Q2’2023 Earnings Presentation

08.24.2023 - Updated

08.14.2023

FORWARD LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

Forward-Looking Statements Disclosure. *Certain information in this presentation contains "forward-looking" statements. