consolidated financial statements and are not complete or otherwise intended to replace our audited consolidated financial statements and related notes. You should read the selected historical consolidated financial data set forth below together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereto included in Item 8. "Financial Statements and Supplementary Data." Our historical results presented below are not necessarily indicative of the results to be expected for any future period.

	For the Years Ended December 31,			
	2022	2021	2020	2018
<b>(in thousands except per share and percentage data)</b>				
<b>Consolidated Statement of Operations Data:</b>				
Revenues	\$ 544,416	\$ 546,413	\$ 328,243	\$ 233,854
Cost of revenues (exclusive of depreciation and amortization)	351,882	369,028	215,492	163,983
Selling, general and administrative expense	176,295	117,658	85,546	49,719
Fair value changes in business acquisition contingencies	(3,227)	24,372	12,942	1,392
Depreciation and amortization	47,479	44,810	37,274	27,705
Loss from operations	(28,013)	(9,455)	(23,011)	(8,945)
Net loss	(31,819)	(25,325)	(57,949)	(23,557)
Weighted average common shares outstanding—basic and diluted	29,688	26,724	16,479	8,789
Net loss per shares attributable to common stockholders—basic and diluted	\$ (1.62)	\$ (1.56)	\$ (6.48)	\$ (4.91)
<b>Consolidated Statement of Cash Flows Data:</b>				
Net cash provided by (used in) operating activities	20,649	37,581	1,850	17,042
Net cash used in investing activities	(38,687)	(71,641)	(179,740)	(86,983)
Net cash (used in) provided by financing activities	(38,764)	146,103	205,902	74,452
Change in cash, cash equivalents and restricted cash	(56,802)	112,043	28,012	4,511
<b>Consolidated Statement of Financial Position Data:</b>				
Current assets	247,928	293,858	134,268	73,239
Non-current assets	543,986	539,236	468,458	258,599
Total assets	791,914	833,094	602,726	331,838
Current liabilities	111,442	147,695	111,543	73,252
Non-current liabilities	214,357	215,970	201,110	156,055
Total liabilities	325,799	363,665	312,653	229,307
Redeemable Series A-1 preferred stock \$0.0001 par value—authorized, issued and outstanding shares: 12,000 at December 31, 2019 and 2018; aggregate liquidation preference of \$141.9 million and \$123.4 million at December 31, 2019 and 2018, respectively	-	-	-	-
Convertible and Redeemable Series A-2 preferred stock \$0.0001 par value—authorized, issued and outstanding shares: 17,500 at December 31, 2022, 2021 and 2020; aggregate liquidation preference of \$182.2 million at December 31, 2022, 2021 and 2020	152,928	152,928	152,928	-
Total stockholders' equity (deficit)	313,187	316,501	137,145	(26,291)
Total liabilities, Convertible preferred stock, Redeemable Series A-1 preferred stock, Convertible and Redeemable Series A-2 preferred stock and stockholders' equity (deficit)	\$ 791,914	\$ 833,094	\$ 602,726	\$ 331,838
				\$ 234,371

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes and other information included in Item 8. “Financial Statements and Supplementary Data.” This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed in Item 1A. “Risk Factors” and elsewhere in this Annual Report on Form 10-K. See “Forward-looking Statements.”*

### **Overview**

Since our inception in 2012, our mission has been to help clients and communities meet their environmental goals and needs. According to data derived from a 2022 Environmental Industry Study prepared by Environmental Business International, Inc., or EBI, which we commissioned, the global environmental industry is estimated to be approximately \$1.34 trillion, with \$444.0 billion concentrated in the United States.

### ***Our Segments***

We provide environmental services to our clients through three business segments—Assessment, Permitting and Response, Measurement and Analysis and Remediation and Reuse. For more information on each of our operating segments, see Item 1. “Business” and our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

#### ***Assessment, Permitting and Response***

Through our Assessment, Permitting and Response segment, we provide scientific advisory and consulting services to support environmental assessments, environmental emergency response, and environmental audits and permits for current operations, facility upgrades, new projects, decommissioning projects and development projects. Our technical advisory and consulting offerings include regulatory compliance support and planning, environmental, ecosystem and toxicological assessments and support during responses to environmental disruption. We help clients navigate regulations at the local, state, provincial and federal levels. In addition to environmental toxicology, and given our expertise in helping businesses plan for and respond to disruptions, our scientists and response teams have helped clients navigate their preparation for and response to the COVID-19 pandemic.

#### ***Measurement and Analysis***

Through our Measurement and Analysis segment, our highly credentialed teams test and analyze air, water and soil to determine concentrations of contaminants, as well as the toxicological impact of contaminants on flora, fauna and human health. Our offerings include source and ambient air testing and monitoring, leak detection and advanced analytical laboratory services such as air, storm water, wastewater and drinking water analysis.

#### ***Remediation and Reuse***

Through our Remediation and Reuse segment, we provide clients with engineering, design, and implementation services, primarily to treat contaminated water, remove contaminants from soil or create biogas from waste. We do not own the properties or facilities at which we implement these projects or the underlying liabilities, nor do we own material amounts of the equipment used in projects; instead, we assist our clients in designing solutions, managing projects and mitigating their environmental risks and liabilities.

These operating segments have been structured and organized to align with how we view and manage the business with the full lifecycle of our clients’ targeted environmental concerns and needs in mind. Within each segment, we cover similar service offerings, regulatory frameworks, internal operating structures and client types. Corporate activities not directly related to segment performance, including general corporate expenses, interest and taxes, are reported separately.

### ***Key Factors that Affect Our Business and Our Results***

Our operating results and financial performance are influenced by a variety of internal and external trends and other factors. Some of the more important factors are discussed briefly below.

## Acquisitions

We have been, and expect to continue to be, an acquisitive company. Acquisitions have expanded our environmental service capabilities across all three segments, our access to technology, as well as our geographic reach in the United States, Canada and Australia. See Item 1. “Business—Strategic Acquisitions.” The table below sets forth the number of acquisitions completed in each of the last three fiscal years, fiscal year revenues generated by and the percentage of total annual revenues attributable to those acquisitions:

(revenues in thousands)	Acquisitions Completed	Fiscal Year Revenues Attributable to Acquisitions	Percentage of Fiscal Year Revenues
Fiscal year 2022	5	\$ 20,154	3.7%
Fiscal year 2021	6	33,738	6.2%
Fiscal year 2020	3	82,441	25.1%

Revenues from acquired companies exclude intercompany revenues from revenue synergies realized between business lines within operating segments, as these are eliminated at the consolidated segment and Company level. We expect our revenue growth to continue to be driven in significant part by acquisitions. See Note 8 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

As a result of our acquisitions, goodwill and other intangible assets represent a significant proportion of our total assets, and amortization of intangible assets has historically been a significant expense. Our historical financial statements also include other acquisition-related costs, including costs relating to external legal support, diligence and valuation services and other transaction and integration-related matters. In addition, in any year gains and losses from changes in the fair value of business acquisition contingencies such as earn outs could be significant. The amount of each for the last three fiscal years is:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
Amortization expense	\$ 36,053	\$ 35,154	\$ 28,871
Acquisition-related costs	1,891	2,088	4,344
Fair value changes in business acquisition contingencies	(3,227)	24,372	12,942

We expect that amortization of identifiable intangible assets and other acquisition-related costs, assuming we continue to acquire, will continue to be significant.

Additionally, we made earn-out payments of \$30.0 million and \$50.0 million in March 2022 and April 2021, respectively, in connection with our CTEH acquisition. \$25.0 million of the 2021 CTEH earn-out payment was made in the form of shares of our common stock. In connection with our Vista, Sensible, Environmental Standards and Huco acquisitions, we may make up to \$9.5 million in aggregate earn-out payments between the years 2023 and 2026, up to \$4.0 million of which may be paid in cash. See Note 8 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

## COVID-19

To date, COVID-19 related adverse impacts such as temporarily delayed project start dates, particularly within our Remediation and Reuse segment, exiting certain service lines and employee quarantines have not had a material adverse effect on our reported results or our liquidity. On the other hand, we have seen benefits from COVID-19 given client demand for CTEH’s toxicology and response services, which represented a meaningful revenue stream, particularly in the years ended December 31, 2021 and 2020, and a declining revenue stream in 2022 as the pandemic has subsided, and one that we may not be able to replace in future periods. Although many parts of our business saw some impact from COVID-19, in the aggregate, our overall business benefitted from COVID-19 during the years ended December 31, 2022, 2021 and 2020, primarily as a result of COVID-19 response work performed by CTEH. COVID-19 has had an impact on our historical seasonality trends.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, was enacted. The CARES Act included several significant provisions for corporations, including those pertaining to net operating losses, interest deductions and payroll tax benefits. We utilized certain of these provisions in 2020, including the deferral of the employer side social security payments for payroll for the eligible portion of the year. In total, we deferred approximately \$5.0 million of 2020 payments to 2021 and 2022, of which \$2.5 million was repaid in December 2021 and the remaining amount was paid in the fourth quarter of 2022.

### ***Organic Growth***

We define organic growth as the change in revenues excluding revenues from acquisitions for the first twelve months following the date of acquisition and excluding revenues from businesses disposed of or discontinued. As a result of the significance of CTEH to Montrose and the potential annual volatility in CTEH's revenues due to the emergency response aspect of their business, we also disclose organic growth without the annual organic revenue growth of CTEH. We expect to continue to disclose organic revenue growth with and without CTEH. Management uses organic growth as one of the means by which it assesses our results of operations. Organic growth is not, however, a measure of revenue growth calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and should be considered in conjunction with revenue growth calculated in accordance with GAAP. We have grown organically over the long term and expect to continue to do so.

### ***Discontinued Service Lines and Contracts***

Periodically, or when circumstances warrant, we evaluate the performance of our business services to ensure that performance and outlook are consistent with expectations. The decision to exit the businesses outlined below were reached after careful consideration of the relevant risks and rewards associated with the particular business.

As part of this evaluation, during the fourth quarter of 2022, we determined to exit our start-up lab in Berkley, California and terminate the related positions. This discontinued start-up, which was included in our Measurement and Analysis segment, did not generate any material revenue during the years ended December 31, 2022, 2021 and 2020. We recognized an impairment loss of \$0.7 million in connection with vacating the related real estate. See Note 7 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

During the second quarter of 2022, we determined to exit all legacy water treatment and biogas operations and maintenance contracts, collectively, the Discontinued O&M Contracts, as well as the related positions. The work associated with these contracts is non-specialized and commoditized, and it was determined that the risk of facility failure taken on by the Company as the O&M contractor no longer justified the low margins in these contracts. Revenue from our water treatment and biogas operations and maintenance contracts, which were included in the results of our Remediation and Reuse segment, were \$3.6 million, \$12.1 million and \$13.3 million in the years ended December 31, 2022, 2021 and 2020, respectively. This decision did not impact the Company's specialized PFAS water treatment operations and maintenance contracts.

During the first quarter of 2020, we determined to scale back operations of our environmental lab in Berkeley, California, and to exit our non-specialized municipal water engineering service line and our food-waste biogas engineering service line, collectively, the Discontinued Service Lines. The factors underlying these decisions were accelerated and amplified by the COVID-19 pandemic, which for example, has made the collection of commercial food waste used in biodigesters less consistent and delayed the approval or initiation of certain projects dependent on municipal or state funding. As a part of discontinuing these service lines, a process which was completed in the second quarter of 2020, we eliminated select personnel and, in the first quarter of 2020, booked an additional bad debt reserve related to the increased uncertainty around the ability to collect on receivables related to these service lines. Revenue from our non-specialized municipal water engineering service line and our food-waste biogas engineering, which were included in the results of our Remediation and Reuse segment, were \$1.4 million in the year ended December 31, 2020. The revenues from our Berkeley environmental lab related to the Discontinued Service Lines, which were included in the results of our Measurement and Analysis segment, were \$2.4 million in the year ended December 31, 2020. We no longer generate any revenues from these Discontinued Service Lines.

### ***Revenue Mix***

Our segments generate different levels of profitability and, accordingly, shifts in the mix of revenues between segments can impact our consolidated reported net income, net loss margin, Segment Adjusted EBITDA and Segment Adjusted EBITDA margin from quarter to quarter and year to year. Inter-company revenues between business lines within segments have been eliminated. See Note 21 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

### ***Financing Costs***

On April 13, 2020, we entered into the 2020 Credit Facility providing for a \$225.0 million credit facility comprised of a \$175.0 million term loan and a \$50.0 million revolving credit facility, and used the proceeds therefrom to repay in full all amounts outstanding under our prior senior secured credit facility. We incurred debt extinguishment costs of \$1.4 million in connection with this refinancing. Effective October 6, 2020, the Company amended its 2020 Credit Facility to provide for a reduction on the applicable interest rate on the term loan from LIBOR plus 5.0% with a 1.0% LIBOR floor to LIBOR plus 4.5% with a 1.0% LIBOR floor. The revolver interest rate remained unchanged.

On April 27, 2021, we entered into the 2021 Credit Facility and repaid all amounts outstanding under the 2020 Credit Facility. The 2021 Credit Facility consists of a \$175.0 million term loan and a \$125.0 million revolving credit facility. The revolving credit facility includes a \$20.0 million sublimit for the issuance of letters of credit. The interest rate on the 2021 Credit Facility varies depending on leverage, with a minimum of LIBOR plus 1.5% and a maximum of LIBOR plus 2.5%. We incurred debt extinguishment costs of \$4.1 million in connection with this refinancing.

Furthermore, effective January 27, 2022, we entered into an interest rate swap transaction fixing the floating component of the interest rate on \$100.0 million of borrowings to 1.39% until January 27, 2025.

Interest expense, net was \$5.2 million, \$11.6 million (inclusive of the \$4.1 million loss on extinguishment of the 2020 Credit Facility) and \$13.8 million (inclusive of the \$1.4 million loss on extinguishment of the Prior Credit Facility) in the years ended December 31, 2022, 2021 and 2020, respectively. We expect interest expense to remain a significant cost as we continue to leverage our credit facility to support our operations and future acquisitions.

See Note 14 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Corporate and Operational Infrastructure Investments***

Our historical operating results reflect the impact of our ongoing investments in our corporate infrastructure to support our growth. We have made and expect to continue to make investments in our business platform that we believe have laid the foundation for continued growth. Investments in logistics, quality, risk management, sales and marketing, safety, human resources, research and development, finance and information technology and other areas enable us to support continued growth. These investments should allow us to improve our margins over time.

### ***Seasonality***

Due to the field-based nature of certain of our services, weather patterns generally impact our field-based teams’ ability to operate in the winter months. As a result, our operating results in our Measurement and Analysis segment experience some quarterly variability with generally lower revenues and lower earnings in the first and fourth quarters and higher overall revenues and earnings in the second and third quarters. As we continue to grow and expand into new geographies and service lines, quarterly variability in our Measurement and Analysis segment may deviate from historical trends.

### ***Earnings Volatility***

In addition to the impact of seasonality on earnings, the acquisition of CTEH exposes us to potentially significant revenue and earnings fluctuations tied both to the timing of large environmental emergency response projects following an incident or natural disaster, and more recently, the benefit from COVID-19 related work. The benefit from COVID-19 related work began in the third quarter of 2020, peaked in the first quarter of 2021 and has declined each subsequent quarter, although demand has continued through December 31, 2022. Demand for COVID-19 related or environmental emergency response services provided by CTEH remains difficult to predict and as a result, we may have experienced revenues and earnings in both 2022 and 2021 that are not indicative of future results, making those periods particularly difficult comparisons for future periods. We do however expect that a portion of expectedly declining COVID-19 response revenues will be offset by other CTEH service line revenues such as environmental emergency responses as internal resources are freed up from the COVID-19 response work. Earnings volatility is also driven by the timing of large projects, particularly in our Remediation and Reuse segment, and the impact of acquisitions. As a result of these factors, and because demand for environmental services is not driven by specific or predictable patterns in one or more fiscal quarters, our business is better assessed based on yearly results.

### ***Cybersecurity***

As previously disclosed, on June 11, 2022 we were the target of an organized ransomware attack on our IT systems that led to the temporary disruption of our regular operations. The most affected portion of the business was our Enthalpy lab network. Upon discovery of the attack, we immediately began restoration and remediation efforts. By June 30, 2022, we had substantially restored our operations. The Company's financial systems are cloud based and were not affected. We engaged third party experts, including cyber legal counsel and a cybersecurity firm, to perform a fulsome forensic investigation of this attack and we promptly notified federal law enforcement. Based on the results of the investigation, we do not believe there has been any misuse of confidential or sensitive client data, have made notifications to clients, and have proactively addressed client concerns regarding our security environment. Furthermore, we have identified a limited number of individuals whose personally identifiable information may have been accessed from our systems and have made appropriate notifications to such individuals and required regulators. The Company has insurance coverage, subject to a \$0.3 million deductible, against recovery costs and business interruption resulting from cyber-attacks. As of December 31, 2022, upon final agreement by the parties, the Company recorded an insurance claim receivable of \$1.0 million. The insurance claim receivable was collected in full in January 2023. We believe that the impact on revenues was approximately \$1.5 million and the net impact on income before tax in the year ended December 31, 2022 was approximately \$0.5 million (net of insurance settlement).

## Results of Operations

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

(in thousands except per share data)	Year Ended December 31,	
	2022	2021
<b>Statements of operations data:</b>		
Revenues	\$ 544,416	\$ 546,413
Cost of revenues (exclusive of depreciation and amortization)	351,882	369,028
Selling, general and administrative expense	176,295	117,658
Fair value changes in business acquisition contingencies	(3,227)	24,372
Depreciation and amortization	47,479	44,810
<b>Loss from operations</b>	<b>\$ (28,013)</b>	<b>\$ (9,455)</b>
Other income (expense)	3,683	(2,546)
Interest expense, net	(5,239)	(11,615)
<b>Loss before income taxes</b>	<b>(29,569)</b>	<b>(23,616)</b>
Income tax expense	2,250	1,709
<b>Net loss</b>	<b>\$ (31,819)</b>	<b>\$ (25,325)</b>
Series A-2 dividend payment	(16,400)	(16,400)
<b>Net loss attributable to common stockholders</b>	<b>\$ (48,219)</b>	<b>\$ (41,725)</b>
Weighted average number of shares (basic and diluted)	29,688	26,724
<b>Loss per share - basic and diluted</b>	<b>\$ (1.62)</b>	<b>\$ (1.56)</b>

### Revenues

For the year ended December 31, 2022, revenues were \$544.4 million, a decrease of \$2.0 million or 0.4% from the year ended December 31, 2021. The period over period decrease in revenues was primarily driven by an expected reduction in revenue from CTEH due to lower demand for COVID-19 related services, of \$117.6 million, and exiting the Discontinued O&M Contracts. The decrease was mostly offset by strong organic growth in our Measurement and Analysis and Remediation and Reuse operating segments, and the businesses in our Assessment, Permitting and Response operating segment other than CTEH, which contributed \$71.1 million in organic revenue. The decrease was offset to a lesser extent by acquisitions completed in the year ended December 31, 2022, as well as by 2021 acquisitions prior to their one-year anniversary date, which performed well and captured revenue synergies as part of Montrose. In the aggregate, 2021 and 2022 acquisitions contributed revenues of \$44.5 million.

Including CTEH, our organic revenue declined 7% in the year ended December 31, 2022. Excluding CTEH, our organic revenue growth was 26% in the year ended December 31, 2022.

Revenue from CTEH was \$113.9 million in the year ended December 31, 2022 as compared to \$231.5 million in the year ended December 31, 2021. Total revenue from COVID-19 related services was \$65.2 million and \$189.9 million in the years ended December 31, 2022 and 2021, respectively. Discontinued O&M Contracts generated revenues of \$3.6 million and \$12.1 million in the years ended December 31, 2022 and 2021, respectively.

Revenue by segment, and as a percentage of total revenues, was as follows:

(revenue in thousands)	Year Ended December 31,			
	2022		2021	
	Revenues	% of Total Revenues	Revenues	% of Total Revenues
Assessment, Permitting and Response	\$ 187,234	34.4%	\$ 261,865	47.9%
Measurement and Analysis	172,432	31.7%	153,208	28.0%
Remediation and Reuse	184,750	33.9%	131,340	24.0%
	<u>\$ 544,416</u>		<u>\$ 546,413</u>	

See “—Segment Results of Operations” below.

### ***Cost of Revenues***

Cost of revenues consists of all direct costs required to provide services, including fixed and variable direct labor costs, equipment rental and other outside services, field and lab supplies, vehicle costs and travel-related expenses. Variable costs of revenues generally follow the same seasonality trends as revenue, while fixed costs tend to change primarily as a result of acquisitions and investments in business infrastructure.

For the year ended December 31, 2022, cost of revenues was \$351.9 million or 64.6% of revenues, and was comprised of direct labor of \$155.0 million, outside services (including contracted labor, laboratory, shipping and freight and other outside services) of \$83.3 million, field supplies, testing supplies and equipment rental of \$77.9 million, project-related travel expenses of \$19.3 million and other direct costs of \$16.4 million.

For the year ended December 31, 2021, cost of revenues was \$369.0 million or 67.5% of revenues, and was comprised of direct labor of \$147.3 million, outside services (including contracted labor, laboratory, shipping and freight and other outside services) of \$143.3 million, field supplies, testing supplies and equipment rental of \$50.2 million, project-related travel expenses of \$17.8 million and other direct costs of \$10.4 million.

For the year ended December 31, 2022, cost of revenues as a percentage of revenue decreased 2.9% from the year ended December 31, 2021, as a result of significantly lower outside service costs in 2022 when compared to 2021 driven primarily by a decrease in external lab expenses needed to support CTEH's COVID-19 response work during 2022, partially offset by higher equipment costs primarily to support higher water treatment and biogas revenues.

### ***Selling, General and Administrative Expense***

Selling, general and administrative expenses consist of general corporate overhead, including executive, legal, finance, safety, risk management, human resource, marketing and information technology related costs, as well as indirect operational costs of labor, rent, insurance and stock-based compensation.

For the year ended December 31, 2022, selling, general and administrative expense was \$176.3 million, an increase of \$58.6 million or 49.8% versus the year ended December 31, 2021. This increase was primarily driven by \$33.0 million related to an increase in stock compensation expense primarily related to a one-time grant of restricted stock awards and stock appreciation rights to certain executives and selected employees (See Note 19 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."), \$10.2 million from selling, general and administrative expense pertaining to companies we acquired in 2022 and from 2021 acquisitions prior to their one-year anniversary date, \$5.4 million related to the higher labor and medical benefit costs, primarily reflecting inflationary increases, an increase in headcount to support growth in our PFAS water treatment business, and investments in corporate infrastructure (primarily administrative, marketing, finance, IT, legal and human resources) and \$3.1 million was from an increase in the defined contribution plan employer contributions following the reinstatement of employer matching during the second quarter of 2021, as well as higher travel and office function expenses. See Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" for additional information regarding the impact of inflation on our business.

For the year ended December 31, 2022, selling, general and administrative expense was comprised of indirect labor of \$80.6 million, stock-based compensation of \$41.8 million, facilities costs of \$18.2 million, acquisition-related costs of \$1.9 million, a bad debt recovery of \$(1.1) million, and other costs (including software, travel, insurance, legal, consulting and audit services) of \$34.9 million.

For the year ended December 31, 2021, selling, general and administrative expense of \$117.7 million was comprised of indirect labor of \$61.2 million, facilities costs of \$14.7 million, stock-based compensation of \$8.8 million, acquisition-related costs of \$2.1 million, bad debt expense of \$1.1 million, and other costs (including software, travel, insurance, legal, consulting and audit services) of \$29.8 million.

### ***Fair Value Changes in Business Acquisition Contingencies***

For the year ended December 31, 2022, fair value changes in business acquisition contingencies resulted in a gain of \$3.2 million versus an expense of \$24.4 million for the year ended December 31, 2021. The majority of the change in value in the year ended December 31, 2022, was attributable to a \$ 3.5 million gain related to acquisitions' 338(h)(10) elections make-whole tax accruals. The majority of the change in value in the year ended December 31, 2021 period was attributable to the CTEH earn-outs. See "—Key Factors that Affect Our Business and Our Results —Acquisitions" and Notes 8 and 15 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

### ***Depreciation and Amortization***

Depreciation and amortization expense for the year ended December 31, 2022, was \$47.5 million and was comprised of amortization of finite lived intangibles of \$36.1 million, arising as a result of our acquisition activity, depreciation of property and equipment of \$7.2 million and finance leases right-of-use asset amortization of \$4.2 million.

Depreciation and amortization expense for the year ended December 31, 2021, was \$44.8 million and was comprised of amortization of finite lived intangibles of \$35.2 million, depreciation of property and equipment of \$6.4 million and finance leases right-of-use asset amortization of \$3.2 million.

The increase in amortization, depreciation of property and equipment and the amortization of finance leases right-of-use asset for the year ended December 31, 2022 versus the year ended December 31, 2021, was primarily a result of acquisitions. See Notes 6, 7, 8 and 9 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Other Income (Expense)***

Other income for the year ended December 31, 2022 of \$3.7 million was driven by a gain related to the fair value adjustment on our interest rate swap of \$6.0 million which was partially offset by an expense of \$2.7 million related to the fair value adjustment of the Series A-2 preferred stock conversion option and \$0.7 million impairment loss related to the decision to exit the Berkley lab. Other expense for the year ended December 31, 2021 of \$2.5 million was driven primarily by fair value adjustments related to the Series A-2 preferred stock conversion option. See Notes 7, 15 and 18 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Interest Expense, Net***

Interest expense, net incurred in the year ended December 31, 2022, was \$5.2 million, compared to \$11.6 million for the year ended December 31, 2021. The decrease in interest expense was driven by lower outstanding debt balances during the year ended December 31, 2022 when compared to the year ended December 31, 2021, as well as the \$4.1 million loss on extinguishment of debt realized in the year ended December 31, 2021 in connection with the repayment in full of the 2020 Credit Facility. See “—Key Factors that Affect Our Business and Our Results—Financing Costs” and Note 14 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Income Tax Expense***

Income tax expense was \$2.3 million for the year ended December 31, 2022, compared to an income tax expense of \$1.7 million for the year ended December 31, 2021. The difference between our effective tax rate of 7.7% and the federal statutory rate of 21.0% is primarily attributable to items recorded for GAAP but permanently disallowed for U.S. federal income tax purposes, recognition of a U.S. federal and state valuation allowance of \$30.6 million, state and foreign income tax provisions and Global Intangible Low Taxed Income.

### ***Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020***

<b>(in thousands except per share data)</b>	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Statements of operations data:</b>		
Revenues	\$ 546,413	\$ 328,243
Cost of revenues (exclusive of depreciation and amortization)	369,028	215,492
Selling, general and administrative expense	117,658	85,546
Fair value changes in business acquisition contingencies	24,372	12,942
Depreciation and amortization	44,810	37,274
<b>Loss from operations</b>	<b>\$ (9,455)</b>	<b>\$ (23,011)</b>
Other expense	(2,546)	(20,268)
Interest expense, net	(11,615)	(13,819)
<b>Loss before income taxes</b>	<b>(23,616)</b>	<b>(57,098)</b>
Income tax expense	1,709	851
<b>Net loss</b>	<b>\$ (25,325)</b>	<b>\$ (57,949)</b>
Accretion of redeemable preferred stock	—	(17,601)
Series A-1 deemed dividend	—	(24,341)
Series A-2 dividend payment	(16,400)	(6,970)
<b>Net loss attributable to common stockholders</b>	<b>\$ (41,725)</b>	<b>\$ (106,861)</b>
Weighted average number of shares (basic and diluted)	26,724	16,479
<b>Loss per share - basic and diluted</b>	<b>\$ (1.56)</b>	<b>\$ (6.48)</b>

## Revenues

For the year ended December 31, 2021, we had revenues of \$546.4 million, an increase of \$218.2 million or 66.5% over the year ended December 31, 2020. Excluding revenues from Discontinued Service Lines of zero and \$3.8 million in the year ended December 31, 2021 and December 31, 2020, respectively, revenues increased \$ 222.0 million or 68.4%. The period over period increase in revenues was driven by significant growth and a full twelve-month period of results from CTEH, which was acquired in the second quarter of 2020, significant organic growth for the rest of the company (excluding CTEH) and acquisitions completed after the year ended December 31, 2020, which contributed \$33.7 million in revenues during the year ended December 31, 2021. Organic growth for the year ended December 31, 2021, was 37% including CTEH, and 17%, excluding CTEH. As was the case in the prior year, all segments continue to be impacted by COVID-19 in 2021, however, in the current year, COVID-19 related project delays and other impacts were more than offset by COVID-19 response work in our Assessment, Permitting and Response segment. Revenues from CTEH were \$231.5 million in year ended December 31, 2021 as compared to \$82.4 million in the year ended December 31, 2020. Revenue by segment, and as a percentage of total revenues, was as follows:

(revenue in thousands)	Year Ended December 31,			
	2021		2020	
	Revenues	% of Total Revenues	Revenues	% of Total Revenues
Assessment, Permitting and Response	\$ 261,865	47.9%	\$ 98,521	30.0%
Measurement and Analysis	153,208	28.0	151,557	46.2
Remediation and Reuse	131,340	24.0	78,165	23.8
	<u>\$ 546,413</u>		<u>\$ 328,243</u>	

See “—Segment Results of Operations” below.

## Cost of Revenues

For the year ended December 31, 2021, cost of revenues was \$369.0 million or 67.5% of revenues, and was comprised of direct labor of \$147.3 million, outside services (including contracted labor, laboratory, shipping and freight and other outside services) of \$143.3 million, field supplies, testing supplies and equipment rental of \$50.2 million, project-related travel expenses of \$17.8 million and other direct costs of \$10.4 million.

For the year ended December 31, 2021, cost of revenues as a percentage of revenue increased 1.9% from the prior year, as a result of significantly higher outside service costs driven primarily by external lab expenses to support the increase in CTEH’s COVID-19 revenues. The increase was partially offset by lower labor as a percentage of revenue primarily attributable to a shift in roles and responsibilities of certain employees from providing direct field support to providing more specialized, multi-location overhead support functions (such as accounting, HR and management) as result of acquisitions and growth in our business. These changes in employee roles resulted in a decrease in labor costs recorded as cost of revenues and a corresponding increase in labor costs recorded as selling, general and administrative expense in the current year.

For the year ended December 31, 2020, cost of revenues was \$215.5 million or 65.7% of revenues, and was comprised of direct labor of \$117.8 million, outside services (including contracted labor, laboratory, shipping and freight and other outside services) of \$50.9 million, field supplies, testing supplies and equipment rental of \$23.2 million, project-related travel expenses of \$11.8 million and other direct costs of \$11.8 million.

## Selling, General and Administrative Expense

For the year ended December 31, 2021, selling, general and administrative expense was \$117.7 million, an increase of \$32.2 million or 37.5% versus the prior year, of which \$6.2 million was from selling, general and administrative expense pertaining to companies we acquired in 2021. The remaining \$26.0 million increase was primarily due to an increase in stock-based compensation expense of \$5.5 million, and an increase in public company related costs of \$4.1 million, a full year of selling, general and administrative expenses for CTEH, which was acquired in April 2020, the impact of the shift of employee roles and responsibilities as described above, and an increase in investments in corporate infrastructure (primarily sales and marketing, finance, administrative, IT, legal and human resources). These increases were partially offset by a decrease in IPO-related costs of \$6.9 million, a decrease in bad debt of \$3.4 million, primarily related to the Discontinued Service Lines and a decrease in acquisition related costs of \$2.3 million. As a percentage of revenue, selling, general and administrative expenses decreased to 21.5% in fiscal year 2021 from 26.1% in fiscal year 2020.

For the year ended December 31, 2021, selling, general and administrative expense was comprised of indirect labor of \$61.2 million, facilities costs of \$14.7 million, stock-based compensation of \$8.8 million, acquisition-related costs of \$2.1 million, bad debt expense of \$1.1

million, and other costs (including software, travel, insurance, legal, consulting and audit services) of \$29.8 million.

For the year ended December 31, 2020, selling, general and administrative expense of \$85.5 million was comprised of indirect labor of \$41.0 million, facilities costs of \$12.4 million, IPO-related costs of \$6.9 million, stock-based compensation of \$3.3 million, acquisition-related costs of \$4.3 million, bad debt expense of \$4.5 million and other costs (including software, travel, insurance, legal, consulting and audit services) of \$13.1 million.

#### ***Fair Value Changes in Business Acquisition Contingencies***

For the year ended December 31, 2021, fair value changes in business acquisition contingencies were \$24.4 million, an increase of \$11.5 million versus \$12.9 million for the year ended December 31, 2020. The majority of the change in value in both periods was attributable to the achievement of the maximum 2020 and 2021 CTEH earn-outs, respectively. See Notes 8 and 15 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

#### ***Depreciation and Amortization***

Depreciation and amortization expense for the year ended December 31, 2021, was \$44.8 million and was comprised of amortization of finite lived intangibles of \$35.2 million, arising as a result of our acquisition activity, depreciation of property and equipment of \$6.4 million and finance leases right-of-use asset amortization of \$3.2 million.

Depreciation and amortization expense for the year ended December 31, 2020, was \$37.3 million and was comprised of amortization of finite lived intangibles of \$28.9 million and depreciation of property and equipment of \$8.4 million.

The increase in amortization for the year ended December 31, 2021 versus the prior year is primarily a result of acquisitions. The decrease in depreciation of property and equipment, and the increase in amortization of finance leases right-of-use asset, is primarily a result of the adoption of Accounting Standard Codification (“ASC”) 842, partially offset by the impact of acquisitions on depreciation. See Notes 7, 8 and 9 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

#### ***Other Expense***

Other expense for the year ended December 31, 2021 of \$2.5 million was driven primarily by fair value adjustments related to the Series A-2 preferred stock conversion option. Other expense for the year ended December 31, 2020 of \$20.3 million was driven primarily by fair value adjustments related to (i) the Series A-1 preferred stock contingent put option, (ii) the Series A-2 embedded options, and (iii) the Series A-1 and A-2 preferred stock warrant options. See Notes 13, 15, 17 and 18 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

#### ***Interest Expense, Net***

Interest expense, net incurred during the year ended December 31, 2021 was \$11.6 million, compared to \$13.8 million for the year ended December 31, 2020. The decrease in interest expense was driven by lower average interest rates under the 2021 Credit Facility, partially offset by an increase in write-off of deferred debt issuance costs. Interest expense in the year ended December 31, 2021 includes \$3.1 million from the write off of deferred debt issuance costs related to the repayment of our 2020 Credit Facility in April, 2021, whereas interest expense in the year ended December 31, 2020 includes \$1.4 million expense from both payments made and the write off of deferred debt issuance costs related to the repayment of the Prior Credit Facility. See Note 14 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

#### ***Income Tax Expense***

Income tax expense was \$1.7 million for the year ended December 31, 2021, compared to an income tax expense of \$0.9 million for the year ended December 31, 2020. The difference between our effective tax rate of (7.3)% and the federal statutory rate of 21.0% is primarily attributable to items recorded for GAAP but permanently disallowed for U.S. federal income tax purposes, recognition of a U.S. federal and state valuation allowance of \$27.0 million, state and foreign income tax provisions and Global Intangible Low Taxed Income.

## Segment Results of Operations

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

	Year Ended December 31,					
	2022			2021		
(in thousands except percentage data)	Segment Revenues	Segment Adjusted EBITDA <sup>(1)</sup>	Segment Adjusted EBITDA Margin <sup>(2)</sup>	Segment Revenues	Segment Adjusted EBITDA <sup>(1)</sup>	Segment Adjusted EBITDA Margin <sup>(2)</sup>
Assessment, Permitting and Response	\$ 187,234	\$ 37,458	20.0%	\$ 261,865	\$ 57,128	21.8%
Measurement and Analysis	172,432	31,588	18.3%	153,208	31,270	20.4%
Remediation and Reuse	184,750	30,616	16.6%	131,340	19,326	14.7%
<b>Total Operating Segments</b>	<b>\$ 544,416</b>	<b>\$ 99,662</b>	<b>18.3%</b>	<b>\$ 546,413</b>	<b>\$ 107,724</b>	<b>19.7%</b>
Corporate and Other		(31,212)	n/a		(30,082)	n/a

(1) For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 21 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

(2) Represents Segment Adjusted EBITDA as a percentage of revenues.

### Revenues

Assessment, Permitting and Response segment revenues for the year ended December 31, 2022 were \$187.2 million, compared to \$261.9 million for the year ended December 31, 2021. The decrease was driven by an expected \$117.6 million decrease in CTEH revenues in 2022 when compared to 2021, as a result of lower revenue from COVID-19 related services. The expected decrease in CTEH was partially offset by organic growth in non-CTEH service lines and revenues of \$37.1 million from acquisitions completed during 2022 and revenues from 2021 acquisitions prior to their one year anniversary. CTEH revenues were \$113.9 million in 2022 compared to \$231.5 million in 2021. Total revenue from COVID-19 related services was \$65.2 million and \$189.9 million in the year ended December 31, 2022 and 2021, respectively.

Measurement and Analysis segment revenues for the year ended December 31, 2022 were \$172.4 million, an increase of \$19.2 million or 12.5% compared to revenues for the year ended December 31, 2021 of \$153.2 million. The increase was driven primarily by organic growth, as well as by revenues of \$6.1 million from acquisitions completed during 2022 and revenues from 2021 acquisitions prior to their one year anniversary.

Remediation and Reuse segment revenues for the year ended December 31, 2022 were \$184.8 million, an increase of \$53.5 million or 40.7% compared to revenues for the year ended December 31, 2021 of \$131.3 million. The increase was driven primarily by organic growth related to increases in demand for our water treatment technology (PFAS removal) and waste-to-resources (agricultural waste to biogas) services, as well as by revenues of \$1.2 million from acquisitions completed during 2022, partially offset by the impact of Discontinued O&M Contracts, which generated revenues of \$3.6 million and \$12.1 million in the years ended December 31, 2022 and 2021, respectively.

### Segment Adjusted EBITDA

Assessment, Permitting and Response Segment Adjusted EBITDA was \$37.5 million for the year ended December 31, 2022, compared to \$57.1 million for the year ended December 31, 2021. For the years ended December 31, 2022 and 2021, Segment Adjusted EBITDA margin was 20.0% and 21.8% respectively. The decrease in Segment Adjusted EBITDA was a result of an expected decrease in CTEH COVID-19 related revenues during the year ended December 31, 2022 when compared to the year ended December 31, 2021. The decrease in Segment Adjusted EBITDA margin was a result of recent acquisitions, which operate at lower margins, and business mix partially offset by higher CTEH margins, as a result of lower COVID-19 related work as a percentage of CTEH revenues in the current year versus the prior year.

Measurement and Analysis Segment Adjusted EBITDA for the year ended December 31, 2022 was \$31.6 million, an increase of \$0.3 million compared to Segment Adjusted EBITDA for the year ended December 31, 2021 of \$31.3 million. For the year ended December 31, 2022, Segment Adjusted EBITDA margin was 18.3% compared to 20.4% in the prior year. The increase in Segment Adjusted EBITDA was due to higher revenues, whereas the decrease in Segment Adjusted EBITDA margin was a result of business mix and the impact of the cyber-attack in June 2022, which temporarily disrupted certain of our labs' ability to operate in July 2022.

Remediation and Reuse Segment Adjusted EBITDA for the year ended December 31, 2022 was \$30.6 million, an increase of \$11.3 million compared to Segment Adjusted EBITDA for the year ended December 31, 2021 of \$19.3 million. For the year ended December 31, 2022, Segment Adjusted EBITDA margin was 16.6% compared to 14.7% in the prior year. The increase in both Segment Adjusted EBITDA and Segment Adjusted EBITDA margin was a result of significantly higher revenues and business mix, partially offset by our continued investments in operating infrastructure in this segment that temporarily impact margins.

Corporate and other costs were \$31.2 million for the year ended December 31, 2022 compared to \$30.1 million for the year ended December 31, 2021. The cost increase was primarily driven by continued investment in corporate support functions. Corporate and other costs were 5.7% and 5.5% of revenues in the years ended December 31, 2022 and 2021, respectively.

***Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020***

	Year Ended December 31,					
	2021			2020		
(in thousands except percentage data)	Segment Revenues	Segment Adjusted EBITDA <sup>(1)</sup>	Segment Adjusted EBITDA Margin <sup>(2)</sup>	Segment Revenues	Segment Adjusted EBITDA <sup>(1)</sup>	Segment Adjusted EBITDA Margin <sup>(2)</sup>
Assessment, Permitting and Response	\$ 261,865	\$ 57,128	21.8%	\$ 98,521	\$ 24,208	24.6%
Measurement and Analysis	153,208	31,270	20.4%	151,557	39,386	26.0%
Remediation and Reuse	131,340	19,326	14.7%	78,165	8,938	11.4%
<b>Total Operating Segments</b>	<b>\$ 546,413</b>	<b>\$ 107,724</b>	<b>19.7%</b>	<b>\$ 328,243</b>	<b>\$ 72,532</b>	<b>22.1%</b>
Corporate and Other		(30,082)	n/a		(18,056)	n/a

(1) For purposes of evaluating segment profit, the Company's chief operating decision maker reviews Segment Adjusted EBITDA as a basis for making the decisions to allocate resources and assess performance. See Note 21 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

(2) Represents Segment Adjusted EBITDA as a percentage of revenues.

***Revenues***

Assessment, Permitting and Response segment revenues for the year ended December 31, 2021 were \$261.9 million, compared to \$98.5 million for the year ended December 31, 2020. The increase was primarily driven by the acquisition of CTEH in the second quarter of 2020, and the acquisitions of EI and Horizon in the second and third quarter of 2021, respectively. The impact of CTEH on the segment was due to two main factors: (i) CTEH and therefore, the segment, benefited from greater COVID-19 related response work in 2021 versus 2020 and (ii) CTEH impacted the segment in the full 2021 period compared to only nine months in 2020.

Measurement and Analysis segment revenues for the year ended December 31, 2021 were \$153.2 million, an increase of \$1.6 million or 1.1% compared to revenues for the year ended December 31, 2020 of \$151.6 million. The increase was driven by revenues of \$4.9 million from the acquisitions of Vista, ECI and Sensible, partially offset by a decline in revenues from Discontinued Service Lines and the timing of projects. Revenues from Discontinued Service Lines in the Measurement and Analysis segment were zero and \$2.4 million for the year ended December 31, 2021 and 2020.

Remediation and Reuse segment revenues for the year ended December 31, 2021 were \$131.3 million, an increase of \$53.1 million or 68.0% compared to revenues for the year ended December 31, 2020 of \$78.2 million. This revenue growth was primarily due to organic growth, driven by increases in demand for our water treatment technology (PFAS removal) and waste-to-resources (agricultural waste to biogas) services, and \$16.1 million from the acquisition of MSE, partially offset by the loss of revenues from the Discontinued Service Lines. Revenues from Discontinued Service Lines were \$1.4 million for the year ended December 31, 2020.

***Segment Adjusted EBITDA***

Assessment, Permitting and Response Segment Adjusted EBITDA was \$57.1 million for the year ended December 31, 2021, compared to \$24.2 million for the year ended December 31, 2020. For the years ended December 31, 2021 and 2020, Segment Adjusted EBITDA margin was 21.8% and 24.6%, respectively. The increase in Segment Adjusted EBITDA was primarily a result of significantly higher revenues. The decline in Segment Adjusted EBITDA margin is a result of an increase in lower margin COVID-19 response work performed by CTEH in 2021.

Measurement and Analysis Segment Adjusted EBITDA for the year ended December 31, 2021 was \$31.3 million, a decrease of \$8.1 million compared to Segment Adjusted EBITDA for the year ended December 31, 2020 of \$39.4 million. For the year ended December 31, 2021, Segment Adjusted EBITDA margin was 20.4% compared to 26.0% in the prior year. The decline in Segment Adjusted EBITDA and segment adjusted EBITDA margin was primarily a result of business mix and the planned reversal of cost mitigation measures taken at the start of the COVID-19 pandemic in 2020.

Remediation and Reuse Segment Adjusted EBITDA for the year ended December 31, 2021 was \$19.3 million, an increase of \$10.4 million compared to Segment Adjusted EBITDA for the year ended December 31, 2020 of \$8.9 million. For the year ended December 31, 2021, Segment Adjusted EBITDA margin was 14.7% compared to 11.4% in the prior year. The increase in both Segment Adjusted EBITDA and Segment Adjusted EBITDA margin was primarily a result of higher revenues.

Corporate and other costs were \$30.1 million for the year ended December 31, 2021 compared to \$18.1 million for the year ended December 31, 2020. The cost increase was primarily driven by increased public company costs, higher software costs, and continued investment in corporate support functions to support anticipated future growth. Corporate and other costs were 5.5% of revenues in both the years ended December 31, 2021 and December 31, 2020.

### ***Liquidity and Capital Resources***

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, other commitments and contractual obligations. We consider liquidity in terms of cash flows from operations and other sources, including availability under our credit facility, and their sufficiency to fund our operating and investing activities.

Our principal sources of liquidity have been borrowings under our credit facilities, other borrowing arrangements, proceeds from the issuance of common and preferred stock and cash generated by operating activities. Historically, we have financed our operations and acquisitions from a combination of cash generated from operations, periodic borrowings under senior secured credit facilities, other prior secured borrowings and proceeds from the issuance of common and preferred stock. Our primary cash needs are for day to day operations, to fund working capital requirements, to fund our acquisition strategy and any related cash earn-out obligations, to pay interest and principal on our indebtedness and dividends on our Series A-2 preferred stock, and to make capital expenditures. Additionally, in connection with certain acquisitions, we agree to earn-out provisions and other purchase price adjustments that may require future payments. For example, the CTEH acquisition agreement included an earn-out provision that provided for the payment of contingent consideration based on CTEH's 2021 results in an aggregate amount not to exceed \$30.0 million, with the earn-out payment equal to a specified multiple of CTEH's EBITDA for 2021 in excess of a specified target. CTEH fully achieved the target in 2021 and the \$30.0 million payment was paid in cash in the first quarter of 2022. We made a similar \$50.0 million earn-out payment to CTEH in the second quarter of 2021 in respect of its 2020 EBITDA that was paid 50% in cash and 50% in stock. We may also be required to make up to \$9.5 million in aggregate earn-out payments between the years 2023 and 2026 in connection with the acquisitions of Vista, Sensible, Environmental Standards, IAG and Huco, up to \$4.0 million of which may be paid in cash. See Note 8 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

We expect to continue to finance our liquidity requirements, including any cash earn-out payments that may be required in connection with acquisitions, through cash generated from operations and borrowings under our credit facility. We believe these sources will be sufficient to fund our cash needs in the short-term and long-term.

### ***Cash Flows***

The following table summarizes our cash flows for the periods presented:

(in thousands)	Year Ended December 31,		
	2022	2021	2020
<b>Consolidated statement of cash flows data:</b>			
Net cash provided by operating activities	\$ 20,649	\$ 37,581	\$ 1,850
Net cash used in investing activities	(38,687)	(71,641)	(179,740)
Net cash (used in) provided by financing activities	(38,764)	146,103	205,902
<b>Change in cash, cash equivalents and restricted cash</b>	<b>\$ (56,802)</b>	<b>\$ 112,043</b>	<b>\$ 28,012</b>

### ***Operating Activities***

Cash flows from operating activities can fluctuate from period-to-period as earnings, working capital needs and the timing of payments for contingent consideration, taxes, bonus payments and other operating items impact reported cash flows.

For the year ended December 31, 2022, net cash provided by operating activities was \$20.6 million compared to net cash provided by operating activities of \$37.6 million for the year ended December 31, 2021. Cash provided by operations includes payment of contingent consideration of \$19.5 million and \$15.6 million in the years ended December 31, 2022 and 2021, respectively. Excluding payment of contingent consideration, cash provided by operating activities was \$40.1 million for the year ended December 31, 2022, compared to cash provided by operating activities of \$53.2 million in the prior year, a decrease of \$13.1 million. The period-over-period decrease, excluding the impact of

contingent consideration, was primarily due to lower earnings before non-cash items, primarily due to expected lower revenue from CTEH's COVID-19 services, of \$9.3 million, and an increase in working capital in the current year of \$14.1 million versus an increase in working capital in the prior year of \$10.1 million.

Working capital increased by \$14.1 million in the year ended December 31, 2022, primarily due to a decrease in accounts payable and other accrued liabilities of \$9.9 million, as a result of lower contract liabilities due to the timing of project completion and the timing of vendor payments, a decrease in accrued payroll and benefits of \$6.8 million, and an increase in prepaid expenses and other current assets of \$1.8 million, partially offset by a decrease in accounts receivable and contract assets of \$4.4 million.

For the year ended December 31, 2021, net cash provided by operating activities was \$37.6 million compared to net cash provided by operating activities of \$1.9 million for the year ended December 31, 2020. Cash provided by operations includes payment of contingent consideration of \$15.6 million and \$6.4 million in the year ended December 31, 2021 and 2020, respectively. Excluding payment of contingent consideration, cash provided by operating activities was \$53.2 million, compared to cash provided by operating activities of \$8.3 million in the year ended December 31, 2020, an increase of \$44.9 million. The period over-period increase was primarily due to higher earnings before non-cash items of \$38.1 million and by an increase in working capital in the year ended December 31, 2021 of \$10.1 million versus an increase in working capital in the year ended December 31, 2020 of \$16.7 million.

The increase in working capital of \$10.1 million in the year ended December 31, 2021, was driven by an increase in accounts receivable and contract assets of \$36.2 million (as a result of significantly higher revenues when compared to the prior year), an increase in prepaid expenses and other current assets of \$1.1 million, partially offset by an increase in accounts payable and other accrued liabilities of \$24.0 million (as a result of higher contract liabilities due to the timing of project completion and the timing of vendor payments) and an increase in accrued payroll and benefits of \$3.2 million.

### ***Investing Activities***

For the year ended December 31, 2022, net cash used in investing activities was \$38.7 million, primarily driven by cash paid for the acquisitions of Environmental Standards, IAG, Triad, AirKinetics and Huco, net of cash acquired of \$28.6 million and purchases of property and equipment for cash consideration of \$10.0 million.

For the year ended December 31, 2021, net cash used in investing activities was \$71.6 million, primarily driven by cash paid for the acquisitions of MSE, Vista, EI, Sensible, ECI and Horizon, net of cash acquired of \$55.7 million, as well as payment of assumed purchase price obligations of \$9.3 million and purchases of property and equipment for cash consideration of \$7.0 million.

For the year ended December 31, 2020, net cash used in investing activities was \$179.7 million, primarily driven by cash paid for the acquisition of CTEH, net of cash acquired, of \$171.6 million, as well as purchases of property and equipment for cash consideration of \$7.8 million.

### ***Financing Activities***

For the year ended December 31, 2022, net cash used in financing activities was \$38.8 million. Cash used in financing activities was driven by the payment of the quarterly dividends on the Series A-2 preferred stock of \$16.4 million, the payment of acquisition-related contingent consideration of \$11.1 million, term loan amortization payments of \$8.8 million related to our 2021 Credit Facility, and the repayment of finance leases of \$4.0 million, partially offset by proceeds received from the exercise of stock options of \$1.6 million.

For the year ended December 31, 2021, net cash provided by financing activities was \$146.1 million. Cash provided by financing activities was driven by borrowings under the 2021 Credit Facility, consisting of \$175.0 million under the term loan and \$37.0 million under the revolver, net proceeds received from the follow-on offering of \$169.3 million and proceeds received from the exercise of stock options of \$7.2 million, partially offset by the use of proceeds from the 2021 Credit Facility to repay the \$213.4 million outstanding under the 2020 Credit Facility, the payment of the quarterly dividend on the Series A-2 preferred stock of \$16.4 million, the payment of acquisition-related contingent consideration of \$9.9 million, and the repayment of finance leases of \$2.7 million.

For the year ended December 31, 2020, net cash provided by financing activities was \$205.9 million. Cash provided by financing activities was driven by IPO proceeds, net of underwriting fees, of \$161.3 million, borrowings under the 2020 Credit Facility, consisting of \$175.0 million under the term loan and \$25.0 million under the revolver, as well as net proceeds of \$173.7 million from the issuance of the Series A-2 preferred stock. Proceeds from the IPO were used primarily to repay the \$131.8 million Series A-1 preferred stock (along with the issuance of shares of common stock), as well as to pay IPO offering costs of \$4.2 million. Proceeds from the 2020 Credit Facility were used primarily to repay the \$177.5 million outstanding under the Prior Credit Facility, whereas proceeds from the issuance of the Series A-2 preferred stock were used to finance the acquisition of CTEH. Cash from financing activities was also used to repay the \$25.0 million outstanding revolver balance and to make payments of acquisition-related contingent consideration of \$6.0 million, term loan amortization payments of \$1.3 million and \$1.0 million related to our Prior Credit Facility and 2020 Credit Facility, respectively, the payment of debt issuance and debt extinguishment costs of \$5.2 million and the payment of the dividends on the Series A-2 preferred stock of \$7.0 million.

### ***Credit Facilities***

#### **2021 Credit Facility**

On April 27, 2021, we entered into a new Senior Secured Credit Agreement, or the 2021 Credit Facility, providing for a new \$300.0 million credit facility comprised of a \$175.0 million term loan and a \$125.0 million revolving credit facility, and used a portion of the proceeds to repay all amounts outstanding under the 2020 Credit Facility. The 2021 revolving credit facility includes a \$20.0 million sublimit for the issuance of letters of credit. Subject to certain exceptions, all amounts under the 2021 Credit Facility will become due on April 27, 2026. We have the option to borrow incremental term loans or request an increase in the aggregate commitments under the revolving credit facility up to an aggregate amount of \$150.0 million subject to the satisfaction of certain conditions.

The 2021 Credit Facility term loan must be repaid in quarterly installments. The 2021 Credit Facility term loan and the revolver bear interest subject to the Company's leverage ratio and LIBOR.

On January 27, 2022, we entered into an interest rate swap transaction fixing the floating component of the interest rate on \$100.0 million of borrowings to 1.39% until January 27, 2025. Additionally, effective September 1, 2022, we received an interest rate reduction of 0.05% under the 2021 Credit Facility based on the achievement of certain sustainability and environmental, social and governance related objectives as provided for in the 2021 Credit Facility.

Our obligations under the 2021 Credit Facility are guaranteed by certain of our existing and future direct and indirect subsidiaries, and such obligations are secured by substantially all of our assets. The 2021 Credit Facility includes a number of covenants imposing certain restrictions on our business. The 2021 Credit Facility also includes financial covenants requiring us to remain below a maximum total net leverage ratio and a minimum fixed charge coverage ratio. As of December 31, 2022, our consolidated total leverage ratio was 1.3 times and we were in compliance with all covenants under the 2021 Credit Facility.

The weighted average interest rate on the 2021 Credit Facility for the years ended December 31, 2022 and 2021 was 3.5% and 2.1%, respectively.

The 2021 Credit Facility contains a mandatory prepayment feature upon a number of events, including with the proceeds of certain asset sales and proceeds from the issuance of any debt.

See Note 14 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

#### **2020 Credit Facility**

On April 13, 2020, we entered into a Unitranche Credit Agreement, or the 2020 Credit Facility, providing for a \$225.0 million credit facility comprised of a \$175.0 million term loan and a \$50.0 million revolving credit facility. The 2020 Credit facility was repaid in full in April 2021. The resulting loss on extinguishment upon repayment of the 2020 Credit Facility in April 2021, amounted to \$4.1 million, of which \$1.0 million was related to fees paid and \$3.1 related to unamortized debt issuance costs. Total loss on extinguishment is recorded in interest expense-net within the consolidated statement of operations for the year ended December 31, 2021.

See Note 14 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

#### ***Prior Credit Facility***

Our Prior Credit Facility consisted of a \$50.0 million term loan and a \$130.0 million revolving credit facility. All amounts outstanding under the Prior Credit Facility were repaid on April 13, 2020 with proceeds from the 2020 Credit Facility. The resulting loss on extinguishment amounted to \$1.4 million, of which \$0.4 million was related to fees paid and \$1.0 million related to unamortized debt issuance costs. Total loss on extinguishment is recorded in interest expense-net within the consolidated statement of operations for the year ended December 31, 2020.

See Note 14 to our audited consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

### ***Series A-1 Preferred Stock***

On October 19, 2018, we issued 12,000 shares of our Series A-1 preferred stock. Before redemption, the Redeemable Series A-1 Preferred Stock accrued dividends quarterly at an annual rate of 15.0% with respect to dividends that were paid in cash and at an annual rate of 14.2% with respect to dividends that were accrued.

On July 27, 2020, we redeemed in full the Series A-1 preferred stock, including the guaranteed minimum two-year dividend. We used \$131.8 million of the IPO proceeds and 1,786,739 shares of common stock to redeem all outstanding shares of the Series A-1 preferred stock.

See Note 17 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Series A-2 Preferred Stock***

On April 13, 2020, we issued 17,500 shares of the Series A-2 preferred stock with a par value of \$0.0001 per share and a warrant to purchase shares of common stock with a ten-year exercise period, in exchange for \$175.0 million. Prior to the completion of our IPO on July 27, 2020, each share of Series A-2 preferred stock accrued dividends at the rate of 15.0% per annum with respect to dividends that were paid in cash, and 14.2% per annum, with respect to dividends that accrued and compounded, resulting in an annual dividend rate of 15.0%. Following the completion of our IPO, the Series A-2 preferred stock does not mature or have a cash repayment obligation; however, it is redeemable at our option. The Series A-2 preferred stock becomes convertible into our common stock beginning on the four-year anniversary of the Series A-2 preferred stock issuance. Upon the four-year anniversary of the issuance, holders of Series A-2 preferred stock may convert up to \$60.0 million of such shares into our common stock at a conversion rate discounted to 85.0% of the volume weighted average trading value, with the permitted amount of Series A-2 preferred stock to be converted increasing at each subsequent anniversary of the issuance until the sixth anniversary, after which all of the Series A-2 preferred stock may be converted at the holder’s option. Following the completion of our IPO and the redemption of our Series A-1 preferred stock on July 27, 2020 with a portion of the proceeds therefrom and newly issued shares of common stock, the Series A-2 preferred stock dividend rate changed to 9.0% per annum with required quarterly cash payments. If permitted under our existing debt facilities, we must pay the Series A-2 preferred stock dividend in cash each quarter.

With respect to any redemption of any share of the Series A-2 preferred stock prior to April 13, 2023, we are subject to a make whole penalty in which the holder is guaranteed at least three years of dividend payments on the redeemed amount.

See Note 18 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our audited consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an on-going basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Management evaluated the development and selection of our critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our audited consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. More information on all of our significant accounting policies, as well as recently adopted and issued accounting pronouncements that may have an impact on these policies, can be found in Notes 2 and 3 to our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.”

### ***Use of Estimates***

The preparation of the audited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the audited consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates inherent in the preparation of the audited consolidated financial statements include, but are not limited to, management’s forecast of future cash flows used as a basis to assess recoverability of long-lived assets, the allocation of purchase price to tangible and intangible assets, allowances for doubtful accounts, the estimated useful lives over which property and equipment is depreciated and intangible assets are amortized, subsequent measurement of goodwill, fair value of contingent consideration payables, the fair value of warrants, fair value of embedded derivatives, fair value of common stock issued, stock-based compensation expense and deferred taxes. Actual results could materially differ from those estimates.

## ***Revenue Recognition***

Revenue is recognized in accordance with Financial Accounting Standards Board Accounting Standards Codification, or ASC, Topic 606, Revenue from Contracts with Customers. The following is considered in the recognition of revenue under ASC 606:

Our services are performed under two general types of contracts (i) fixed-price and (ii) time-and-materials. Under fixed-price contracts, customers pay an agreed-upon amount for a specified scope of work agreed to in advance of the project. Under time-and-materials contracts, customers pay for the hours worked and resources used based on agreed-upon rates. Certain of our time-and-materials contracts are subject to maximum contract amounts. The duration of our contracts ranges from less than one month to over a year, depending on the scope of services provided.

We account for individual promises in contracts as separate performance obligations if the promises are distinct. The assessment requires judgment. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Certain contracts in our Measurement and Analysis have multiple performance obligations, most commonly due to the contracts providing for multiple laboratory tests which are individual performance obligations.

For the Measurement and Analysis contracts with multiple performance obligations, we allocate the transaction price to each performance obligation based on the relative standalone selling price of each performance obligation. The standalone selling price of each performance obligation is generally determined by the observable price of a service when sold separately.

Fixed fee contracts—On the majority of fixed fee contracts, we recognize revenue, over time, using either the proportion of actual costs incurred to the total costs expected to complete the contract performance obligation, or the cost to cost method, under the time-elapsed basis. We determined that the cost to cost method best represents the transfer of services as the proportion closely depicts the efforts or inputs completed towards the satisfaction of a fixed fee contract performance obligation. Under the time-elapsed basis, the arrangement is considered a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e. distinct days of service). We apply a time-based measure of progress to the total transaction price, which results in ratable recognition over the term of the contract. For a portion of our laboratory service contracts, revenue is recognized as performance obligations are satisfied over time, with recognition reflecting a series of distinct services using the output method. We determined that this method best represents the transfer of services as the customer obtains equal benefit from the service throughout the service period.

There are inherent uncertainties in the estimation process for cost to cost contracts, as the estimation of total contract costs and estimates to complete is complex, subject to many variables, and requires judgment. It is possible that estimates of costs to complete a performance obligation will be revised in the near-term based on actual progress and costs incurred. These uncertainties primarily impact our contracts in the Remediation and Reuse segment.

Time-and-materials contracts—Time-and-materials contracts contain variable consideration. However, performance obligations qualify for the “Right to Invoice” Practical Expedient. Under this practical expedient, we are allowed to recognize revenue, over time, in the amount to which we have a right to invoice. In addition, we are not required to estimate such variable consideration upon inception of the contract and reassess the estimate each reporting period. We determined that this method best represents the transfer of services as, upon billing, we have a right to consideration from a customer in an amount that directly corresponds with the value to the customer of our performance completed to date.

## ***Impairment of Long-Lived Assets***

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of long lived assets should be assessed. When such events or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount, we recognize an impairment based on the fair value of such assets.

## ***Accounting for Acquisitions***

We account for acquisitions using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. The purchase price of acquisitions is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on estimated fair values, and any excess purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill. Goodwill represents the premium we pay over the fair value of the net tangible and intangible assets acquired. We may use independent valuation specialists to assist in determining the estimated fair values of assets acquired and liabilities assumed, which could require certain significant management assumptions and estimates.

The most critical areas of judgment in applying the acquisition method include selecting the appropriate valuation techniques and assumptions that are used to measure the acquired assets and assumed liabilities at fair value, particularly for intangible assets, contingent consideration, acquired tangible assets such as property, plant and equipment.

### ***Business Acquisition Contingencies***

Some of our acquisition agreements include contingent consideration arrangements, which are generally based on the achievement of future performance thresholds. For each transaction, we estimate the fair value of contingent consideration payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability. Subsequent changes in the fair value of contingent consideration are recognized as a gain or loss in our consolidated statements of operations. Payments of contingent consideration are reflected in financing activities in our consolidated statements of cash flows to the extent included as part of the initial purchase price, or in operating activities if the payment exceeds the amount included in the initial purchase price.

### ***Goodwill Impairment Analysis***

Goodwill is not amortized but instead qualitatively or quantitatively tested for impairment at least annually should an event or circumstances indicate that a reduction in fair value of the reporting unit may have occurred during the year, goodwill would also be tested at such occasion. We perform the goodwill test at the reporting unit level. If necessary, the goodwill quantitative impairment test is performed on October 1 every year.

We use a two-step process to assess the realizability of goodwill. The first step (generally referred to as a "step 0" analysis) is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, we analyze changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there are indicators of a significant decline in the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required. If a qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we will proceed to the quantitative second step (generally referred to as a "step 1" analysis) where the fair value of a reporting unit is calculated based on weighted income and market-based approaches. If the fair value of a reporting unit is lower than its carrying value, an impairment to goodwill is recorded, not to exceed the carrying amount of goodwill in the reporting unit.

Step 1 of the quantitative test requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists. Otherwise, we would recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit.

### ***Embedded Derivatives***

Embedded derivatives that are required to be bifurcated from the underlying host instrument are accounted for and valued as a separate financial instrument. These embedded derivatives are bifurcated, accounted for at their estimated fair value, which is based on certain estimates and assumptions, and presented separately on the consolidated statements of financial position. Changes in fair value of the embedded derivatives are recognized as a component of other expense on our consolidated statements of operations.

### ***Stock-based Compensation***

We currently sponsor two stock incentive plans that allow for issuance of employee stock options and other forms of equity incentives. Under one of the plans, there are certain awards that were issued to non-employees in exchange for their services and are accounted for under ASC 505, Equity-Based Payments to Non-Employees. ASC 505 requires that the fair value of the equity instruments issued to a non-employee be measured on the earlier of: (i) the performance commitment date or (ii) the date the services required under the arrangement have been completed. Certain of the performance based restricted stock units will only meet the requirements for establishing a grant date when the final calculated financial performance metrics and the amount of awards have been approved by our Board of Directors, which will then trigger the service inception date, the fair value of the awards, and the associated expense recognition period. The fair value of the remaining stock-based payment awards is expensed over the vesting period of each tranche on a straight-line basis. Any modification of an award that increases its fair value will require us to recognize additional expense. The fair value of stock options under its employee stock incentive plan are estimated as of the grant date using the Black-Scholes option valuation model, which is affected by its estimates of the risk-free interest rate, its expected dividend yield, expected term and the expected share price volatility of its common shares over the expected term. No dividend rates are used in the calculation as these are not applicable to us. Forfeitures are recognized as incurred. Employee options are accounted for in accordance with the guidance set forth by ASC 718. The fair value of stock appreciation rights is estimated at the grant date using the geometric Brownian motion model. This process has been widely used to model stock prices and is the underpinning of the Black-Scholes option pricing model and other extensions of the Random Walk Hypothesis of stock price movements and the Efficient Market Hypothesis.

### ***JOBS Act Accounting Election***

We were an emerging growth company, as defined in the JOBS Act, through the end of the year ended December 31, 2021. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. While we were an emerging growth company, we elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies. As a result, our financial statements for periods through December 31, 2020 may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

### **Interest Rate Risk**

We have market risk exposure arising from changes in interest rates on our credit facility, which bears interest at rates that are benchmarked subject to the Company's leverage ratio and LIBOR. Based on our overall interest rate exposure to variable rate debt outstanding as of December 31, 2022, which factors in our interest rate swap that we entered into on January 27, 2022 and is in effect until January 27, 2025 on \$100.0 million of debt, a 1.0% increase or decrease in interest rates on the term loan and revolver would increase annual income (loss) before income taxes by approximately \$0.7 million.

### ***Inflation Risk***

We experienced higher labor and significantly higher travel and other direct costs in the fiscal year ended December 31, 2022 as a result of inflation, particularly in our Measurement and Analysis and Remediation and Reuse segments. We believe we have successfully raised prices in businesses with short term contracts to offset these inflationary effects. We also have and are continuing to raise prices on medium term (one to four quarter) contracts as these contracts are renewed or new contracts are won, but the timing of these price increases has lagged behind our cost increases due to the longer term nature of these contracts. We expect to continue to raise prices if direct costs continue to increase. Although inflation has increased our Selling, general and administrative expense, impacting margins and Segment Adjusted EBITDA, in the year ended December 31, 2022, we do not believe over a longer period of time that inflation will have a material effect on our business, financial condition or results of operations. If our costs were to become subject to additional and unanticipated significant sustained inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.

**Item 8. Financial Statements and Supplementary Data.**

**INDEX TO FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Montrose Environmental Group, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Montrose Environmental Group, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, redeemable series A-1 preferred stock, convertible and redeemable series A-2 preferred stock, and stockholders' equity (deficit), and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Revenue recognition for fixed fee contracts with customers under the cost-to-cost method — Refer to Note 2 to the financial statements

#### *Critical Audit Matter Description*

The Company has certain contracts with customers in which revenue is recognized over time using the proportion of actual costs incurred to the total costs expected to complete the contract performance obligation ("cost-to-cost method"). The Company has determined that the cost-to-cost method best represents the transfer of services as the

proportion closely depicts the efforts or inputs completed towards the satisfaction of a fixed fee contract performance obligation. There are inherent uncertainties in the estimation process for cost-to-cost contracts, as the estimation of total contract costs and estimates to complete is complex, subject to many variables, and requires judgment. Further, it is possible that estimates of costs to complete a performance obligation will be revised in the near-term based on actual progress and costs incurred. These judgments and estimation directly affect the amount of revenue recognized during the period relative to the total contract value.

Given the judgments necessary to estimate the total costs of fixed fee contract performance obligations, auditing such estimates required extensive audit effort due to the subjectivity involved in assessing the estimates to complete and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's estimates of the proportion of actual costs incurred to the total costs expected to complete contract performance obligations included the following, among others:

- We selected a sample of long-term cost-to-cost contracts and performed the following:
  - Evaluated whether the contracts were properly included in management's calculation of long-term cost-to-cost revenue based on the terms and conditions of each contract, including whether continuous transfer of control to the customer occurred as progress was made toward fulfilling the performance obligation.
  - Compared the transaction price to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers.
  - Tested the accuracy and completeness of the costs incurred to date for the performance obligation.
  - Evaluated the estimates of total costs for the performance obligation by:
    - Comparing costs incurred to date to the costs management estimated to be incurred to date.
    - Evaluating management's ability to achieve the estimates of total costs by performing corroborating inquiries with the Company's project managers, and comparing the estimates to management's work plans, budgets, and supplier contracts.
    - Comparing management's estimates for the selected contracts to costs and profits of similar performance obligations, when applicable.
  - Testing the mathematical accuracy of management's calculation of revenue for the performance obligation.
- We evaluated management's ability to estimate total costs accurately by comparing actual costs to historical estimates for performance obligations that have been fulfilled.

/s/ Deloitte & Touche LLP

Costa Mesa, California  
March 1, 2023

We have served as the Company's auditor since 2016.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In thousands, except share data)

	December 31,	
	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash, cash equivalents and restricted cash	\$ 89,828	\$ 146,741
Accounts receivable—net	94,711	98,513
Contract assets	52,403	40,139
Prepaid and other current assets	10,292	7,957
Income tax receivable	694	508
Total current assets	\$ 247,928	\$ 293,858
<b>NON-CURRENT ASSETS:</b>		
Property and equipment—net	36,045	31,521
Operating lease right-of-use asset—net	26,038	23,532
Finance lease right-of-use asset—net	9,840	8,944
Goodwill	323,868	311,944
Other intangible assets—net	142,107	160,997
Other assets	6,088	2,298
<b>TOTAL ASSETS</b>	<b>\$ 791,914</b>	<b>\$ 833,094</b>
<b>LIABILITIES, CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other accrued liabilities	\$ 63,412	\$ 68,936
Accrued payroll and benefits	20,528	25,971
Business acquisitions contingent consideration, current	3,801	31,450
Current portion of operating lease liabilities	7,895	6,888
Current portion of finance lease liabilities	3,775	3,512
Current portion of long-term debt	12,031	10,938
Total current liabilities	\$ 111,442	\$ 147,695
<b>NON-CURRENT LIABILITIES:</b>		
Business acquisitions contingent consideration, long-term	4,454	4,350
Other non-current liabilities	13	100
Deferred tax liabilities—net	5,742	4,006
Conversion option	25,731	23,081
Operating lease liability—net of current portion	19,437	16,859
Finance lease liability—net of current portion	6,486	5,756
Long-term debt—net of deferred financing fees	152,494	161,818
Total liabilities	\$ 325,799	\$ 363,665
<b>COMMITMENTS AND CONTINGENCIES (Note 16)</b>		
<b>CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK \$0.0001 PAR VALUE—</b>		
Authorized, issued and outstanding shares: 17,500 at December 31, 2022 and 2021; aggregate liquidation preference of \$182.2 million at December 31, 2022 and 2021	\$ 152,928	\$ 152,928
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.000004 par value; authorized shares: 190,000,000 at December 31, 2022 and 2021; issued and outstanding shares: 29,746,793 and 29,619,921 at December 31, 2022 and 2021, respectively	\$ —	\$ —
Additional paid-in capital	492,676	464,143
Accumulated deficit	(179,497)	(147,678)
Accumulated other comprehensive income	8	36
Total stockholders' equity	\$ 313,187	\$ 316,501
<b>TOTAL LIABILITIES, CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>	<b>\$ 791,914</b>	<b>\$ 833,094</b>

The accompanying notes are an integral part of these consolidated financial statements.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except per share data)

	Year Ended December 31,		
	2022	2021	2020
REVENUES	\$ 544,416	\$ 546,413	\$ 328,243
COST OF REVENUES (exclusive of depreciation and amortization shown below)	351,882	369,028	215,492
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	176,295	117,658	85,546
FAIR VALUE CHANGES IN BUSINESS			
ACQUISITION CONTINGENCIES	(3,227)	24,372	12,942
DEPRECIATION AND AMORTIZATION	47,479	44,810	37,274
LOSS FROM OPERATIONS	(28,013)	(9,455)	(23,011)
OTHER INCOME (EXPENSE):			
Other income (expense)	3,683	(2,546)	(20,268)
Interest expense—net	(5,239)	(11,615)	(13,819)
Total other expenses—net	(1,556)	(14,161)	(34,087)
LOSS BEFORE EXPENSE FROM			
INCOME TAXES	(29,569)	(23,616)	(57,098)
INCOME TAX EXPENSE	2,250	1,709	851
<b>NET LOSS</b>	<b>\$ (31,819)</b>	<b>\$ (25,325)</b>	<b>\$ (57,949)</b>
EQUITY ADJUSTMENT FROM FOREIGN			
CURRENCY TRANSLATION	(28)	(35)	111
<b>COMPREHENSIVE LOSS</b>	<b>\$ (31,847)</b>	<b>\$ (25,360)</b>	<b>\$ (57,838)</b>
ACCRETION OF REDEEMABLE SERIES A- 1 PREFERRED STOCK	—	—	(17,601)
REDEEMABLE SERIES A-1 PREFERRED STOCK DEEMED DIVIDEND	—	—	(24,341)
CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK DIVIDEND	(16,400)	(16,400)	(6,970)
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (48,219)</b>	<b>\$ (41,725)</b>	<b>\$ (106,861)</b>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC AND DILUTED	29,688	26,724	16,479
<b>NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS—BASIC AND DILUTED</b>	<b>\$ (1.62)</b>	<b>\$ (1.56)</b>	<b>\$ (6.48)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE SERIES A-1 PREFERRED STOCK, CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)**  
(In thousands, except share data)

	Redeemable Series A-1 Preferred Stock		Convertible and Redeemable Series A-2 Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Notes Receivable from Stockholders	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount					
<b>BALANCE—January 1, 2020</b>	12,000	\$ 128,822	—	\$ —	8,370,107	\$ —	38,153	\$ (64,404)	\$ —	(40)	\$ (26,291)
Net loss	—	—	—	—	—	—	—	(57,949)	—	—	(57,949)
Accretion of the redeemable series A-1 preferred stock to redeemable value	—	17,601	—	—	—	—	(17,601)	—	—	—	(17,601)
Series A-1 preferred stock deemed dividend	—	24,341	—	—	—	—	(24,341)	—	—	—	(24,341)
Redemption of the series A-1 preferred stock	(12,000)	(170,764)	—	—	1,786,739	—	26,801	—	—	—	26,801
Issuance of the convertible and redeemable series A-2 preferred stock	—	—	17,500	152,928	—	—	—	—	—	—	—
Dividend payment to the Series A-2 preferred shareholders	—	—	—	—	—	—	(6,970)	—	—	—	(6,970)
Exercise of the series A-1 and series A-2 preferred stock warrant	—	—	—	—	2,534,239	—	56,312	—	—	—	56,312
Stock-based compensation	—	—	—	—	4,849	—	4,849	—	—	—	4,849
Common stock issued	—	—	—	—	859,227	—	25,383	—	—	—	25,383
Issuance of common stock in connection with initial public offering, net of issuance costs of \$15.6 million	—	—	—	—	11,500,000	—	156,841	—	—	—	156,841
Cancellation of shares	—	—	—	—	(117,785)	—	—	—	—	—	—
Accumulated other comprehensive income	—	—	—	—	—	—	—	111	—	—	111
<b>BALANCE—December 31, 2020</b>	—	\$ —	17,500	\$ 152,928	24,932,527	\$ —	\$ 259,427	\$ (122,353)	\$ 71	\$ 137,145	\$ 137,145
Net loss	—	—	—	—	—	—	—	(25,325)	—	—	(25,325)
Stock-based compensation	—	—	—	—	—	—	10,321	—	—	—	10,321
Dividend payment to the Series A-2 preferred shareholders	—	—	—	—	—	—	(16,400)	—	—	—	(16,400)
Common stock issued	—	—	—	—	1,812,394	—	41,641	—	—	—	41,641
Issuance of common stock in connection with follow-on offering, net of issuance costs of \$0.6 million	—	—	—	—	2,875,000	—	169,154	—	—	—	169,154
Accumulated other comprehensive loss	—	—	—	—	—	—	—	(35)	—	—	(35)
<b>BALANCE—December 31, 2021</b>	—	\$ —	17,500	\$ 152,928	29,619,921	\$ —	\$ 464,143	\$ (147,678)	\$ 36	\$ 316,501	\$ 316,501
Net loss	—	—	—	—	—	—	—	(31,819)	—	—	(31,819)
Stock-based compensation	—	—	—	—	—	—	43,290	—	—	—	43,290
Dividend payment to the Series A-2 preferred shareholders	—	—	—	—	—	—	(16,400)	—	—	—	(16,400)
Common stock issued	—	—	—	—	126,872	—	1,643	—	—	—	1,643
Accumulated other comprehensive loss	—	—	—	—	—	—	—	(28)	—	—	(28)
<b>BALANCE—December 31, 2022</b>	—	\$ —	17,500	\$ 152,928	29,746,793	\$ —	\$ 492,676	\$ (179,497)	\$ 8	\$ 313,187	\$ 313,187

The accompanying notes are an integral part of these consolidated financial statements.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
<b>OPERATING ACTIVITIES:</b>			
Net loss	\$ (31,819)	\$ (25,325)	\$ (57,949)
Adjustments to reconcile net loss to net cash provided by operating activities:			
(Recovery) provision for bad debt	(1,097)	1,135	4,532
Depreciation and amortization	47,479	44,810	37,274
Amortization of right-of-use asset	9,289	8,151	—
Stock-based compensation expense	43,290	10,321	4,849
Fair value changes in financial instruments	(3,396)	2,195	20,319
Fair value changes in business acquisition contingencies	(3,227)	24,372	12,942
Deferred income taxes	2,250	1,709	851
Debt extinguishment costs	—	4,052	1,810
Other	349	(195)	278
Changes in operating assets and liabilities—net of acquisitions:			
Accounts receivable and contract assets	4,394	(36,164)	(19,202)
Prepaid expenses and other current assets	(1,763)	(1,148)	(4,137)
Accounts payable and other accrued liabilities	(9,878)	23,996	601
Accrued payroll and benefits	(6,830)	3,244	6,072
Payment of contingent consideration	(19,457)	(15,628)	(6,390)
Change in operating leases	(8,935)	(7,944)	—
Net cash provided by operating activities	\$ 20,649	\$ 37,581	\$ 1,850
<b>INVESTING ACTIVITIES:</b>			
Proceeds from corporate owned and property insurance	329	413	—
Purchases of property and equipment and proprietary software development	(10,002)	(6,987)	(7,756)
(Payment) collection of purchase price true ups	(389)	(9,336)	1,939
Cash paid for acquisitions—net of cash acquired	(28,625)	(55,731)	(173,923)
Net cash used in investing activities	\$ (38,687)	\$ (71,641)	\$ (179,740)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from line of credit	—	109,000	104,390
Payments on line of credit	—	(109,000)	(201,980)
Proceeds from term loans	—	175,000	175,000
Repayment of term loans	(8,750)	(173,905)	(50,195)
Payment of contingent consideration and other purchase price true ups	(11,107)	(9,865)	(6,004)
Repayment of finance leases	(3,967)	(2,711)	(2,848)
Proceeds from issuance of common stock in public offerings, net of issuance costs	—	169,783	161,288
Payments of deferred offering costs	(183)	(446)	(4,164)
Debt issuance cost	—	(2,590)	(4,866)
Proceeds from issuance of common stock for exercised stock options	1,643	7,237	408
Issuance of series A-2 preferred stock and warrant, net of issuance costs	—	—	173,664
Redemption of the series A-1 preferred stock	—	—	(131,821)
Dividend payment to the series A-2 shareholders	(16,400)	(16,400)	(6,970)
Net cash (used in) provided by financing activities	\$ (38,764)	\$ 146,103	\$ 205,902
<b>CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>			
Foreign exchange impact on cash balance	(56,802)	112,043	28,012
Beginning of year	(111)	(183)	(15)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH:</b>			
Beginning of year	146,741	34,881	6,884
End of year	\$ 89,828	\$ 146,741	\$ 34,881

(continued in next page)

The accompanying notes are an integral part of these consolidated financial statements.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	2022	Year Ended December 31, 2021	2020
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</b>			
Cash paid for interest, net	\$ 6,514	\$ 5,012	\$ 11,947
Cash paid for income tax, net	\$ 789	\$ 412	\$ 171
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Preferred stock deemed dividend—net of return from holders	\$ —	\$ —	\$ 24,341
Redemption of preferred stock in common shares	\$ —	\$ —	\$ 26,801
Accrued purchases of property and equipment	\$ 2,261	\$ 790	\$ 432
Property and equipment purchased under finance leases	\$ 5,061	\$ 1,766	\$ 2,113
Accretion of the redeemable series A-1 preferred stock to redeemable value	\$ —	\$ —	\$ 17,601
Common stock issued to acquire new businesses	\$ —	\$ 8,320	\$ 25,000
Acquisitions unpaid contingent consideration	\$ 8,255	\$ 35,800	\$ 54,457
Acquisitions contingent consideration paid in shares	\$ —	\$ 26,084	\$ —
Offering costs included in accounts payable and other accrued liabilities	\$ —	\$ 183	\$ —

(concluded)

The accompanying notes are an integral part of these consolidated financial statements.

**MONTROSE ENVIRONMENTAL GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except where otherwise indicated)**

**1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION**

**Description of the Business**—Montrose Environmental Group, Inc. (“Montrose” or the “Company”) is a corporation formed on November 2013, under the laws of the State of Delaware. The Company has approximately 80 offices across the United States, Canada and Australia and approximately 2,900 employees as of December 31, 2022.

Montrose is an environmental services company serving the recurring environmental needs of a diverse client base, including Fortune 500 companies and Federal, State and local governments through the following three segments:

**Assessment, Permitting and Response**—Through its Assessment, Permitting and Response segment, Montrose provides scientific advisory and consulting services to support environmental assessments, environmental emergency response, and environmental audits and permits for current operations, facility upgrades, new projects, decommissioning projects and development projects. The Company’s technical advisory and consulting offerings include regulatory compliance support and planning, environmental, ecosystem and toxicological assessments and support during responses to environmental disruption. Montrose helps clients navigate regulations at the local, state, provincial and federal levels.

**Measurement and Analysis**—Through its Measurement and Analysis segment, Montrose’s teams test and analyze air, water and soil to determine concentrations of contaminants, as well as the toxicological impact of contaminants on flora, fauna and human health. Montrose’s offerings include source and ambient air testing and monitoring, leak detection and repair and advanced analytical laboratory services such as air, storm water, wastewater and drinking water analysis.

**Remediation and Reuse**—Through its Remediation and Reuse segment, Montrose provides clients with engineering, design, and remediation services, primarily to treat contaminated water, remove contaminants from soil or create biogas from waste. The Company does not own the properties or facilities at which it implements these projects or the underlying liabilities, nor does it own material amounts of the equipment used in projects; instead, the Company assists clients in designing solutions, managing projects and mitigating their environmental risks and liabilities at their locations.

**Initial Public Offering**—On July 27, 2020, the Company completed its initial public offering (“IPO”) of common stock, in which it sold 11,500,000 shares, including 1,500,000 shares issued pursuant to the underwriters full exercise on July 24, 2020 of the underwriters’ option to purchase additional shares, at a price to the public of \$15.00 per share, resulting in net proceeds to the Company of approximately \$161.3 million after deducting underwriting discounts of \$11.2 million. Additionally, the Company offset \$4.4 million of deferred IPO costs against IPO proceeds recorded to additional paid in capital. These deferred IPO costs were directly attributable to the IPO offering in accordance with Staff Accounting Bulletin Topic 5: Miscellaneous Accounting. The Company’s common stock began trading on the New York Stock Exchange on July 23, 2020.

**Follow-on Offering**—On October 1, 2021, the Company completed a follow-on offering of common stock, in which it sold 2,875,000 shares, including 375,000 shares issued pursuant to the underwriters full exercise on October 5, 2021 of the underwriters’ option to purchase additional shares, at a price to the public of \$62.00 per share, resulting in net proceeds to the Company of approximately \$169.8 million after deducting underwriting discounts of \$8.5 million. Additionally, the Company offset \$0.6 million of deferred follow-on offering costs against follow-on proceeds recorded to additional paid in capital. These deferred follow-on offering costs were directly attributable to the follow-on offering in accordance with Staff Accounting Bulletin Topic 5: Miscellaneous Accounting.

**Basis of Presentation**—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). Intercompany balances and transactions are eliminated.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**—The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include, but are not limited to, management’s forecasts of future cash flows used as a basis to assess recoverability of goodwill and long-lived assets, the allocation of purchase price to tangible and intangible assets, allowances for doubtful accounts, the estimated useful lives over which property and equipment is depreciated and intangible assets are amortized, subsequent measurement of goodwill, the fair value of contingent consideration payables, the fair value of warrants, the fair

value of embedded derivatives, the fair value of common stock issued, stock-based compensation expense and deferred taxes. These estimates could materially differ from actual results.

**Cash, Cash Equivalents and Restricted Cash**—The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company considers cash deposits in banks as cash with original maturities at purchase of three months or less as cash equivalents.

Cash, long-term debt and financial instruments subject the Company to concentrations of credit risk. To minimize the risk of credit loss, these financial instruments are primarily held with large, reputable financial institutions. The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk associated with these accounts.

Cash that is restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash in the Company's consolidated statements of financial position. The Company's restricted cash balance as of December 31, 2021 of \$0.5 million was related to deposit funds that served as a performance guarantee for certain projects with the Australian government. During the year ended December 31, 2022, such projects were completed and the cash was released.

**Accounts Receivables-Net**—Accounts receivable are shown on the face of the consolidated statements of financial position, net of an allowance for doubtful accounts. The allowance for doubtful accounts is established at the origination of an account in accordance with Accounting Standard Update ("ASU") 2016-13, Financial Instruments—Credit Losses (Topic 326). Accounting Standards Codification ("ASC") 326 requires the Company to estimate the lifetime expected credit losses on such instruments and to record an allowance to offset the receivables.

**Cloud Computing Arrangements**—The Company capitalizes certain implementation costs incurred related to cloud computing arrangements that are service contracts. Such costs are amortized on a straight-line basis over the term of the associated hosting arrangement. Any capitalized amounts related to such arrangements are recorded within other assets on the consolidated statements of financial position.

**Financial Instruments**—The Financial Accounting Standards Board ("FASB") ASC 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

*Level 1*—Quoted prices in active markets for identical assets or liabilities.

*Level 2*—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. The inputs to the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The Company considers the carrying values of cash, cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses to approximate fair value for these financial instruments due to the short maturities of these instruments. The Company's interest rate swap, embedded derivatives, warrant options and any acquisition's contingent consideration are/ were carried at fair value and determined according to the fair value hierarchy above.

The Company's variable rate borrowings under its Credit Facility (Note 14) is tied to market indices and, thus, approximate fair value. The estimated fair value of the long-term debt under the credit facility is based on borrowing rates currently available to the Company for loans with similar terms and remaining maturities.

**Impairment of Long-Lived Assets**—Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of long lived assets should be assessed. When such events or changes in circumstances are present, the Company estimates the future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount, the Company recognizes an impairment based on the fair value of such assets. As of

December 31, 2022, management determined certain of the Company's operating lease right-of-use assets were impaired (Note 7). As of December 31, 2021, management determined that there was no impairment of long-lived assets.

**Acquisitions**—The Company first assesses whether the acquisition represents a purchase of assets or a business. If the transaction is a business acquisition, the Company accounts for the acquisition using business combination accounting, which requires that assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. The purchase price of acquisitions is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on estimated fair values, and any excess purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill. Goodwill represents the premium the Company pays over the fair value of the net tangible and intangible assets acquired. The Company may use independent valuation specialists to assist in determining the estimated fair values of assets acquired and liabilities assumed, which could require certain significant management assumptions and estimates. Transaction costs associated with acquisitions of businesses are expensed as they are incurred.

**Business Acquisition Contingencies**— Some of the Company's acquisition agreements include contingent consideration arrangements, which are generally based on the achievement of future performance thresholds. For each transaction, the Company estimates the fair value of contingent consideration payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability. Subsequent changes in the fair value of contingent consideration are recognized as a gain or loss in the consolidated statements of operations. Payments of contingent consideration are reflected in financing activities in the consolidated statements of cash flows to the extent included as part of the initial purchase price, or in operating activities if the payment exceeds the amount included in the initial purchase price.

**Goodwill**—Goodwill is not amortized but instead qualitatively or quantitatively tested for impairment at least annually should an event or circumstances indicate that a reduction in fair value of the reporting unit may have occurred during the year, goodwill would also be tested at such occasion. The Company performs its goodwill test at the reporting unit level. If necessary, the goodwill quantitative impairment test is performed on October 1 every year.

The Company uses a two-step process to assess the realizability of goodwill. The first step (generally referred to as a "step 0" analysis) is a qualitative assessment that analyzes current economic indicators associated with a particular reporting unit. For example, the Company analyzes changes in economic, market and industry conditions, business strategy, cost factors, and financial performance, among others, to determine if there are indicators of a significant decline in the fair value of a particular reporting unit. If the qualitative assessment indicates a stable or improved fair value, no further testing is required. If a qualitative assessment indicates it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company will proceed to the quantitative second step (generally referred to as a "step 1" analysis) where the fair value of a reporting unit is calculated based on weighted income and market-based approaches. If the fair value of a reporting unit is lower than its carrying value, an impairment to goodwill is recorded, not to exceed the carrying amount of goodwill in the reporting unit.

Step 1 of the quantitative test requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists. Otherwise, the Company would recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit.

During 2022, the Company elected to perform a step 1 impairment analysis. Based on the analysis performed, management determined that no impairment of goodwill existed in any of the Company's reporting units as of the testing date (October 1, 2022). Also, no triggering events or changes in circumstances occurred during the period October 1, 2022 through December 31, 2022 that warranted retesting goodwill for impairment.

During 2021, the Company performed a qualitative goodwill impairment analysis and concluded it was not more likely than not that the fair value of any of the Company's reporting units were less than their respective carrying amounts and thus determined that no impairment existed as of the testing date (October 1, 2021). Also, no triggering events or changes in circumstances occurred during the period October 1, 2021 through December 31, 2021 that warranted retesting goodwill for impairment.

**Embedded Derivatives**—Embedded derivatives that are required to be bifurcated from the underlying host instrument are accounted for and valued as a separate financial instrument. These embedded derivatives are bifurcated, accounted for at their estimated fair value, which is based on certain estimates and assumptions, and presented separately on the consolidated statements of financial position. Changes in fair value of the embedded derivatives are recognized as a component of other expense on our consolidated statements of operations (Note 17 and 18).

**Foreign Currency**—The Company has operations in the United States, Canada, Australia and Europe. The results of its non-U.S. dollar based functional currency operations are translated to U.S. dollars at the average exchange rates during the period. The Company’s assets and liabilities are translated using the exchange rate as of the date of the consolidated statement of financial position and equity is translated using historical rates. Adjustments resulting from the translation of the consolidated financial statements of the Company’s foreign functional currency subsidiaries into U.S. dollars are excluded from the determination of net income (loss) and instead are accumulated in a separate component of stockholders’ equity (deficit). Foreign exchange transaction gains and losses are included in selling, general and administrative expense on the consolidated statements of operations.

**Accumulated Other Comprehensive Income (Loss)**—Accumulated other comprehensive income (loss), as presented on the consolidated statements of redeemable series A-1 preferred stock, convertible and redeemable series A-2 preferred stock and stockholders’ equity (deficit), consists of unrealized gains and losses on foreign currency translation. Comprehensive income (loss) is not included in the computation of income tax benefit.

**Revenue Recognition**—Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The following is considered by the Company in the recognition of revenue under ASC 606:

The Company’s services are performed under two general types of contracts (i) fixed-price and (ii) time-and-materials. Under fixed-price contracts, customers pay an agreed-upon amount for a specified scope of work agreed to in advance of the project. Under time-and-materials contracts, customers pay for the hours worked and resources used based on agreed-upon rates. Certain of the Company’s time-and-materials contracts are subject to maximum contract amounts. The duration of the Company’s contracts ranges from less than one month to over a year, depending on the scope of services provided.

The Company accounts for individual promises in contracts as separate performance obligations if the promises are distinct. The assessment requires judgment. The majority of the Company’s contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Certain contracts in the Company’s Measurement and Analysis have multiple performance obligations, most commonly due to the contracts providing for multiple laboratory tests which are individual performance obligations.

For the Measurement and Analysis contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price of each performance obligation. The standalone selling price of each performance obligation is generally determined by the observable price of a service when sold separately.

**Fixed fee contracts**—On the majority of fixed fee contracts, the Company recognizes revenue, over time, using either the proportion of actual costs incurred to the total costs expected to complete the contract performance obligation (“cost to cost method”), under the time-elapsed basis. The Company determined that the cost to cost method best represents the transfer of services as the proportion closely depicts the efforts or inputs completed towards the satisfaction of a fixed fee contract performance obligation. Under the time-elapsed basis, the arrangement is considered a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e. distinct days of service). The Company applies a time-based measure of progress to the total transaction price, which results in ratable recognition over the term of the contract. For a portion of the Company’s laboratory service contracts, revenue is recognized as performance obligations are satisfied over time, with recognition reflecting a series of distinct services using the output method. The Company determined that this method best represents the transfer of services as the customer obtains equal benefit from the service throughout the service period.

There are inherent uncertainties in the estimation process for cost to cost contracts, as the estimation of total contract costs and estimates to complete is complex, subject to many variables, and requires judgment. It is possible that estimates of costs to complete a performance obligation will be revised in the near-term based on actual progress and costs incurred. These uncertainties primarily impact the Company’s contracts in the Remediation and Reuse segment.

**Time-and-materials contracts**—Time-and-materials contracts contain variable consideration. However, performance obligations qualify for the “Right to Invoice” Practical Expedient. Under this practical expedient, the Company is allowed to recognize revenue, over time, in the amount to which the Company has a right to invoice. In addition, the Company is not required to estimate such variable consideration upon inception of the contract and reassess the estimate each reporting period. The Company determined that this method best represents the transfer of services as, upon billing, the Company has a right to consideration from a customer in an amount that directly corresponds with the value to the customer of the Company’s performance completed to date.

**Segment Reporting**—Operating segments are components of an enterprise for which discrete financial reporting information is available and evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The Company has identified its Chief Executive Officer as the CODM. The CODM views the Company’s operations and manages the businesses as three operating segments, which are also the Company’s reportable segments: (i) Assessment, Permitting and Response, (ii) Measurement and Analysis, and (iii) Remediation and Reuse. The CODM reviews the operating results of these segments on a regular basis and allocates company resources depending on the needs of each group and the availability of resources.

**Cost of Revenues**—Cost of revenues consists of all direct costs required to provide services, including fixed and variable direct labor costs, equipment rental and other outside services, field and lab supplies, vehicle costs and travel-related expenses.

**Selling, General and Administrative Expense**—Selling, general and administrative expenses consist of indirect costs, including management and executive compensation, corporate costs related to finance, accounting, human resources, information technology, legal, administrative, safety, professional services, rent and other general expenses.

**Offering Costs, Initial Public Offering Expense and Follow-On Offering Expense**—The offering costs associated with the IPO and October 2021 follow-on offering mainly consisted of legal, accounting and filing fees. Total IPO and follow-on offering costs of \$4.2 million and \$0.6 million, respectively, were deferred through the date of the IPO and follow-on offering, and then capitalized and offset against proceeds received. IPO and follow-on offering expenses that were determined to be non-capitalizable were expensed as incurred.

**Stock-Based Compensation**—The Company currently sponsors two stock incentive plans that allow for issuance of employee stock options, restricted stock awards, restricted stock units and stock appreciation rights awards. Under one of the plans, there are certain awards that were issued to non-employees in exchange for their services and are accounted for under ASC 505, Equity-Based Payments to Non-Employees. ASC 505 requires that the fair value of the equity instruments issued to a non-employee be measured on the earlier of: (i) the performance commitment date or (ii) the date the services required under the arrangement have been completed. Certain of the performance based restricted stock units will only meet the requirements for establishing a grant date when the final calculated financial performance metrics and the amount of awards have been approved by the Company’s Board of Directors, which will then trigger the service inception date, the fair value of the awards, and the associated expense recognition period. The fair value of the remaining stock-based payment awards is expensed over the vesting period of each tranche on a straight-line basis. Any modification of an award that increases its fair value will require the Company to recognize additional expense. The fair value of stock options under its employee stock incentive plan are estimated as of the grant date using the Black-Scholes option valuation model, which is affected by its estimates of the fair value of common stock, risk-free interest rate, its expected dividend yield, expected term and the expected share price volatility of its common shares over the expected term. No dividend rates are used in the calculation as these are not applicable to the Company. Forfeitures are recognized as incurred. Employee options are accounted for in accordance with the guidance set forth by ASC 718, Stock Based Compensation. The fair value of stock appreciation rights is estimated at the grant date using the geometric Brownian motion model. This process has been widely used to model stock prices and is the underpinning of the Black-Scholes option pricing model and other extensions of the Random Walk Hypothesis of stock price movements and the Efficient Market Hypothesis. The Company's current intent and ability is to settle the stock appreciation rights awards in common stock and, as such, accounts for the awards as equity classified awards.

**Fair Value of Common Stock**—Prior to the Company’s IPO, due to the absence of an active market for the Company’s common stock, the fair value of the Company’s common stock was estimated based on current available information. This estimate required significant judgment and considered several factors, including valuations of the Company’s common stock prepared by an independent third-party valuation firm. The fair value of the Company’s common stock was estimated primarily using an income approach based on discounted estimated future cash flows. The Company also utilized the market approach as an additional reference point to evaluate the reasonableness of the fair value determined under the income approach. These estimates were highly subjective in nature and involved a large degree of uncertainty. Such estimates of the fair value of the Company’s common stock were used in the measurement of stock-based compensation expense, warrant options, and the purchase price of business acquisitions for which common stock is an element of the purchase price.

Following the IPO by the Company, valuation models, including estimates and assumptions used in such models, are not necessary to estimate the fair value of the Company’s common stock, as shares of the Company’s common stock are traded in the public market and the fair value is determined based on the closing price of the Company’s common stock.

**Income Taxes**— The Company accounts for income taxes under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enacted date.

A valuation allowance is recorded when it is more-likely-than-not some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for a valuation allowance and the Company considers all available positive and negative evidence, including future taxable income, reversals of existing deferred tax assets and liabilities and ongoing prudent and feasible tax planning strategies in making such assessment. Should a change in circumstances lead to a change in judgment regarding the utilization of deferred tax assets in future years, the Company will adjust the related valuation allowance in the period such change in circumstances occurs.

For acquired business entities, if the Company identifies changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period, and they relate to new information obtained about facts and circumstances existing as of the acquisition date, those changes are considered a measurement period adjustment and the offset is recorded to goodwill.

The Company records uncertain tax positions on the basis of the two-step process in which (i) it determines whether it is more-likely-than-not that the tax positions will be sustained on the basis of the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, the Company would recognize the largest amount of tax benefit that is more than 50.0% likely to be realized upon ultimate settlement with the related tax authority. The Company has determined that there are no uncertain tax positions as of December 31, 2022 and 2021. The Company classifies interest and penalties recognized on uncertain tax positions as a component of income tax expense.

### 3. SUMMARY OF NEW ACCOUNTING PRONOUNCEMENTS

**Recently Adopted Accounting Pronouncements**—Through the end of the year ended December 31, 2021, the Company qualified as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”) and therefore has historically taken advantage of certain exemptions from various public company reporting requirements, including delaying adoption of new or revised accounting standards until those standards apply to private companies. The Company elected to use this extended transition period under the JOBS Act. The adoption dates discussed below are based on the Company no longer qualifying as an emerging growth company.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for the exception. The ASU also simplifies the diluted net income per share calculation in certain areas. The new guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, and early adoption is permitted. The new guidance was adopted as of January 1, 2022 and did not have a material impact on the Company’s consolidated financial statements.

**Recently Issued Accounting Pronouncements Not Yet Adopted**—In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under the new guidance (ASC 805-20-30-28), the acquirer should determine what contract assets and/or contract liabilities it would have recorded under ASC 606 (the revenue guidance) as of the acquisition date, as if the acquirer had entered into the original contract at the same date and on the same terms as the acquiree. The new guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements, but does not expect adoption to have a material impact on its consolidated financial statements. The future impact of this new guidance will be primarily a function of the facts and circumstances specific to any acquisitions consummated after adoption and therefore cannot be predicted prior to or at the time of adoption.

### 4. REVENUES AND ACCOUNTS RECEIVABLE

The Company’s main revenue sources derive from the following revenue streams:

**Assessment, Permitting and Response Revenues**—Assessment, Permitting and Response revenues are generated from multidisciplinary environmental consulting services. The majority of the contracts are fixed-price or time and material based.

**Measurement and Analysis Revenues**—Measurement and Analysis revenues are generated from emissions sampling, testing and reporting services, leak detection services, ambient air monitoring services and laboratory testing services. The majority of the contracts are fixed-price or time-and-materials based.

**Remediation and Reuse Revenues**—Remediation and Reuse revenues are generated from engineering, design, implementation and operating and maintenance (“O&M”) services primarily to treat contaminated water, remove contaminants from soil or create biogas from waste. Engineering, design and implementation contracts are predominantly fixed-fee and time-and-materials based. Services on the majority of O&M contracts are provided under long-term fixed-fee contracts.

**Disaggregation of Revenue**—The Company disaggregates revenue by its operating segments. The Company believes disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, and uncertainty of revenue and cash flows are affected by economic factors. Disaggregated revenue disclosures are provided in Note 21, Segment Information.

**Contract Balances**—The Company presents contract balances for unbilled receivables (contract assets), as well as customer advances, deposits and deferred revenue (contract liabilities) within contract assets and accounts payable and accrued expenses, respectively, on the consolidated statements of financial position. Amounts are generally billed at periodic intervals (e.g., weekly, bi-weekly or monthly) as work progresses in accordance with agreed-upon contractual terms. The Company utilizes the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the Company transfers services to a customer and when the customer pays for those services is one year or less. Amounts recorded as unbilled receivables are generally for services the Company is not entitled to bill based on the passage of time. Under certain contracts, billing occurs subsequent to revenue recognition, resulting in contract assets. The Company sometimes receives advances or deposits from customers before revenue is recognized, resulting in contract liabilities.

The following table presents the Company’s contract balances as of December 31:

	2022	2021
Contract assets	\$ 52,403	\$ 40,139
Contract liabilities (Note 10)	18,549	27,907

Contract assets acquired through business acquisitions amounted to \$1.7 million and \$0.5 million as of December 31, 2022 and 2021, respectively. Contract liabilities acquired through business acquisitions amounted to zero and \$0.5 as of December 31, 2022 and 2021, respectively.

Revenue recognized during the year ended December 31, 2022, included in the contract liability balance at the beginning of the year was \$25.3 million. The revenue recognized from the contract liabilities consisted of the Company satisfying performance obligations during the normal course of business.

The amount of revenue recognized from changes in the transaction price associated with performance obligations satisfied in prior periods during the year ended December 31, 2022 was not material.

**Remaining Unsatisfied Performance Obligations** - Remaining unsatisfied performance obligations represent the total dollar value of work to be performed on contracts awarded and in progress. The amount of remaining unsatisfied performance obligations increases with new contracts or additions to existing contracts and decreases as revenue is recognized on existing contracts. Contracts are included in the amount of remaining unsatisfied performance obligations when an enforceable agreement has been reached. As of December 31, 2022 and 2021, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied was approximately \$100.4 million and \$108.7 million, respectively. As of December 31, 2022, the Company expected to recognize approximately \$82.1 million of this amount as revenue within the next year and \$18.3 million the year after.

**Accounts Receivable, Net**—Accounts receivable, net as of December 31, consisted of the following:

	2022	2021
Accounts receivable, invoiced	\$ 95,055	\$ 101,709
Accounts receivable, other	1,571	1,385
Allowance for doubtful accounts	(1,915)	(4,581)
Accounts receivable—net	<u>\$ 94,711</u>	<u>\$ 98,513</u>

The Company did not have any customers that exceeded 10.0% of its gross receivables as of December 31, 2022. The Company had one customer who accounted for 23.1% of the Company’s gross accounts receivable as of December 31, 2021. The Company had one customer who accounted for 14.4% and 10.0% of revenue for the years ended December 31, 2022 and 2021, respectively. The Company did not have any customers that exceeded 10.0% of revenue during the year ended December 31, 2020. The Company performs ongoing credit evaluations and

based on past collection experience; the Company believes that the receivable balances from these largest customers do not represent a significant credit risk.

The allowance for doubtful accounts consisted of the following:

	Beginning Balance	Bad Debt (Recovery) Expense	Charged to Allowance	Other <sup>(1)</sup>	Ending Balance
Year ended December 31, 2022	\$ 4,581	\$ (1,097)	\$ (1,696)	\$ 127	\$ 1,915
Year ended December 31, 2021	4,265	1,135	(1,548)	729	4,581
Year ended December 31, 2020 <sup>(2)</sup>	1,327	4,532	(2,633)	1,039	\$ 4,265

- (1) This amount consists of additions to the allowance due to business acquisitions.
- (2) During the first quarter of 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The COVID-19 pandemic added uncertainty to the collectability of certain receivables, particularly in industries hard hit by the pandemic. As a result, the Company recorded \$6.3 million of bad debt reserve during the first quarter of 2020. The bad debt adjustment included a \$5.5 million reserve for one customer in the Company's Remediation and Reuse segment in which management concluded to discontinue select service lines as of June 30, 2020 (Note 21).

## 5. PREPAID AND OTHER CURRENT ASSETS

Prepaid and other current assets as of December 31, consisted of the following:

	2022	2021
Deposits	\$ 1,394	\$ 843
Prepaid expenses	5,266	4,675
Supplies	3,632	2,439
Prepaid and other current assets	<u>\$ 10,292</u>	<u>\$ 7,957</u>

## 6. PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost or estimated fair value for assets acquired through business combinations. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, including options that are deemed to be reasonably assured, or the estimated useful life of the improvement.

Property and equipment, net, as of December 31, consisted of the following:

	Estimated Useful Life	2022	2021
Lab and test equipment	7 years	\$ 21,171	\$ 18,581
Vehicles	5 years	5,732	5,414
Equipment	3-7 years	40,940	35,148
Furniture and fixtures	7 years	2,841	2,844
Leasehold improvements	7 years	8,576	7,268
Aircraft	10 years	931	931
Building	39 years	2,975	2,975
		83,166	73,161
Land		725	725
Construction in progress		3,150	2,342
Less accumulated depreciation		(50,996)	(44,707)
Total property and equipment—net		<u>\$ 36,045</u>	<u>\$ 31,521</u>

Total depreciation expense for property and equipment, net included on the consolidated statements of operations was \$7.2 million, \$6.4 million and \$8.4 million for the years ended December 31, 2022, 2021, and 2020, respectively.

## 7. LEASES

Leases are classified as either finance or operating leases based on criteria in ASC 842. The Company has finance leases for its vehicle and equipment leases and operating leases for its real estate space and office equipment leases. The Company's operating and finance leases generally have original lease terms between 1 year and 15 years, and in some instances include one or more options to renew. The Company includes options to extend the lease term if the options are reasonably certain of being exercised. The Company currently considers some of its renewal options to be reasonably certain to be exercised. Some leases also include early termination options, which can be exercised under specific conditions. The Company does not have material residual value guarantees or restrictive covenants associated with its leases.

In June 2021, with an effective adoption date of January 1, 2021, the Company adopted ASU 2016-02 using the modified retrospective approach, which permits application of this new guidance at the beginning of the period of adoption, with comparative periods continuing to be reported under ASC 840.

Finance and operating lease assets represent the right to use an underlying asset for the lease term, and finance and operating lease liabilities represent the obligation to make lease payments arising from the lease.

The Company calculates the present value of its finance and operating leases using an estimated incremental borrowing rate ("IBR"), which requires judgment. For real estate operating leases, the Company estimates the IBR based on prevailing market rates for collateralized debt in a similar economic environment with similar payment terms and maturity dates commensurate with the terms of the lease. For all other leases, the Company estimates the IBR based on the stated interest rate on the contract. Since many of the inputs used to calculate the rate implicit in the leases are not readily determinable from the lessee's perspective, the Company will not use the implicit interest rate.

Certain leases contain variable payments, these payments are expensed as incurred and not included in the Company's operating lease right-of-use assets and operating lease liabilities. These amounts primarily include payments for maintenance, utilities, taxes, and insurance and are excluded from the present value of the Company's lease obligations.

As part of this adoption, the Company elected to not record operating lease right-of-use assets or operating lease liabilities for leases with an initial term of 12 months or less. The Company also elected to combine lease and non-lease components on all new or modified operating leases into a single lease component for all classes of assets.

Total rent expense under operating leases was \$8.7 million for the year ended December 31, 2020 and was included in selling, general and administrative expense on the consolidated statement of operations. The amortization of assets under finance leases for the years ended December 31, 2020 was \$2.2 million and was included in depreciation and amortization on the consolidated statements of operations.

The components of lease expense were as follows:

	Statement of Operations Location	Year Ended December 31,	
		2022	2021
<b>Operating lease cost</b>			
Lease cost	Selling, general and administrative expense	\$ 10,017	\$ 8,760
Variable lease cost	Selling, general and administrative expense	1,319	367
Impairment of ROU asset <sup>(1)</sup>	Other income (expense)	725	—
Total operating lease cost		\$ 12,061	\$ 9,127
<b>Finance lease cost</b>			
Amortization of right of use assets	Depreciation and amortization	\$ 4,179	\$ 3,227
Interest on lease liabilities	Interest expense—net	467	401
Total finance lease cost		4,646	3,628
Total lease cost		\$ 16,707	\$ 12,755

(1) During the year ended December 31, 2022, the Company vacated certain of its real estate space that is no longer needed for current operations. The impairment analysis on these ROU assets resulted in an impairment loss of \$0.7 million.

Supplemental cash flows information related to leases was as follows:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows used in finance leases	\$ 467	\$ 401
Operating cash flows used in operating leases	9,662	8,531
Financing cash flows used in finance leases	3,967	3,191
<b>Lease liabilities arising from new ROU assets</b>		
Operating leases	\$ 12,443	\$ 7,037
Finance leases	4,915	4,929

Weighted average remaining lease terms and weighted average discount rates were:

	<b>Year Ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
Weighted average remaining lease term (years)	4.43	3.30	5.06	3.16
Weighted average discount rate	2.64%	5.37%	2.60%	4.94%

The following is a schedule by year of the maturities of lease liabilities with original terms in excess of one year:

	<b>December 31,</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 8,504	\$ 4,219
2024	6,785	2,984
2025	4,850	2,084
2026	3,753	1,374
2027 and thereafter	5,100	565
Total undiscounted future minimum lease payments	28,992	11,226
Less imputed interest	(1,660)	(965)
Total discounted future minimum lease payments	<u>\$ 27,332</u>	<u>\$ 10,261</u>

## 8. BUSINESS ACQUISITIONS

In line with the Company's strategic growth initiatives, the Company acquired several businesses during the years ended December 31, 2022, 2021 and 2020. The results of each of those acquired businesses are included in the consolidated financial statements beginning on the respective acquisition dates. Each transaction qualified as an acquisition of a business and was accounted for as a business combination. All acquisitions resulted in the recognition of goodwill. The Company paid these premiums resulting in such goodwill for a number of reasons, including expected synergies from combining operations of the acquiree and the Company while also growing the Company's customer base, acquiring assembled workforces, expanding its presence in certain markets and expanding and advancing its product and service offerings. The Company recorded the assets acquired and liabilities assumed at their acquisition date fair value, with the difference between the fair value of the net assets acquired and the acquisition consideration reflected as goodwill.

The identifiable intangible assets for acquisitions are valued using the excess earnings method discounted cash flow approach for customer relationships, the relief from royalty method for trade names, the patent, external proprietary software and developed technology, the "with and without" method for covenants not to compete and the replacement cost method for the internal proprietary software by incorporating Level 3 inputs as described under the fair value hierarchy of ASC 820. These unobservable inputs reflect the Company's own assumptions about which assumptions market participants would use in pricing an asset on a non-recurring basis. These assets will be amortized over their respective estimated useful lives.

Other purchase price obligations (primarily deferred purchase price liabilities and target working capital liabilities or receivables) are included on the consolidated statements of financial position in accounts payable and other accrued liabilities, other non-current liabilities or accounts receivable-net in the case of working capital deficits. Contingent consideration outstanding from acquisitions are included on the consolidated statements of financial position in business acquisition contingent consideration, current or in business acquisitions contingent consideration, long-term. The contingent consideration elements of the purchase price of the acquisitions are related to earn-outs which are based

on the expected achievement of revenue or earnings thresholds as of the date of the acquisition and for which the maximum potential amount is limited.

The Company considers several factors when determining whether or not contingent consideration liabilities are part of the purchase price, including the following: (i) the valuation of its acquisitions is not supported solely by the initial consideration paid, (ii) the former stockholders of acquired companies that remain as key employees receive compensation other than contingent consideration payments at a reasonable level compared with the compensation of the Company's other key employees and (iii) contingent consideration payments are not affected by employment termination. The Company reviews and assesses the estimated fair value of contingent consideration at each reporting period.

The Company may be required to make up to \$9.5 million in aggregate earn-out payments between the years 2023 and 2026 in connection with certain of its business acquisitions, up to \$4.0 million of which may be paid in cash.

Transaction costs related to business combinations totaled \$1.9 million, \$2.1 million and \$4.3 million for the years ended December 31, 2022, 2021, and 2020, respectively. These costs are expensed within selling, general and administrative expense in the accompanying consolidated statements of operations.

## 2022 Acquisitions

**Environmental Standards, Inc. ("Environmental Standards")**—In January 2022, the Company completed the acquisition of Environmental Standards, Inc. by acquiring 100.0% of its common stock. Environmental Standards is a provider of environmental consulting and data validation services. Environmental Standards is based in Valley Forge, PA with satellite locations nationwide.

**Industrial Automation Group, Inc. ("IAG")**—In January 2022, the Company completed the acquisition of Industrial Automation Group, Inc. by acquiring certain of its employees and a covenant not to compete. IAG is based in Atlanta, GA. IAG provides highly specialized engineering services which are additive to the Company's water treatment and renewable energy technology implementations.

**TriAD Environmental Consultants, Inc. ("TriAD")**—In August 2022, the Company completed the acquisition of TriAD Environmental Consultants, Inc. by acquiring 100.0% of its common stock. TriAD is a provider of environmental consulting services. TriAD is based in Nashville, TN.

**AirKinetics, Inc. ("AirKinetics")**—In September 2022, the Company completed the acquisition of AirKinetics, Inc. by acquiring 100.0% of its common stock. AirKinetics is a provider of emissions testing services. AirKinetics is based in Anaheim, CA.

**Huco Consulting, Inc. ("Huco")**—In November 2022, the Company completed the acquisition of Huco Consulting, Inc. by acquiring 100.0% of its common stock. Huco primarily specializes in the implementation of environment, health and safety software for industrial, commercial and government clients. Huco is based in Houston, TX.

The upfront cash payment made to acquire all of these acquisitions was funded through cash on hand.

The following table summarizes the elements of the purchase price of the acquisitions completed during 2022:

	Cash	Common Stock	Other Purchase Price Components	Contingent Consideration	Total Purchase Price
Environmental Standards	\$ 14,473	\$ —	\$ 544	\$ 1,166	\$ 16,183
All other 2022 acquisitions	15,271	—	1,134	1,500	17,905
<b>Total</b>	<b>\$ 29,744</b>	<b>\$ —</b>	<b>\$ 1,678</b>	<b>\$ 2,666</b>	<b>\$ 34,088</b>

The other purchase price components of the Environmental Standards purchase price consist of a surplus working capital amount and a seller make-whole for taxes related to a 338(h)(10) election. The other purchase price components of all the other acquisitions purchase price

mainly consist of working capital amounts.

The preliminary purchase price attributable to the 2022 acquisitions was allocated as follows:

	Environmental Standards	All Other 2022 Acquisitions	Total <sup>(1)</sup>
Cash	\$ 295	\$ 824	\$ 1,119
Accounts receivable and contract assets	5,200	2,646	7,846
Other current assets	456	116	572
Current assets	5,951	3,586	9,537
Property and equipment	168	15	183
Operating lease right-of-use asset—net	2,895	215	3,110
Customer relationships	5,807	5,812	11,619
Trade names	1,010	639	1,649
Covenants not to compete	269	650	919
Goodwill	4,131	8,412	12,543
Total assets	20,231	19,329	39,560
Current liabilities	1,720	1,314	3,034
Operating lease liability—net of current portion	2,328	110	2,438
Total liabilities	4,048	1,424	5,472
Purchase price	<u>\$ 16,183</u>	<u>\$ 17,905</u>	<u>\$ 34,088</u>

(1) The Company is continuing to obtain information to complete the valuation of certain of these acquisitions' assets and liabilities.

For the acquisitions completed during the year ended December 31, 2022, the results of operations since the acquisition dates have been combined with those of the Company. The Company's consolidated statement of operations for the year ended December 31, 2022 includes revenue and pre-tax income of \$20.2 million and \$2.9 million, respectively, related to these acquisitions.

Environmental Standards and Huco are included in the Company's Assessment, Permitting and Response segment, IAG and TriAD are included in the Remediation and Reuse segment and AirKinetics is included in the Measurement and Analysis segment.

The weighted average useful lives for the acquired companies' identifiable intangible assets are as follows:

	Customer Relationships	Tradenames	Covenants Not to Compete
Environmental Standards	7	2	5
All other 2022 acquisitions	7	2	5

Goodwill associated with the Environmental Standards acquisition is deductible for income tax purposes.

## 2021 Acquisitions

**MSE Group, LLC ("MSE")**—In January 2021, the Company completed the acquisition of MSE Group, LLC by acquiring 100.0% of its membership interests. MSE is a provider of environmental assessment, permitting and remediation services primarily to the U.S. federal government. MSE is based in Orlando, FL with additional offices in Tampa, Orlando, Jacksonville, San Antonio, TX, and Wilmington, NC, and satellite locations nationwide. The upfront cash payment made to acquire MSE was funded through cash on hand and the common stock portion of the purchase price was funded through the issuance of 71,740 shares of common stock.

**Vista Analytical Laboratory, Inc. ("Vista")**—In June 2021, the Company completed the acquisition of Vista Analytical Laboratory, Inc. ("Vista") by acquiring 100.0% of its common stock. Vista provides specialty analytical services related to Per- and polyfluoroalkyl substances ("PFAS") and other semi-volatile organic compounds. Vista is based in Dorado Hills, CA. The upfront cash payment made to acquire Vista was funded through cash on hand and the common stock portion of the purchase price was funded through the issuance of 9,322 shares of common stock.

**Environmental Intelligence, LLC ("EI")**—In July 2021, the Company completed the acquisition of Environmental Intelligence, LLC ("EI") by acquiring 100.0% of its membership interests. EI provides environmental consulting services and is recognized for its innovative work in wildlife mitigation and biological assessments. EI is based in Laguna Beach, CA and enhances Montrose's ecological planning and service

capabilities in California and the US West Coast. The upfront cash payment made to acquire EI was funded through cash on hand and the common stock portion of the purchase price was funded through the issuance of 43,100 shares of common stock.

**SensibleIoT, LLC (“Sensible”)**—In August 2021, the Company completed the business acquisition of SensibleIoT, LLC (“Sensible”) by acquiring 100.0% of its membership interests. Sensible is a technology platform that connects sensors and sources of environment data to a central, proprietary database that enables real-time client interaction. Sensible provides Montrose with an advanced ability to integrate environmental services and enhance environmental data analytics for clients. The upfront cash payment made to acquire Sensible was funded through cash on hand and the common stock portion of the purchase price was funded through the issuance of 19,638 shares of common stock.

**Environmental Chemistry, Inc. (“ECI”)**—In October 2021, the Company completed the business acquisition of Environmental Chemistry, Inc. (“ECI”) by acquiring 100.0% of its common stock. ECI provides a full suite of environmental laboratory analytical services to industrial, governmental, and engineering/consulting clients. Combined with the Company’s existing Houston, TX laboratory, ECI (located also in Houston, TX) will enable Montrose to provide air, water and soil analytical services in the gulf coast region. The upfront cash payment made to acquire ECI was funded through cash on hand.

**Horizon Water and Environment, LLC (“Horizon”)**— In November 2021, the Company completed the business acquisition of Horizon Water and Environment, LLC (“Horizon”) by acquiring 100.0% of its membership interests. Horizon is an environmental consulting firm specializing in planning, watershed science, and environmental compliance for water and natural resource projects. The upfront cash payment made to acquire Horizon was funded through cash on hand and the common stock portion of the purchase price was funded through the issuance of 34,921 shares of common stock.

The following table summarizes the elements of purchase price of the acquisitions completed during 2021:

	Cash	Common Stock	Other Purchase Price Components	Contingent Consideration	Total Purchase Price
MSE	\$ 9,082	\$ 2,271	\$ 10,701	\$ 1,804	\$ 23,858
EI	20,721	2,274	(63)	—	22,932
All other 2021 acquisitions	29,683	3,775	1,228	5,600	40,286
Total	<u>\$ 59,486</u>	<u>\$ 8,320</u>	<u>\$ 11,866</u>	<u>\$ 7,404</u>	<u>\$ 87,076</u>

The other purchase price components of the MSE purchase price consist of a surplus working capital amount, a seller make-whole for taxes related to a 338(h)(10) election, an integration payment liability and a purchase price true up related to MSE’s financial performance in the fourth quarter of 2020. The other purchase price components of the EI purchase price consist of a surplus working capital amount. The other

purchase price components of all the other acquisitions purchase price mainly consist of working capital amounts and 338(h)(10) election liabilities.

The purchase price attributable to the 2021 acquisitions was allocated as follows:

	MSE	EI	All Other 2021 Acquisitions	Total
Cash	\$ 2,810	\$ 250	\$ 693	\$ 3,753
Accounts receivable and contract assets	2,980	4,675	4,133	11,788
Other current assets	31	84	289	404
Current assets	5,821	5,009	5,115	15,945
Property and equipment	513	32	1,168	1,713
Operating lease right-of-use asset—net	740	106	2,233	3,079
Customer relationships	8,720	10,073	12,830	31,623
Trade names	521	996	1,958	3,475
Covenants not to compete	922	511	1,248	2,681
Acquired technology	—	—	321	321
Goodwill	8,176	8,960	19,569	36,705
Total assets	25,413	25,687	44,442	95,542
Current liabilities	1,007	2,719	2,351	6,077
Operating lease liability—net of current portion	548	36	1,805	2,389
Total liabilities	1,555	2,755	4,156	8,466
Purchase price	<u>\$ 23,858</u>	<u>\$ 22,932</u>	<u>\$ 40,286</u>	<u>\$ 87,076</u>

For the acquisitions completed during the year ended December 31, 2021, the results of operations since the acquisition dates have been combined with those of the Company. The Company's consolidated statement of operations for the year ended December 31, 2021 includes revenue and pre-tax income of \$33.7 million and \$0.8 million, respectively, related to these acquisitions. MSE is included in the Company's Remediation and Reuse segment, Vista, Sensible and ECI are included in the Company's Measurement and Analysis segment and EI and Horizon are included in the Company's Assessment, Permitting and Response segment.

The weighted average useful lives for the acquired companies' identifiable intangible assets are as follows:

	Customer Relationships	Tradenames	Covenants Not to Compete	Developed Technology
MSE	2-7	2	5	n/a
EI	10	5	5	n/a
All other 2021 acquisitions	10	n/a-3	n/a-5	n/a-5

Goodwill associated with all of these acquisitions is deductible for income tax purposes.

## 2020 Acquisitions

**The Center for Toxicology and Environmental Health, L.L.C.**—In April 2020, the Company completed the acquisition of The Center for Toxicology and Environmental Health, L.L.C. (“CTEH”) by acquiring 100.0% of its membership interests. CTEH is an environmental consulting company headquartered in Arkansas that specializes in environmental response and toxicology. The cash payment made to acquire CTEH was funded through the issuance of the Convertible and Redeemable Series A-2 Preferred Stock (Note 18) and the common stock portion of the purchase price was funded through the issuance of 791,139 shares of common stock.

**Leed Environmental Inc.**— In September 2020, the Company acquired certain testing assets, and operations from Leed Environmental Inc. (“LEED”). LEED provides environmental project management and coordination services. LEED expands the Company's remediation capabilities in the Northeast region of the United States. The cash payment made to acquire LEED was funded via cash on hand.

**American Environmental Testing Co.**— In September 2020, the Company acquired certain assets and operations of American Environmental Testing Co. (“AETC”), a stack testing company in Utah. AETC expands the Company’s air measurement and analysis capabilities in the West Coast region. The cash payment made to acquire AETC was funded via cash on hand.

The following table summarizes the elements of purchase price of the acquisitions completed during 2020:

	Cash	Common Stock	Other Purchase Price Components	Contingent Consideration	Total Purchase Price
CTEH	\$ 175,000	\$ 25,000	\$ (1,939)	\$ 44,994	\$ 243,055
All other 2020 acquisitions	450	—	150	210	810
Total	\$ 175,450	\$ 25,000	\$ (1,789)	\$ 45,204	\$ 243,865

CTEH first year earnout was calculated at twelve times CTEH’s 2020 EBITDA (as defined in the purchase agreement) in excess of \$18.3 million, with a maximum first year earn-out payment of \$50.0 million, which was fully achieved. The second year earn-out was calculated at ten times CTEH’s 2021 EBITDA in excess of actual 2020 EBITDA (with actual 2020 EBITDA subject to a minimum of \$18.3 million and a maximum of \$22.5 million), with a maximum second year earn-out payment of \$30.0 million, which was fully achieved. The 2020 earn out was initially payable 100.0% in common stock, but as a result of the completion of the Company’s IPO (Note 1), at the Company’s election, 50.0% was payable in cash. In April 2021, the 2020 earn-out payment was made with 50.0% paid in cash and the remaining 50.0% paid in common stock of the Company (Notes 15 and 19). The 2021 earn-out was 100.0% paid in cash in March 2022.

The purchase price attributable to the 2020 acquisitions was allocated as follows:

	CTEH	All Other 2020 Acquisitions	Total
Cash	\$ 1,527	\$ —	\$ 1,527
Accounts receivable and contract assets	17,059	—	17,059
Other current assets	1,265	—	1,265
Current assets	19,851	—	19,851
Property and equipment	7,042	75	7,117
Customer relationships	56,000	—	56,000
Trade names	4,200	—	4,200
Covenants not to compete	4,000	109	4,109
Proprietary software	14,700	—	14,700
Goodwill	146,983	626	147,609
Total assets	252,776	810	253,586
Current liabilities	9,721	—	9,721
Total liabilities	9,721	—	9,721
Purchase price	\$ 243,055	\$ 810	\$ 243,865

For the acquisitions completed during the year ended December 31, 2020, the results of operations since the acquisition dates have been combined with those of the Company. The Company’s consolidated statement of operations for the year ended December 31, 2020 includes revenue and pre-tax income of \$82.4 million and \$11.7 million, respectively, related mainly to the CTEH acquisition. CTEH, LEED and AETC are included in the Company’s Assessment, Permitting and Response, Remediation and Reuse and Measurement and Analysis segments, respectively.

The weighted average useful lives for the CTEH acquired customer relationships, internal proprietary software, acquired tradenames, covenants not to compete and external proprietary software are 15 years, 3 years, 5 year, 5 years and 5 years, respectively. The weighted average useful lives for the acquired covenants not to compete for the other acquisitions is 4 years.

Goodwill associated with all of these acquisitions is deductible for income tax purposes.

**Supplemental Unaudited Pro-Forma**—The unaudited consolidated financial information summarized in the following table gives effect to the 2022, 2021, and 2020 acquisitions assuming they occurred on January 1, 2020. These unaudited consolidated pro forma operating results include results from certain acquired companies that have not been audited and whose accounting policies prior to acquisition may differ from those of the Company. As a result, these unaudited consolidated pro forma operating results may not be comparable to revenues and earnings had these consolidated pro forma results been audited and consistent accounting policies applied. These unaudited consolidated pro forma operating

results do not assume any impact from revenue, cost or other operating synergies that are expected or may have been realized as a result of the acquisitions. These unaudited consolidated pro forma operating results include the results from Discontinued Service Lines and Discontinued O&M Contracts through the applicable date of discontinuance. These unaudited consolidated pro forma operating results are presented for illustrative purposes only and are not indicative of the operating results that would have been achieved had the acquisitions occurred on January 1, 2020, nor does the information project results for any future period.

	As reported	Acquisitions Pro-Forma (Unaudited)	Consolidated Pro-Forma (Unaudited)
<b>2022</b>			
Revenues	\$ 544,416	\$ 9,912	\$ 554,328
Net (loss) income	(31,819)	1,899	(29,920)
<b>2021</b>			
Revenues	\$ 546,413	\$ 50,808	\$ 597,221
Net (loss) income	(25,325)	6,860	(18,465)
<b>2020</b>			
Revenues	\$ 328,243	\$ 114,293	\$ 442,536
Net (loss) income	(57,949)	23,176	(34,773)

During the first quarter of 2020, the Company determined to reduce the footprint of its environmental lab in Berkeley, California, and to exit its non-specialized municipal water engineering service line and its food waste biogas engineering service line, the Discontinued Service Lines. Furthermore, during the second quarter of 2022, the Company determined to exit all legacy water treatment and biogas operations and maintenance contracts, collectively, the Discontinued O&M Contracts. Revenues from Discontinued Service Lines and Discontinued O&M Contracts included in as reported revenues in the above table were \$3.6 million, \$12.1 million and \$17.1 million in the years ended December 31, 2022, December 31, 2021 and 2020, respectively.

## 9. GOODWILL AND INTANGIBLE ASSETS

Amounts related to goodwill as of December 31, are as follows:

	Assessment, Permitting and Response	Measurements and Analysis	Remediation and Reuse	Total
Balance as of December 31, 2021	\$ 176,541	\$ 83,770	\$ 51,633	\$ 311,944
Goodwill acquired during the year	9,474	2,155	914	12,543
Acquisitions measurement period adjustments	(899)	280	—	(619)
Balance as of December 31, 2022	<u>\$ 185,116</u>	<u>\$ 86,205</u>	<u>\$ 52,547</u>	<u>\$ 323,868</u>

Amounts related to finite-lived intangible assets as of December 31, are as follows:

2022	Estimated Useful Life	Gross Balance	Accumulated Amortization	Total Intangible Assets—Net
<b>Finite lived intangible assets</b>				
Customer relationships	2–15 years	\$ 208,024	\$ 95,768	\$ 112,256
Covenants not to compete	4–5 years	33,542	28,280	5,262
Trade names	1–5 years	22,061	18,256	3,805
Proprietary software	3–5 years	22,698	15,810	6,888
Patent	16 years	17,479	3,583	13,896
Total other intangible assets—net		<u>\$ 303,804</u>	<u>\$ 161,697</u>	<u>\$ 142,107</u>

2021	Estimated Useful Life	Gross Balance	Accumulated Amortization	Total Intangible Assets—Net
<b>Finite lived intangible assets</b>				
Customer relationships	2–15 years	\$ 196,323	\$ 74,010	\$ 122,313
Covenants not to compete	4–5 years	32,622	25,113	7,509
Trade names	1–5 years	20,403	15,139	5,264
Proprietary software	3–5 years	22,077	11,155	10,922
Patent	16 years	17,479	2,490	14,989
Total other intangible assets—net		<u>\$ 288,904</u>	<u>\$ 127,907</u>	<u>\$ 160,997</u>

Intangible assets with finite lives are stated at cost, less accumulated amortization and impairment losses, if any. These intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Amortization expense for the years ended December 31, 2022, 2021, and 2020 was \$36.1 million, \$35.2 million and \$28.9 million, respectively.

Future amortization expense is estimated to be as follows for each of the five following years and thereafter ending December 31:

2023	28,937
2024	24,288
2025	17,414
2026	13,827
2027	13,505
Thereafter	44,136
Total	<u>\$ 142,107</u>

## 10. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities consisted of the following as of December 31:

	2022	2021
Accounts payable	\$ 25,353	\$ 24,167
Accrued expenses	14,754	14,906
Other business acquisitions purchase price obligations	1,185	502
Contract liabilities	18,549	27,907
Other current liabilities	3,571	1,454
Total accounts payable and other accrued liabilities	<u>\$ 63,412</u>	<u>\$ 68,936</u>

## 11. ACCRUED PAYROLL AND BENEFITS

Accrued payroll and benefits consisted of the following as of December 31:

	2022	2021
Accrued bonuses	\$ 8,624	\$ 13,438
Accrued paid time off	1,088	1,144
Accrued payroll	8,410	6,547
Accrued other	2,406	4,842
Total accrued payroll and benefits	<u>\$ 20,528</u>	<u>\$ 25,971</u>

## 12. INCOME TAXES

The following is a geographical breakdown of income before the provision for (loss) income taxes as of December 31:

	2022	2021	2020
Pre-tax loss:			
Federal	\$ (27,991)	\$ (24,574)	\$ (58,140)
Foreign	(1,578)	958	1,042
Total	<u>(29,569)</u>	<u>(23,616)</u>	<u>(57,098)</u>

Income tax expense for the years ended December 31, is comprised of the following:

	2022	2021	2020
Current:			
Federal	\$ —	\$ (49)	\$ (38)
State	664	271	1,152
Foreign	58	295	490
Total	<u>722</u>	<u>517</u>	<u>1,604</u>
Deferred:			
Federal	517	448	(1,184)
State	1,726	744	553
Foreign	(715)	—	(122)
Total	<u>1,528</u>	<u>1,192</u>	<u>(753)</u>
Income tax expense	<u>\$ 2,250</u>	<u>\$ 1,709</u>	<u>\$ 851</u>

The Company's deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities as of December 31, are as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Net operating losses	\$ 15,641	\$ 16,180
Allowance for bad debts	552	1,250
Employee related	5,655	1,291
Contingent consideration	9,755	9,770
ROU assets	10,526	8,285
Other	6,526	1,711
Total deferred tax asset	<u>48,655</u>	<u>38,487</u>
Deferred tax liabilities:		
Intangible assets	(6,070)	(2,467)
Property and equipment	(5,785)	(4,860)
Lease liabilities	(10,033)	(8,144)
Interest rate swap	(1,739)	—
Other	(218)	(64)
Total deferred tax liability	<u>(23,845)</u>	<u>(15,535)</u>
Valuation allowance	(30,552)	(26,958)
Net deferred tax liability	<u>\$ (5,742)</u>	<u>\$ (4,006)</u>

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate for the years ended December 31, is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax completed at federal statutory rate	21.00 %	21.00 %	21.00 %
State tax net of federal benefit	2.42	15.41	1.32
Non- deductible expenses	(0.34)	(0.47)	(1.05)
Equity compensation	(16.95)	31.95	(0.59)
Embedded derivatives and warrant options	(1.90)	(1.97)	(7.43)
Foreign taxes	0.05	(0.06)	(0.77)
Federal deferred tax adjustment	—	6.41	—
Change in valuation allowance	(12.13)	(80.26)	(14.30)
Other	0.18	0.67	0.34
Effective income tax rate	<u>(7.67)%</u>	<u>(7.32)%</u>	<u>(1.48)%</u>

The Company elected to account for the global intangible low-taxed income inclusion as a period cost.

The Company recorded a valuation allowance against its US, Australia and Sweden net deferred tax assets as realization of such assets is not more likely than not. The impact of indefinite lived deferred items was considered in recording such valuation allowance. The increase in the Company's valuation allowance was \$3.6 million and \$18.7 million during the year ended December 31, 2022 and 2021, respectively.

The Company's policy is to record any penalties or interest related to any unrecognized tax benefits as a component of the income tax provision. As of December 31, 2022, 2021, and 2020, the Company does not have any unrecognized tax benefits.

As of December 31, 2022, federal and state net operating loss carryforwards of approximately \$60.7 million and \$37.3 million are available to offset future federal and state taxable income, respectively.

Federal net operating loss carryforwards will begin to expire during 2035 while the Company's state net operating loss carryforwards will begin to expire during various years, dependent on the jurisdiction. Federal net operating losses generated beginning in 2018 are carried forward indefinitely. Therefore, \$51.9 million of Federal net operating loss carryforwards will not expire.

The Company is subject to audit by federal and state tax authorities in the ordinary course of business. The Company's federal income tax returns remain subject to examination for the 2015 through 2022 tax years. The Company files in multiple state jurisdictions which remain subject to examination for various years depending on such state jurisdiction. The Company is also subject to audit by tax authorities in Canada, Australia, Germany, and Sweden for which returns are subject to examination for various years, dependent on the jurisdiction.

The Tax Cuts and Jobs Act of 2017, enacted tax provisions, that become effective during the taxable year ended December 31, 2022, requiring companies compute adjusted taxable income for IRC §163(j) purposes with the inclusion of depreciation and amortization deductions, making such limitation less taxpayer favorable. The Company adopted such provisions and recorded a corresponding deferred tax asset during the year ended December 31, 2022.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted. The CARES Act includes several significant provisions for corporations, including those pertaining to net operating losses, interest deductions and payroll tax benefits. Under ASC 740, the effects of new legislation are recognized upon enactment. Accordingly, the effects of the CARES Act have been incorporated into the income tax provision computation for the year ended December 31, 2020. These provisions did not have a material impact on the income tax provision. The Company deferred the employer side social security payments for payroll paid for the portion of 2020 following enactment as permitted by the CARES Act. In total, we deferred approximately \$5.0 million of 2020 payments to 2021 and 2022, of which \$2.5 million was repaid in 2021 and the remaining amount was paid in 2022.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021 (CAA 2021) which included a number of provisions including, but not limited to the extension of numerous employment tax credits, the extension of the Section 179D deduction, enhanced business meals deductions, and the deductibility of expenses paid with Paycheck Protection Program (PPP) loan funds that are forgiven. Accordingly, the effects of the CAA 2021 have been incorporated into the income tax provision for the year ended December 31, 2020. These provisions did not have a material impact on the income tax provision.

### 13. WARRANT OPTIONS

In October 2018, in connection with the issuance of the Redeemable Series A-1 Preferred Stock, the Company issued a detachable warrant to acquire 534,240 shares of common stock at a price of \$0.01 per share at any given time during a period of ten years beginning on the instrument’s issuance date.

In April 2020, in connection with the issuance of the Convertible and Redeemable Series A-2 Preferred Stock, the Company issued a detachable warrant to acquire 1,351,960 shares of common stock at a price of \$0.01 per share at any time following the occurrence of a qualifying IPO, a sale of the Company, or a redemption in full of the Series A-2 preferred stock (each, an “Adjustment Event”), with an expiration date of ten years from the instrument’s issuance date. The number of shares underlying the warrant and issuable upon exercise was subject to adjustment based upon the price per share of common stock upon the occurrence of an Adjustment Event (Note 18) to reflect an aggregate value of \$30.0 million.

As a result of the \$15.00 per share public offering price in the IPO, the warrant issued in connection with the issuance of the Convertible and Redeemable Series A-2 Preferred Stock was adjusted pursuant to its terms and, upon closing of the IPO, represented a warrant to purchase 1,999,999 shares of common stock (an increase of 648,039 shares).

On July 30, 2020, the Redeemable Series A-1 Preferred Stock and the Convertible and Redeemable Series A-2 Preferred Stock warrants were exercised in full resulting in the issuance of an aggregate of 2,534,239 shares of common stock to the holder for an exercise price of \$0.01 per share. Fair value loss recorded in other expense on the consolidated statements of operations was \$9.3 million for the year ended December 31, 2020.

### 14. DEBT

Debt as of December 31, consisted of the following:

	2022	2021
Term loan facility	\$ 166,250	\$ 175,000
Revolving line of credit	—	—
Less deferred debt issuance costs	(1,725)	(2,244)
Total debt	164,525	172,756
Less current portion of long-term debt	(12,031)	(10,938)
Long-term debt, less current portion	<u>\$ 152,494</u>	<u>\$ 161,818</u>

**Deferred Financing Costs**—Costs relating to debt issuance have been deferred and are presented as discounted against the underlying debt instrument. These costs are amortized to interest expense over the terms of the underlying debt instruments.

**2021 Credit Facility**—On April 27, 2021, the Company entered into a new Senior Secured Credit Agreement providing for a \$300.0 million credit facility comprised of a \$175.0 million term loan and a \$125.0 million revolving line of credit (the “2021 Credit Facility”), and used a portion of the proceeds from the 2021 Credit Facility to repay all amounts outstanding under the 2020 Credit Facility (as defined below). The 2021 revolving credit facility includes a \$20.0 million sublimit for the issuance of letters of credit. Subject to certain exceptions, all amounts under the 2021 Credit Facility will become due on April 27, 2026. The Company has the option to borrow incremental term loans or request an increase in the aggregate commitments under the revolving credit facility up to an aggregate amount of \$150.0 million subject to the satisfaction of certain conditions.

The 2021 Credit Facility term loan must be repaid in quarterly installments and shall amortize at the following future quarterly rates:

Date	Quarterly Installment Rate
March 31, 2023	1.25%
June 30, 2023	1.25%
September 30, 2023	1.25%
December 31, 2023	1.88%
March 31, 2024	1.88%
June 30, 2024	1.88%
September 30, 2024	1.88%
December 31, 2024	1.88%
March 31, 2025	1.88%
June 30, 2025	1.88%
September 30, 2025	1.88%
December 31, 2025	2.50%
March 31, 2026	2.50%
April 27, 2026	Remaining balance

Repayments of quarterly installments were scheduled to begin with the quarter ended December 31, 2021. The first quarterly installment repayment, amounting to \$2.2 million, was billed and charged by the lenders in January 2022. Exclusive of the payment made in respect of the quarter ended December 31, 2021, the quarterly installment repayments for the year ended December 31, 2022 amounted to \$6.6 million. The December 31, 2022 installment repayment, amounting to \$2.2 million, was billed and charged by the lenders in January 2023.

The 2021 Credit Facility term loan and the revolver bear interest subject to the Company’s leverage ratio and LIBOR as follows:

Pricing Tier	Consolidated Leverage Ratio	Senior Credit Facilities LIBOR	Senior Credit Facilities Base Rate	Commitment Fee	Letter of Credit Fee
1	≥ 3.75x to 1.0	2.50 %	1.50 %	0.25 %	2.50 %
2	<3.75x to 1.0 but ≥ 3.25 to 1.0	2.25	1.25	0.23	2.25
3	<3.25x to 1.0 but ≥ 2.50 to 1.0	2.00	1.00	0.20	2.00
4	<2.50x to 1.0 but ≥ 1.75 to 1.0	1.75	0.75	0.15	1.75
5	<1.75x to 1.0	1.50	0.50	0.15	1.50

On January 27, 2022, the Company entered into an interest rate swap transaction fixing the floating component of the interest rate on \$100.0 million of borrowings to 1.39% until January 27, 2025. Additionally, effective September 1, 2022, the Company received an interest rate reduction of 0.05% under the 2021 Credit Facility based on the Company’s achievement of certain sustainability and environmental, social and governance related objectives as provided for in the 2021 Credit Facility.

The 2021 Credit Facility includes a number of covenants imposing certain restrictions on the Company’s business, including, among other things, restrictions on the Company’s ability, subject to certain exceptions and baskets, to incur indebtedness, incur liens on its assets, agree to any additional negative pledges, pay dividends or repurchase stock, limit the ability of its subsidiaries to pay dividends or distribute assets, make investments, enter into any transaction of merger or consolidation, liquidate, wind-up or dissolve, or convey any part of its business, assets or property, or acquire the business, property or assets of another person, enter into sale and leaseback transactions, enter into certain transactions with affiliates, engage in any material line of business substantially different from those engaged on the closing date, modify the terms of indebtedness subordinated to the loans incurred under the 2021 Credit Facility and modify the terms of its organizational documents. The 2021 Credit Facility also includes financial covenants which required the Company to remain below a maximum total net leverage ratio of 4.25 times until the fiscal quarter ended September 31, 2022, which stepped down to 4.00 times during the fiscal quarter ending December 31, 2022 through and including the fiscal quarter ending September 30, 2023 and then further stepping down to 3.75 times beginning with the fiscal quarter ending December 31, 2023, and a minimum fixed charge coverage ratio of 1.25 times. As of December 31, 2022 and 2021, the Company’s consolidated total leverage ratio was 1.3 times and 0.8 times, respectively, and the Company was in compliance with all covenants under the 2021 Credit Facility.

The 2021 Credit Facility requires customary mandatory prepayments of the term loan and revolver and cash collateralization of letters of credit, subject to customary exceptions, including 100.0% of the proceeds of debt not permitted by the 2021 Credit Facility, 100.0% of the proceeds of certain dispositions, subject to customary reinvestment rights, where applicable, and 100.0% of insurance or condemnation proceeds, subject to customary reinvestment rights, where applicable. The 2021 Credit Facility also includes customary events of default and related acceleration and termination rights.

The weighted average interest rate on the 2021 Credit Facility for the years ended December 31, 2022 and 2021 was 3.5% and 2.1%, respectively.

The Company's obligations under the 2021 Credit Facility are guaranteed by certain of the Company's existing and future direct and indirect subsidiaries, and such obligations are secured by substantially all of the Company's assets, including the capital stock or other equity interests in those subsidiaries.

**2020 Credit Facility**— On April 13, 2020, the Company entered into a Unitranche Credit Agreement (the "2020 Credit Facility") providing for a new \$225.0 million credit facility comprised of a \$175.0 million term loan and a \$50.0 million revolving credit facility and used the proceeds therefrom to repay all amounts outstanding under the Prior Credit Facility (as defined below). The 2020 Credit Facility maturity date was April 2025. Up until October 6, 2020, the term loan and the revolver bore interest at LIBOR plus 5.0% with a 1.0% LIBOR floor or the base rate plus 4.0% and LIBOR plus 3.5% or the base rate plus 2.5%, respectively. Effective October 6, 2020, the Company amended the 2020 Credit Facility to provide for a reduction on the applicable interest rate on the term loan from LIBOR plus 5.0% with a 1.0% LIBOR floor to LIBOR plus 4.5% with a 1.0% LIBOR floor. The revolver interest rate remained unchanged. The revolver was also subject to an unused commitment fee of 0.35%. The term loan had quarterly repayments that started on September 30, 2020 of \$0.5 million, increasing to \$1.1 million on September 30, 2021 and further increasing to \$1.6 million on September 30, 2022, with the remaining outstanding principal amount due on the maturity date.

The weighted average interest rate on the 2020 Credit Facility for the year ended December 31, 2020 was 5.8%.

The resulting loss on extinguishment upon repayment of the 2020 Credit Facility amounted to \$4.1 million, of which \$1.0 million was related to fees paid and \$3.1 related to unamortized debt issuance costs. Total loss on extinguishment is recorded in interest expense-net within the consolidated statement of operations for the year ended December 31, 2021.

**Prior Credit Facility**—The Company's Senior Secured Credit Facility prior to the 2020 Credit Facility (the "Prior Credit Facility"), which was paid in full in April 2020 via proceeds from the issuance of the 2020 Credit Facility, consisted of a \$50.0 million term loan and a \$130.0 million revolving credit facility.

Borrowings under the Prior Credit Facility bore interest at either (i) LIBOR plus the applicable margin or (ii) a base rate (equal to the highest of (a) the federal funds rate plus 0.5%, (b) Lender A's prime rate and (c) Eurodollar Rate, which is based on LIBOR, (using a one-month period plus 1.0%)), plus the applicable margin, as the Company elects. The applicable margin means a percentage per annum determined in accordance with the following table:

Pricing Tier	Consolidated Leverage Ratio	Commitment Fee	Eurodollar Rate Loans and LIBOR Letter of Credit Fee	Daily Floating Rate Loans	Rate Loans
1	> 3.75x to 1.0	0.50%	4.00%	4.00%	3.00%
2	≤ 3.75x to 1.0 but >3.00 to 1.0	0.50	3.50	3.50	2.50
3	≤ 3.00x to 1.0 but >2.25 to 1.0	0.40	3.00	3.00	2.00
4	≤ 2.25x to 1.0	0.30	2.50	2.50	1.50

The resulting loss on extinguishment upon repayment of the Prior Credit Facility amounted to \$1.4 million, of which \$0.4 million was related to fees paid and \$1.0 million related to unamortized debt issuance costs. Total loss on extinguishment is recorded in interest expense-net within the consolidated statement of operations for the year ended December 31, 2020.

**Equipment Line of Credit**—In the last quarter of 2022, the Company renewed its \$10.0 million equipment leasing facility for the purchase of equipment and related freight, installation costs and taxes paid. Any unused capacity on this equipment leasing facility expires on March 31, 2023. Interest on the line of credit is determined based on a three-year swap rate at the time of funding. Equipment leased through this

line of credit meets the finance lease criteria as per ASC 842 and accordingly is accounted for as finance lease right-of-use assets and a finance lease liabilities (Note 7).

The following is a schedule of the aggregate annual maturities of long-term debt presented on the consolidated statement of financial position, based on the terms of the 2021 Credit Facility:

2023	\$ 12,031
2024	13,125
2025	14,219
2026	126,875
2027	—
Total	<u>\$ 166,250</u>

## 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of December 31, the following financial liabilities are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	2022	2021
Interest rate swap <sup>(1)</sup>	\$ 6,046	\$ —
Total assets	<u>\$ 6,046</u>	<u>\$ —</u>
Business acquisitions contingent consideration, current	\$ 3,801	\$ 31,450
Business acquisitions contingent consideration, long-term	4,454	4,350
Conversion option	25,731	23,081
Total liabilities	<u>\$ 33,986</u>	<u>\$ 58,881</u>

(1) Included in other assets in the Consolidated Statement of Financial Position.

The estimated fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis:

	Level 3							
	Interest Rate Swap	Total Assets	Business Acquisitions Contingent Consideration, Current	Business Acquisitions Contingent Consideration, Long-term	Conversion Option	Contingent Put Option	Warrant Options	Total Liabilities
Balance—at January 1, 2020	\$ —	\$ —	\$ 8,614	\$ 379	\$ —	\$ 7,100	\$ 16,878	\$ 32,971
Acquisitions	—	—	34,661	10,543	—	—	—	45,204
Series A-2 compound embedded option	—	—	—	—	(9,361)	—	—	(9,361)
Issuance of warrant option	—	—	—	—	—	—	30,097	30,097
Changes in fair value included in earnings	—	—	19,119	(6,177)	30,247	(19,240)	9,312	33,261
Payment of contingent consideration payable	—	—	(12,464)	—	—	—	—	(12,464)
Reclass of long term to short term contingent liabilities	—	—	180	(180)	—	—	—	—
Write off of the contingent put option	—	—	—	—	—	12,140	—	12,140
Exercise of warrant options	—	—	—	—	—	—	(56,287)	(56,287)
Foreign currency translation of contingent consideration payment	—	—	(208)	—	—	—	—	(208)
Balance—at December 31, 2020	\$ —	\$ —	\$ 49,902	\$ 4,565	\$ 20,886	\$ —	\$ —	\$ 75,353
Acquisitions	—	—	2,801	4,603	—	—	—	7,404
Series A-2 compound embedded option	—	—	—	—	2,195	—	—	2,195
Changes in fair value included in earnings	—	—	14,111	10,261	—	—	—	24,372
Payment of contingent consideration payable	—	—	(50,443)	—	—	—	—	(50,443)
Reclass of long term to short term contingent liabilities	—	—	15,079	(15,079)	—	—	—	—
Balance—at December 31, 2021	\$ —	\$ —	\$ 31,450	\$ 4,350	\$ 23,081	\$ —	\$ —	\$ 58,881
Acquisitions	—	—	—	2,666	—	—	—	2,666
Changes in fair value included in earnings	6,046	6,046	500	(196)	2,650	—	—	2,954
Payment of contingent consideration payable	—	—	(30,515)	—	—	—	—	(30,515)
Reclass of long term to short term contingent liabilities	—	—	2,366	(2,366)	—	—	—	—
Balance—at December 31, 2022	<u>\$ 6,046</u>	<u>\$ 6,046</u>	<u>\$ 3,801</u>	<u>\$ 4,454</u>	<u>\$ 25,731</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,986</u>

**Quantitative Information about Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3):**

**Interest Rate Swap**—The interest rate swap fair value is estimated based on a mid-market price for the swap as of the close of business of the reporting period. The fair value is prepared by discounting future cash flows of the swap to arrive at a current value of the swap. Forward curves and volatility levels inputs are determined on the basis of observable market inputs when available and on the basis of estimates when observable market inputs are not available. The Company does not apply hedge accounting but instead recognizes the instrument at fair value on the consolidated statement of financial position within other assets, with changes in fair value recognized as other income (expense) in each reporting period.

**Business Acquisitions Contingent Consideration**—The fair value of the contingent consideration payable associated with the acquisition of CTEH, MSE and Sensible was determined using a Monte Carlo simulation of earnings in a risk-neutral Geometric Brownian Motion

framework. The fair value of the contingent consideration payable associated with the acquisition of Environmental Standards was determined using a Probabilistic (Scenario Based) method. The fair values of the contingent consideration payables for the other acquisitions were calculated based on expected target achievement amounts, which are measured quarterly and then subsequently adjusted to actuals at the target measurement date. The method used to price these liabilities is considered level 3 due to the subjective nature of the unobservable inputs used to determine the fair value. The input is the expected achievement of earnout thresholds.

**Conversion Option**—Upon the Company’s IPO, the fair value of the conversion option associated with the issuance of the Convertible and Redeemable Series A-2 Preferred Stock (Note 18) was estimated using a “with-and-without” method. The “with-and-without” methodology considers the value of the security on an as-is basis and then without the embedded conversion premium. The difference between the two scenarios is the implied fair value of the embedded derivative. The unobservable input is the required rate of return on the Series A-2. The considerable quantifiable inputs in the valuation relate to the timing of conversions or redemptions.

**Contingent Put Option**—The fair value of the contingent put option associated with the issuance of the Redeemable Series A-1 Preferred Stock was estimated using a “with-and-without” method. The “with-and-without” methodology considers the value of the security on an as-is basis and then without the embedded contingent put option. The difference between the two scenarios is the implied fair value of the embedded derivative, recorded as the contingent put option liability. In this case the Series A-1 was redeemed on the date of value so the value of the “with” scenario is known. The unobservable input is the required rate of return on the Series A-1 through to maturity in the “without” scenario. The contingent put option was redeemed in July 2020 (Note 17).

**Warrant Options**—The warrant options were exercised on July 30, 2020 (Note 13). The fair value of the warrant options associated with the issuance of the Redeemable Series A-1 Preferred Stock and the Convertible and Redeemable Series A-2 Preferred Stock was calculated based on the Black-Sholes pricing model using the following assumptions:

	<b>July 30, 2020</b>
Common stock value (per share)	\$ 22.22
Expected volatility	44.35%
Risk-free interest rate	0.55%
Expected life (years)	10

The method used to price these liabilities is considered Level 3 due to the subjective nature of the unobservable inputs (common stock value and expected volatility) used to determine the fair value.

## 16. COMMITMENTS AND CONTINGENCIES

**Leases**—The Company leases office facilities over various terms expiring through 2031. Certain of these operating leases contain rent escalation clauses. The Company also has office equipment leases that expire through 2027 (Note 7).

**Other Commitments**—The Company has commitments under the 2021 Credit Facility, its equipment line of credit and its lease obligations (Notes 7 and 14).

**Contingencies**—The Company is subject to purchase price contingencies related to earn-outs associated with certain acquisitions (Note 8 and 15).

**Legal**—In the normal course of business, the Company is at times subject to pending and threatened legal actions. In management’s opinion, any potential loss resulting from the resolution of these matters is not expected to have a material effect on the consolidated results of operations, financial position or cash flows of the Company.

## 17. REDEEMABLE SERIES A-1 PREFERRED STOCK

On October 19, 2018, the Company issued 12,000 shares of Redeemable Series A-1 Preferred Stock with a par value of \$0.0001 per share and a detachable warrant to purchase 534,240 shares of the Company’s common stock.

On April 13, 2020, the Company amended and restated the certificate of designation of the Company’s Redeemable Series A-1 Preferred Stock. Some of the most significant changes in the amendment included (i) the Redeemable Series A-1 Preferred Stock became pari passu with the Convertible and Redeemable Series A-2 Preferred Stock (Note 18), (ii) the Company could use up to \$50.0 million of indebtedness or cash

on hand to redeem the Redeemable Series A-1 Preferred Stock, and (iii) upon an IPO, up to 50.0% of accumulated dividends could be paid in shares of common stock and (iv) the Company could elect to reduce the three year make whole penalty to a two year make whole penalty if the warrant issued in connection with the issuance of the Redeemable Series A-1 Preferred Stock was redeemed in full at a share price of no less than \$31.60.

Before redemption, the Redeemable Series A-1 Preferred Stock accrued dividends quarterly at an annual rate of 15.0% with respect to dividends that were paid in cash and at an annual rate of 14.2% with respect to dividends that were accrued.

On July 27, 2020, the Company redeemed in full the Redeemable Series A-1 Preferred Stock, including the guaranteed minimum two-year dividend.

At issuance the Company determined that the detachable warrant (Note 13) and the contingent put option were required to be accounted for separately. The contingent put option change in value as of December 31, 2020 of \$19.2 million was recorded to other income (expense).

## **18. CONVERTIBLE AND REDEEMABLE SERIES A-2 PREFERRED STOCK**

On April 13, 2020, the Company entered into an agreement to issue 17,500 shares of the Convertible and Redeemable Series A-2 Preferred Stock with a par value of \$0.0001 per share and a detachable warrant to purchase shares of the Company's common stock with a 10-year life, in exchange for gross proceeds of \$175.0 million, net of \$1.3 million debt issuance costs. Before the Company's IPO, each share of Convertible and Redeemable Series A-2 Preferred Stock accrued dividends at the rate of 15.0% per annum, with respect to dividends that were paid in cash, and 14.2% per annum, with respect to dividends that were accrued. The Company paid dividends on shares of the Convertible and Redeemable Series A-2 Preferred Stock of \$16.4 million, \$16.4 million and \$7.0 million during the years ended December 31, 2022, 2021 and 2020, respectively.

At issuance, the Company determined that the Convertible and Redeemable Series A-2 Preferred Stock and the detachable warrant (Note 13), were required to be accounted for separately.

Upon the Company's IPO, following which the Redeemable Series A-1 Preferred Stock was fully redeemed, the Convertible and Redeemable Series A-2 Preferred Stock terms automatically updated to the following: (i) no mandatory redemption, (ii) no stated value cash repayment obligation other than in the event of certain defined liquidation events, (iii) only redeemable at the Company's option, (iv) the instrument became convertible into common stock beginning on the four year anniversary of issuance at a 15.0% discount to the common stock market price (with a limit of \$60.0 million in stated value of Convertible and Redeemable Series A-2 Preferred Stock eligible to be converted in any 60-day period prior to the seventh anniversary of issuance and the amount of stated value of the Convertible and Redeemable Series A-2 Preferred Stock eligible for conversion limited to \$60.0 million during year 5 and \$120.0 million (which includes the aggregate amount of the stated value of the Convertible and Redeemable Series A-2 Preferred Stock and any accrued but unpaid dividends added to such stated value of any shares of Convertible and Redeemable Series A-2 Preferred Stock converted in year 5) during year 6), (v) the dividend rate stepped down to 9.0% per year with required quarterly cash payments, (vi) in an event of noncompliance, the dividend rate shall increase to 12.0% per annum for the first 90-day period from and including the date the noncompliance event occurred, and thereafter shall increase to 14.0% per annum, (vii) the debt incurrence test ratio increased to 4.5 times, (viii) the total leverage cap covenant was removed, and (ix) minimum repayment amount dropped down from \$50.0 million to \$25.0 million.

The Company may, at its option on any one or more dates, redeem all or a minimum portion (the lesser of (i) \$25.0 million in aggregate stated value of the Convertible and Redeemable Series A-2 Preferred Stock and (ii) all of the Convertible and Redeemable Series A-2 Preferred Stock then outstanding) of the outstanding Convertible and Redeemable Series A-2 Preferred Stock in cash.

With respect to any redemption of any share of the Convertible and Redeemable Series A-2 Preferred Stock prior to the third-year anniversary, the Company is subject to a make whole penalty in which the holders of the Convertible and Redeemable Series A-2 Preferred Stock are guaranteed a minimum repayment equal to outstanding redeemed stated value plus three years of dividends accrued or accruable thereon.

The Convertible and Redeemable Series A-2 Preferred Stock does not meet the definition of a liability pursuant to ASC 480 - Distinguishing Liabilities from Equity. However, as (i) the instrument is redeemable upon a change of control as defined in the certificate of designations governing the terms of the Convertible and Redeemable Series A-2 Preferred Stock, and (ii) the Company cannot assert it would have sufficient authorized and unissued shares of common stock to settle all future conversion requests due to the variable conversion terms, the instrument is redeemable upon the occurrence of events that are not solely within the control of the Company, and therefore the Company

classifies the Convertible and Redeemable Series A-2 Preferred Stock as mezzanine equity. Subsequent adjustment of the carrying value of the instrument is required if the instrument is probable of becoming redeemable. As of December 31, 2022, the Company has determined that a change of control is not probable. Additionally, as of December 31, 2022, the Company has determined that it is not probable that there will be a future conversion request that the Company is unable to settle with authorized and issued shares based on the Company's current stock price and available shares as well as the Company's monitoring efforts to ensure there are a sufficient number of shares available to settle any conversion request. Therefore, as of December 31, 2022, the Company has determined that the instrument is not probable of becoming redeemable, and does not believe subsequent adjustment of the carrying value of the instrument will be necessary.

The Convertible and Redeemable Series A-2 Preferred Stock contains embedded features that are required to be bifurcated and are subject to separate accounting treatment from the instrument itself. At issuance, these embedded features consisted of (i) a contingent dividend feature associated with the decrease in the dividend rate upon an IPO and (ii) a conversion option of the preferred shares to shares of common stock beginning on the fourth-year anniversary of the issuance date. Upon the Company's IPO, the embedded derivative only consisted of the conversion option. The change in net fair value of \$2.7 million, \$2.2 million and \$30.2 million for the years ended December 31, 2022, 2021 and 2020, respectively, was recorded to other income (expense).

## 19. STOCKHOLDERS' EQUITY

**Authorized Capital Stock**—The Company was authorized to issue 190,000,000 shares of common stock, with a par value of \$0.000004 per share as of December 31, 2022 and 2021.

**Warrants**— In May 2015, the Company issued warrants to acquire 116,350 shares of Common Stock at a price of approximately \$17.19 per share to the placement agent as consideration for backstopping the financing completed in May 2015. These warrants were exercised in full as a cashless transaction during the first quarter of 2021. As a result of this cashless transaction, the resulting number of shares issued was 67,713 shares.

**Common Stock Issuances, Cancellations and Repurchases**—During the years ended December 31, the Company issued, cancelled and repurchased the following shares of common stock:

	2022			2021			2020		
	Shares	Average Price per Share	Total	Shares	Average Price per Share	Total	Shares	Average Price per Share	Total
Common stock issued in connection with initial public offering	—	\$ —	\$ —	—	\$ —	—	11,500,000	\$ 15.00	\$ 172,500
Common stock issued in connection with follow-on offering	—	—	—	2,875,000	59.05	169,783	—	—	—
Acquisitions	—	—	—	178,721	46.55	8,320	791,139	31.60	25,000
Redemption of series A-1 preferred stock	—	—	—	—	—	—	1,786,739	15.00	26,801
Exercise of warrants <sup>(1)</sup>	—	—	—	67,713	17.19	—	2,534,239	0.01	25.00
Exercise of options	101,340	16.21	1,643	959,890	7.54	7,237	47,600	8.05	383.00
Restricted shares, net <sup>(1)</sup>	25,532	66.30	—	42,263	30.69	—	20,488	24.00	—
Payment of earn-out liability and purchase price true up	—	—	—	563,807	46.26	26,084	—	—	—
Cancellation of shares	—	—	—	—	—	—	(117,785)	17.15	—
<b>Total</b>	<b>126,872</b>	<b>\$ 26.29</b>	<b>\$ 1,643</b>	<b>4,687,394</b>	<b>\$ 45.63</b>	<b>\$ 211,424</b>	<b>16,562,420</b>	<b>\$ 13.64</b>	<b>\$ 224,709</b>

(1) Represents the non-cash release of shares of common stock due to the exercise of warrants and the vesting of restricted stock.

**Employee Equity Incentive Plans**—The Company has two plans under which stock-based awards have been issued: (i) the Montrose 2017 Stock Incentive Plan ("2017 Plan") and (ii) the Montrose Amended & Restated 2013 Stock Option Plan ("2013 Plan") (collectively the "Plans").

As of December 31, 2022, there was \$141.8 million of total unrecognized stock compensation expense related to unvested options, restricted stock and stock appreciation rights granted under the Plans. Such unrecognized expense is expected to be recognized over a weighted-average four year period. The following number of shares were authorized to be issued and available for grant as of December 31:

	2017 Plan		
	2022	2021	2020
Shares authorized to be issued	5,140,112	3,944,750	2,945,443
Shares available for grant <sup>(1)</sup>	367,243	23,153	848,241

	2013 Plan		
	2022	2021	2020
Shares authorized to be issued	2,037,019	2,047,269	2,047,269
Shares available for grant	—	—	—

(1) In January 2023 the Board of Directors ratified the addition of 1,189,801 shares of common stock to the number of shares available for issuance under the 2017 Plan pursuant to the annual increase provision of such plan. Unless the Board of Directors determines otherwise, additional annual increases will be effective on each January 1, through January 1, 2027. The 2017 Plan permits the company to settle awards, if and when vested, in cash at its discretion. Pursuant to the terms of the 2017 Plan, the number of shares authorized for issuance thereunder will only be reduced with respect to shares of common stock actually issued upon exercise or settlement of an award. Shares of common stock subject to awards that have been canceled, expired, forfeited or otherwise not issued under an award and shares of common stock subject to awards settled in cash do not count as shares of common stock issued under the 2017 Plan. Shares available for grant exclude awards of stock appreciation rights approved in December 2021 that are subject to vesting based on the achievement of certain market conditions, which have not yet been, and may not be, achieved. See footnote 1 to the table in Common Stock Reserved for Future Issuance below for additional information regarding the December 2021 grant.

Total stock compensation expense for the Plans was as follows:

	2022				
	2017 plan			2013 plan	
	Options	Restricted Stock	SARs	Options	Total
Cost of revenue	\$ 1,507	\$ —	\$ —	\$ —	\$ 1,507
Selling, general and administrative expense	8,531	23,972	9,280	—	41,783
Total	\$ 10,038	\$ 23,972	\$ 9,280	\$ —	\$ 43,290

	2021				
	2017 plan			2013 plan	
	Options	Restricted Stock	SARs	Options	Total
Cost of revenue	\$ 1,482	\$ —	\$ —	\$ 10	\$ 1,492
Selling, general and administrative expense	6,552	1,959	307	11	8,829
Total	\$ 8,034	\$ 1,959	\$ 307	\$ 21	\$ 10,321

	2020				
	2017 plan			2013 plan	
	Options	Restricted Stock	SARs	Options	Total
Cost of revenue	\$ 1,441	\$ —	\$ —	\$ 136	\$ 1,577
Selling, general and administrative expense	1,793	1,279	—	200	3,272
Total	\$ 3,234	\$ 1,279	\$ —	\$ 336	\$ 4,849

#### Montrose Amended & Restated 2017 Stock Incentive Plan

**Restricted Stock Awards and Restricted Stock Units**—The Company issues restricted stock awards ("RSAs") to certain 2017 Plan participants as Director's compensation. There were 10,920, 19,309 and 33,229 RSAs granted during the years ended December 31, 2022 and 2021, respectively. These RSAs vest one year from the date of grant, or, in each case, in full upon a change in control, subject to the participant's continued service as a Director throughout such date, or upon retirement. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes.

During 2021, the Board of Directors approved the grant of 1,671,391 restricted stock units (“RSUs”) to certain executives and selected employees of the Company under the 2017 Plan. These RSUs represent the right to receive one share of the Company’s common stock upon vesting. These incentives were designed to (i) retain selected employees of the Company for a minimum of 5 years, (ii) reward selected employees for the Company’s significant outperformance and stockholder value creation in 2021, and (iii) provide incentives to selected employees of the Company to accelerate value creation for stockholders and other stakeholders over the next five-year period. With respect to 1,355,182 RSUs, 50.0% will vest on each of the 4th and 5th anniversaries of the date of grant, subject to continued service through each such date. With respect to the remaining 316,209 RSUs (“The Performance-Vested RSUs”), 50.0% will vest on each of the 4th and 5th anniversaries of the date of grant, subject to continued service through each such date and further subject to Company achieving \$90.0 million in adjusted EBITDA (as reported) for any trailing twelve-month period from and after December 31, 2022. If the Performance Criteria is not met prior to the 4th anniversary of the date of grant, none of the Performance-Vested RSUs will vest at such time, and if the Performance Criteria is subsequently met prior to the 5th anniversary of the date of grant, all of the Performance-Vested RSUs will vest at such time, subject to continued service through such date. If the Performance Criteria is not met by the 5th anniversary of the date of grant, all of the Performance-Vested RSUs will be forfeited.

During 2021 and 2022, the Board of Directors approved the creation of certain supplemental incentive plans (“SI Plans”) for selected employees to reward exceptional performance. These SI Plans provide supplemental bonus opportunities payable in RSUs under the 2017 Plan upon meeting certain financial performance targets. There were 95,404 RSUs issued under these SI Plans during the years ended December 31, 2022. No RSUs were granted under these SI Plans during the years ended December 31, 2021. During the year ended December 31, 2022, certain of these SI Plan’s 2022 financial performance targets were met. Given that these awards are pending the final approval of the Board of Directors, they are not deemed granted and thus have not been accrued for as of December 31, 2022. These RSUs will begin to amortize on the date the awards are approved and will vest 1/3 on the date of grant, 1/3 on the one-year anniversary of the grant, and 1/3 on the two-year anniversary of the grant, subject to continued service through such date.

During 2021, the Board of Directors approved and reserved for future issuance an aggregate of 135,517 RSUs (the “Future RSU Pool”) to be granted under the 2017 Plan to certain of its executives and selected employees. Final determination and allocation of the awards under the Future RSU Pool will be determined on December 16, 2025 based on individual performance and continued service through such date. Any RSUs granted under the Future RSU Pool will vest on December 16, 2026, subject to continued service through such date.

For the year ended December 31, 2022, 2021 and 2020, RSA and RSU activity was as follows:

	2022		
	Shares	Average Price per Share	Total (in thousands)
Awards granted	106,324	\$ 46.82	\$ 4,978
	2021		
	Shares	Average Price per Share	Total (in thousands)
Awards granted	1,690,700	\$ 66.45	\$ 112,347
	2020		
	Shares	Average Price per Share	Total (in thousands)
Awards granted	33,229	\$ 31.60	\$ 1,050

There were 25,532, 42,263 and 22,155 shares underlying RSAs that became fully vested and were released as unrestricted shares of common stock during the years ended December 31, 2022, 2021 and 2020, respectively.

There were no forfeitures of RSAs or RSUs during the years ended December 31, 2022 and 2021. There were forfeitures of 1,667 RSAs during the year ended December 31, 2020. There were an aggregate of 2,064,197, 1,957,873, and 267,173, shares underlying outstanding RSA and RSU awards as of December 31, 2022, 2021, and 2020, respectively.

**Stock Appreciation Rights**— During the year ended December 31, 2021, the Board of Directors approved the grant of 3,000,000 units of stock appreciation rights (“SARs”) to certain executives and selected employees under the 2017 Plan. These SARs represent the right to receive, upon exercise, a payment equal to the excess of (a) the fair market value of one share of the Company’s common stock, over (b) an exercise price of \$66.79, payable, at the Company’s election, in cash or shares of common stock. These SARs vest on the 5th anniversary of the date of grant

based on achievement of performance hurdles over a five year period, subject to continued service on the vesting date. The performance hurdles shall be deemed achieved if the average trading price per share of the Company's common stock equals or exceeds the following stock prices:

<b>SARs Stock Price Performance Hurdle</b>	<b>Portion of SARs Subject to Performance Hurdle</b>
\$ 133.58	1/3
\$ 166.98	1/3
\$ 200.37	1/3

The performance hurdles shall be deemed achieved if the average trading price per share of the Company's common stock equals or exceeds the applicable stock price performance hurdle set forth above for the trading days falling in a consecutive 20-day period prior to the vesting date. The SARs expire 10 years after the grant date. The fair value of these SARs at the grant date was \$46.0 million. The weighted average remaining contract life of these SARs as of December 31, 2022 was 8.96 years.

**Options**—Options issued to all optionees under the 2017 Plan vest over four years from the date of issuance (or earlier vesting start date, as determined by the Board of Directors) as follows: one half on the second anniversary of date of grant and the remaining half on the fourth anniversary of the date of grant, with the exception of certain annual grants to certain executive officers, which vest annually over a 3-year and 1-year period. The following summarizes the options activity of the 2017 Plan for the years ended December 31, 2022, 2021 and 2020:

	<b>Options to Purchase Common Stock</b>	<b>Weighted-Average Exercise Price per Share</b>	<b>Weighted Average Grant Date Fair Value per Share</b>	<b>Weighted Average Remaining Contract Life (in Years)</b>	<b>Aggregate Intrinsic Value of In-The-Money Options (in Thousands)</b>
Outstanding at January 1, 2020	617,852	\$ 24	\$ 12	7.82	\$ 4,696
Granted	1,243,027	22	12	—	—
Forfeited/cancelled	(17,225)	22	—	—	—
Expired	(2,500)	18	—	—	—
Exercised	(925)	14	—	—	8
Outstanding at December 31, 2020	1,840,229	\$ 23	\$ 12	9.09	\$ 15,598
Granted	300,620	44	23	—	—
Forfeited/cancelled	(33,875)	28	—	—	—
Expired	(1,550)	19	—	—	—
Exercised	(68,695)	22	—	—	2,169
Outstanding at December 31, 2021	2,036,729	\$ 26	\$ 14	8.30	\$ 91,030
Granted	698,534	44	16	—	—
Forfeited/cancelled	(96,211)	32	—	—	—
Exercised	(59,486)	23	—	—	1,398
Outstanding at December 31, 2022	2,579,566	\$ 31	\$ 15	7.76	\$ 37,295
Exercisable at December 31, 2022	1,183,574	27	—	7.15	21,181

The following weighted-average assumptions were used in the Black-Sholes option-pricing model calculation for the years ended December 31:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Common stock value (per share)	\$43.74	\$44.28	\$21.81
Expected volatility	33.44%	55.34%	46.59%
Risk- free interest rate	2.03%	0.82%	0.65%
Expected life (years)	6.98	6.40	7.00
Forfeiture rate	None	None	None
Dividend rate	None	None	None

**Montrose Amended & Restated 2013 Stock Option Plan**—The following summarizes the activity of the 2013 Plan for the years ended December 31, 2022, 2021 and 2020:

	Options to Purchase Common Stock	Weighted-Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contract Life (in Years)	Aggregate Intrinsic Value of In-The-Money Options (in Thousands)
Outstanding at January 1, 2020	1,855,469	\$ 6	\$ 1	6.40	\$ 46,617
Forfeited/cancelled	(7,500)	10	—	—	—
Expired	(11,300)	6	—	—	—
Exercised	(48,800)	8	—	—	908
Outstanding at December 31, 2020	1,787,869	\$ 6	\$ 1	5.40	\$ 43,867
Expired	(625)	6	—	—	—
Exercised	(889,570)	6	—	—	45,161
Outstanding at December 31, 2021	897,674	\$ 6	\$ 2	4.37	\$ 57,529
Expired	(125)	6	—	—	—
Exercised	(41,854)	6	—	—	1,626
Outstanding at December 31, 2022	855,695	\$ 6	\$ 2	3.31	\$ 32,478
Exercisable at December 31, 2022	855,695	6	—	3.31	32,478

Total shares outstanding from exercised options were 1,310,430 shares, 1,209,090 shares and 249,200 shares as of December 31, 2022, 2021 and 2020.

**Common Stock Reserved for Future Issuances**—At December 31, the Company has reserved certain stock of its authorized but unissued common stock for possible future issuance in connection with the following:

	2022	2021	2020
Warrants	—	—	116,350
Montrose 2013 Stock Incentive Plan	855,695	2,047,269	2,047,269
Montrose 2017 Stock Incentive Plan <sup>(1)</sup>	7,724,524	6,921,597	2,945,443
Total	<u>8,580,219</u>	<u>8,968,866</u>	<u>5,109,062</u>

(1) In January 2023, the Board of Directors ratified the addition of 1,189,801 shares of common stock to the number of shares available for issuance under the 2017 Plan pursuant to the annual increase provision of such plan. Unless the Board of Directors determines otherwise, additional annual increases will be effective on each January 1, through January 1, 2027. The 2017 Plan permits the company to settle awards, if and when vested, in cash at its discretion. Pursuant to the terms of the 2017 Plan, the number of shares authorized for issuance thereunder will only be reduced with respect to shares of common stock actually issued upon exercise or settlement of an award. Shares of common stock subject to awards that have been canceled, expired, forfeited or otherwise not issued under an award and shares of common stock subject to awards settled in cash do not count as shares of common stock issued under the 2017 Plan. The Company expects to have sufficient shares available under the 2017 Plan to satisfy the future settlement of outstanding awards. Shares reserved for future issuance include 3,000,000 shares underlying the 3,000,000 performance SARs granted in December 2021 that are subject to vesting based on the achievement of certain market conditions. Assuming achievement at the highest price performance hurdle, approximately 2,000,000 shares of common stock would be issued upon vesting of these performance SARs. To date, none of the market conditions have been achieved.

## 20. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding during each period. The Redeemable Series A-1 Preferred Stock, which was outstanding prior to its redemption on July 27, 2020, and the Convertible and Redeemable Series A-2 Preferred Stock are considered a participating security. Net losses are not allocated to the Redeemable Series A-1 Preferred stockholders nor the Convertible and Redeemable Series A-2 stockholders, as they were not contractually obligated to share in the Company's losses.

Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common and dilutive common equivalent shares outstanding for the period using the treasury-stock method or the as-converted method. Potentially dilutive shares are comprised of RSAs, RSUs, SARs and shares of common stock underlying stock options outstanding under the

Plans and warrants (other than warrant options) to purchase common stock. During the years ended December 31, 2022, 2021, and 2020, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss and potentially dilutive shares being anti-dilutive.

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company:

<b>In thousands, except for net loss per share</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net loss	\$ (31,819)	\$ (25,325)	\$ (57,949)
Accretion of redeemable series A-1 preferred stock	—	—	(17,601)
Redeemable series A-1 preferred stock deemed dividend	—	—	(24,341)
Convertible and redeemable series A-2 preferred stock dividend	(16,400)	(16,400)	(6,970)
Net loss attributable to common stockholders – basic and diluted	(48,219)	(41,725)	(106,861)
Weighted-average common shares outstanding – basic and diluted	29,688	26,724	16,479
Net loss per share attributable to common stockholders – basic and diluted	<u>\$ (1.62)</u>	<u>\$ (1.56)</u>	<u>\$ (6.48)</u>

The following common stock equivalents were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive for the years ended December 31:

	<b>2022 <sup>(1)</sup></b>	<b>2021 <sup>(1)</sup></b>	<b>2020 <sup>(1)</sup></b>
Stock options	3,435,261	1,687,413	2,237,910
Restricted stock	1,777,715	1,693,923	187,989
Series A-2	4,983,282	4,085,083	5,533,150
SARs	3,000,000	3,000,000	—
Warrants	—	—	116,350
<b>Total</b>	<u><b>13,196,258</b></u>	<u><b>10,466,419</b></u>	<u><b>8,075,399</b></u>

(1) Includes 6,886,942, 4,051,206 and 728,143 equity shares that are out of the money as of December 31, 2022, 2021 and 2020, respectively.

## 21. SEGMENT INFORMATION

The Company has three operating and reportable segments: Assessment, Permitting and Response, Measurement and Analysis and Remediation and Reuse. These segments are monitored separately by management for performance against budget and prior year and are consistent with internal financial reporting. The Company's operating segments are organized based upon primary services provided, the nature of the production process, their type of customers, methods used to distribute the products and the nature of the regulatory environment.

Segment Adjusted EBITDA is the primary measure of operating performance for all three operating segments. Segment Adjusted EBITDA is the calculated Company's Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA"), adjusted to exclude certain transactions such as stock-based compensation, acquisition costs and fair value changes in financial instruments, amongst others. The CODM does not review segment assets as a measure of segment performance.

Corporate and Other includes costs associated with general corporate overhead (including executive, legal, finance, safety, human resources, marketing and IT related costs) that are not directly related to supporting operations. Overhead costs that are directly related to supporting operations (such as insurance, software, licenses, shared services and payroll processing costs) are allocated to the operating segments on a basis that reasonably approximates an estimate of the use of these services.

Segment revenues and Segment Adjusted EBITDA for the years ended December 31, consisted of the following:

	2022		2021		2020	
	Segment Revenues	Segment Adjusted EBITDA	Segment Revenues	Segment Adjusted EBITDA	Segment Revenues	Segment Adjusted EBITDA
Assessment, Permitting and Response	\$ 187,234	\$ 37,458	\$ 261,865	\$ 57,128	\$ 98,521	\$ 24,208
Measurement and Analysis	172,432	31,588	153,208	31,270	151,557	39,386
Remediation and Reuse	184,750	30,616	131,340	19,326	78,165	8,938
Total Operating Segments	544,416	99,662	546,413	107,724	328,243	72,532
Corporate and Other	—	(31,212)	—	(30,082)	—	(18,056)
Total	<u>\$ 544,416</u>	<u>\$ 68,450</u>	<u>\$ 546,413</u>	<u>\$ 77,642</u>	<u>\$ 328,243</u>	<u>\$ 54,476</u>

Presented below is a reconciliation of the Company's segment measure to net loss for the years ended December 31:

	2022	2021	2020
Total	\$ 68,450	\$ 77,642	\$ 54,476
Interest expense, net	(5,239)	(11,615)	(13,819)
Income tax expense	(2,250)	(1,709)	(851)
Depreciation and amortization	(47,479)	(44,810)	(37,274)
Stock-based compensation	(43,290)	(10,321)	(4,849)
Start-up losses and investment in new services	(2,277)	(4,407)	(2,182)
Acquisition costs	(1,891)	(2,088)	(4,344)
Fair value changes in financial instruments	3,396	(2,195)	(20,319)
Fair value changes in business acquisition contingencies	3,227	(24,372)	(12,942)
Short term purchase accounting fair value adjustment to deferred revenue	—	—	(243)
Public offering expense	—	—	(7,657)
Expenses related to financing transactions	(7)	(50)	(378)
Other losses or expenses	(4,459) <sup>(1)</sup>	(1,400) <sup>(2)</sup>	(7,567) <sup>(3)</sup>
Net loss	<u>\$ (31,819)</u>	<u>\$ (25,325)</u>	<u>\$ (57,949)</u>

- (1) Amounts include costs associated with the exiting of the legacy water treatment and biogas operations and maintenance contracts and the Company's start-up lab in Berkeley, California, as well as an impairment charge for certain operating lease right-of-use assets (Note 7) and severance costs related to the restructuring within our soil remediation business.
- (2) Amounts include non-operational charges incurred due to the remeasurement of finance leases as a result of the adoption of ASC 842 and costs related to the implementation of a new ERP.
- (3) During the first quarter of 2020, the Company determined to reduce the footprint of its environmental lab in Berkeley, California, and to exit its non-specialized municipal water engineering service line and its food waste biogas engineering service line. As a part of discontinuing these service lines, the Company made the decision to book an additional bad debt reserve related to the uncertainty around the ability to collect on receivables related to these service lines (Note 4). It was determined that the discontinuation of these service lines did not represent a strategic shift that had (or will have) a major effect on the Company's operations and financial results therefore did not meet the requirements to be classified as discontinued operations.

## 22. RELATED-PARTY TRANSACTIONS

The Company did not have any related party transactions during the years ended December 31, 2022 and 2021.

The Company previously engaged a related party to provide Quality of Earnings reports on acquisition targets. The Company paid this related party approximately \$0.1 million during the year ended December 31, 2020, for its services. This expense is included within selling, general and administrative expense on the consolidated statements of operations. The related party used by the Company is partially owned through investment vehicles controlled by certain members of the Company's Board of Directors. The Company ceased using the services of this related party during 2020.

During the year ended December 31, 2020, the holder of the Redeemable Series A-1 Preferred Stock and Convertible and Redeemable A-2 Preferred Stock became a common stockholder in the Company. On the redemption date of the Redeemable Series A-1 Preferred Stock (Note

17), the Company issued 1,786,739 shares of common stock as dividend payment. Additionally, this related party exercised its warrant options (Note 13), becoming the holder of 2,534,239 additional common shares.

### 23. DEFINED CONTRIBUTION PLAN

On January 1, 2014, the Company established the Montrose Environmental Group 401(k) Savings Plan (the “401(k) Savings Plan”). As of December 31, 2022, 2021, and 2020, plan participants may defer up to 85.0% of their eligible wages for the year, up to the Internal Revenue Service dollar limit and catch-up contribution allowed by law. Prior to May 22, 2020, the Company provided employer matching contributions equal to 100.0% of the first 3.0% of the participant’s compensation and 50.0% of the participant’s elective deferrals that exceed 3.0% but do not exceed 4.0% of the participant’s compensation. Beginning on May 22, 2020, the Company temporarily ceased making employer contributions. Employer contributions were reinstated beginning on April 23, 2021. Employer contributions for years ended December 31, 2022, 2021, and 2020 were \$5.7 million, \$2.6 million and \$1.2 million, respectively, and are included within selling, general, and administrative expense on the consolidated statements of operations.

### 24. SUBSEQUENT EVENTS

**Business Acquisitions**—On January 3, 2023, the Company completed the business acquisition of Frontier Analytical Laboratories (“Frontier”) by acquiring certain of its assets and operations. Frontier is a specialized environmental laboratory based in El Dorado Hills, CA.

On February 1, 2023, the Company completed the business acquisition of Environmental Alliance, Inc. (“EAI”) by acquiring 100.0% of its common stock. EIA provides environmental remediation and consulting services, and is based in Wilmington, DE.

These transactions qualified as business acquisitions and will be accounted for as business combinations. The following table summarizes the elements of the purchase price of these acquisitions:

	Cash <sup>(1)</sup>	Other Purchase Price Components <sup>(2)</sup>	Total Purchase Price
Frontier	\$ 1,146	\$ —	\$ 1,146
EAI	3,750	1,412	5,162

(1) The cash portion of this acquisition’s purchase price was funded through cash on hand.

(2) The other purchase price component consists of liabilities assumed.

The Company has not yet completed the initial purchase price allocation for these acquisitions, including obtaining all of the information required for the valuation of the acquired intangible assets, goodwill, assets and liabilities assumed, due to the timing of the close of the transactions.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### **Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Management's Report on Internal Control Over Financial Reporting**

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules which require us to include in this Annual Report on Form 10-K, an assessment by management of the effectiveness of our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our system of internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, but not absolute, assurance that the objectives of the system of internal control are met. The design of our control system reflects the fact that there are resource constraints, and that the benefits of such control system must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that

breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of individuals, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurance that the design of any particular control will always succeed in achieving its objective under all potential future conditions.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Montrose Environmental Group, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Montrose Environmental Group, Inc. and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated March 1, 2023, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Costa Mesa, California  
March 1, 2023

**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

Except as set forth below and as set forth under “Information About Our Executive Officers” in Item 1. “Business” the information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2022. This information will appear in the proxy statement under the headings “The Board of Directors and its Committees – Nominees,” “The Board of Directors and its Committees – Continuing Directors,” “Other Matters – Delinquent Section 16(a) Reports,” “The Board of Directors and its Committees – Committee Charters” and “The Board of Directors and its Committees – Audit Committee.”

### Code of Business Conduct and Ethics for Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer.

We have adopted a Code of Ethics which applies to our chief executive officer, chief financial officer, chief accounting officer and all our other employees, and which can be found through our investor relations website, investors.montrose-env.com. We are not including this or any other information on our website as a part of, nor incorporating it by reference into, this Annual Report on Form 10-K or any of our other SEC filings.

In the event the Company makes any amendment to, or grants any waiver from, a provision of the Code of Business Conduct and Ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC or NYSE rules, the Company will disclose such amendment or waiver and reasons therefore on its website at investors.montrose-env.com within the time period required by such rules.

### Item 11. Executive Compensation.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2022. This information will appear in the proxy statement under the headings “Executive Compensation” and “The Board of Directors and its Committees – Compensation Committee Interlocks and Insider Participation.”

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Except as set forth below, the information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2022. This information will appear in the proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

### Information with Respect to Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2022, with respect to the Company’s existing equity compensation plan:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (column (a))	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (column (b))	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (column (c))
Equity compensation plans approved by security holders <sup>(1)</sup>	3,435,261 <sup>(2)</sup> \$	24.56	1,838,349 <sup>(3)</sup>

- (1) Includes the Company’s 2013 Amended and Restated Stock Option Plan and the Company’s 2017 Amended and Restated Stock Incentive Plan.
- (2) Excludes unvested restricted stock and SARs awards issued under the Company’s 2017 Amended and Restated Stock Incentive Plan.

- (3) Pursuant to the terms of the 2017 Amended and Restated Stock Incentive Plan, the number of shares of common stock authorized for issuance under the plan automatically increase on January 1 of each year and will end with a final increase on January 1, 2027, in an amount equal to 4% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The amount referenced excludes such adjustment as of January 1, 2023.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2022. This information will appear in the proxy statement under the headings “Certain Relationships and Related Party Transactions” and “The Board of Directors and its Committees – Director Independence.”

**Item 14. Principal Accounting Fees and Services.**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2022. This information will appear in the proxy statement under the heading “Audit Committee Matters.”

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

- (a) List the following documents filed as a part of the report:
- (1) The list of consolidated financial statements and related notes, together with the report of Deloitte & Touche LLP, appear in Part II, Item 8. “Financial Statements and Supplementary Data” and are hereby incorporated by reference.
  - (2) Financial statement schedules have been omitted because they are not applicable, not material or the required information is otherwise included.
  - (3) The following documents are filed, furnished or incorporated by reference as exhibits to this report as required by Item 601 of Regulation S-K.

Exhibit No.	Description of Exhibit
2.1	Membership Interest Purchase Agreement among CTEH Holdings, LLC, Montrose Planning & Permitting, LLC, Montrose Environmental Group, Inc., The Center for Toxicology and Environmental Health, L.L.C. and the Seller Indemnifying members dated March 28, 2020. <sup>(a)</sup>
3.1	Amended and Restated Certificate of Incorporation. <sup>(b)</sup>
3.2	Certificate of Designation of Cumulative Series A-2 Preferred Stock. <sup>(a)</sup>
3.3	Amended and Restated Bylaws. <sup>(b)</sup>
4.1	Third Amended and Restated Investor Rights Agreement dated April 13, 2020 by and among Montrose Environmental Group, Inc., OCM Montrose Holdings, L.P., OCM Montrose II Holdings, L.P. and the common stockholders party thereto. <sup>(a)</sup>
4.2	Description of Registrant’s Securities. <sup>(g)</sup>
10.1#	Form of Indemnification Agreement entered into with Directors and Executive Officers. <sup>(a)</sup>
10.2	Credit Agreement, dated April 27, 2021 among Montrose Environmental Group, Inc., Montrose Environmental Group Ltd., the Guarantors (defined therein), each financial institution from time to time party thereto, Bank of the West, as Administrative Agent, Swing Line Lender, L/C Issuer, Sole Bookrunner and Joint Lead Arranger, and Capital One, National Association and BOFA Securities, Inc., each as Joint Lead Arranger. <sup>(c)</sup>
10.3*	First Amendment to Credit Agreement dated August 30, 2022.
10.4#	Offer Letter by and between Montrose Environmental Group, Inc. and Vijay Manthripragada, dated July 13, 2015. <sup>(a)</sup>
10.5#	Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Vijay Manthripragada, dated June 23, 2016. <sup>(a)</sup>
10.6#	Offer Letter by and between Montrose Environmental Group, Inc. and Allan Dicks, dated August 8, 2016. <sup>(a)</sup>
10.7#	Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Allan Dicks, dated August 8, 2016. <sup>(a)</sup>
10.8#	Offer Letter by and between Montrose Environmental Group, Inc. and Nasym Afsari, dated October 14, 2014. <sup>(a)</sup>
10.9#	Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Nasym Afsari, dated June 23, 2016. <sup>(a)</sup>

- 10.10# Amendment to the Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Nasym Afsari, dated September 14, 2017. <sup>(a)</sup>
- 10.11# Offer Letter by and between Montrose Environmental Group, Inc. and Joshua M. LeMaire, dated July 2, 2015. <sup>(a)</sup>
- 10.12# Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Joshua M. LeMaire, dated June 23, 2016. <sup>(a)</sup>
- 10.13# Offer Letter by and between Montrose Environmental Group, Inc. and Jose M. Revuelta, dated March 4, 2014. <sup>(a)</sup>
- 10.14# Executive Compensation Letter by and between Montrose Environmental Group, Inc. and Jose M. Revuelta, dated June 23, 2016. <sup>(a)</sup>
- 10.15# Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.16# Amendment No. 1 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.17# Amendment No. 2 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.18# Amendment No. 3 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.19# Amendment No. 4 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.20# Amendment No. 5 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.21# Amendment No. 6 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.22# Amendment No. 7 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.23# Amendment No. 8 to Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.24# Form of Option Award Agreement under the Montrose Environmental Group, Inc. Amended and Restated 2013 Stock Option Plan. <sup>(a)</sup>
- 10.25# Montrose Environmental Group, Inc. Amended and Restated 2017 Stock Incentive Plan. <sup>(b)</sup>
- 10.26# Form of Grant Notice and Standard Terms and Conditions for Stock Options under the Montrose Environmental Group, Inc. Amended and Restated 2017 Stock Incentive Plan. <sup>(a)</sup>
- 10.27# Form of Grant Notice and Standard Terms and Conditions for Restricted Stock under the Montrose Environmental Group, Inc. Amended and Restated 2017 Stock Incentive Plan. <sup>(a)</sup>
- 10.28# Form of Confidential Information, Non-Solicitation and Non-Compete Agreement (California). <sup>(a)</sup>
- 10.29# Form of Confidential Information, Non-Solicitation and Non-Compete Agreement (Ohio). <sup>(a)</sup>
- 10.30# Montrose Environmental Group, Inc. Executive Severance Policy. <sup>(a)</sup>
- 10.31# Form of Grant Notice and Standard Terms and Conditions for Performance-Based Stock Appreciation Rights under the Montrose Environmental Group, Inc. Amended and Restated 2017 Stock Incentive Plan. <sup>(f)</sup>
- 10.32# Form of Grant Notice and Standard Terms and Conditions for Restricted Stock Units under the Montrose Environmental Group, Inc. Amended and Restated 2017 Stock Incentive Plan. <sup>(f)</sup>

- 21.1\* Subsidiaries of the Registrant.
- 23.1\* Consent of Deloitte & Touche LLP.
- 31.1\* Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\*\* Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*\* Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS\* Inline XBRL Instance Document
- 101.SCH\* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL\* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104\* Cover Page Interactive Data File – The cover page from the Company’s Quarterly Report on Form 10-K for the fiscal year ended December 31, 2022 is formatted in Inline XBRL (included as Exhibit 101)

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# Denotes management compensatory plan or arrangement.

\* Filed herewith.

\*\* Furnished herewith.

- (a) Previously filed on June 29, 2020 as an exhibit to the Company’s Registration Statement on Form S-1 (File No. 333-239542) and incorporated herein by reference.
- (b) Previously filed on July 14, 2020 as an exhibit to Amendment No. 1 to the Company’s Registration Statement on Form S-1 (File No. 333-239542) and incorporated herein by reference.
- (c) Previously filed on October 7, 2020 as an exhibit to the Company’s Current Report on Form 8-K and incorporated herein by reference.
- (d) Previously filed on March 24, 2021 as an exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and incorporated herein by reference.
- (e) Previously filed on April 29, 2021 as an exhibit to the Company’s Current Report on Form 8-K and incorporated herein by reference.
- (f) Previously filed on December 21, 2021 as an exhibit to the Company’s Current Report on Form 8-K and incorporated herein by reference.
- (g) Previously filed on March 1, 2022 as an exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and incorporated herein by reference.

## Item 16. Form 10-K Summary

None.





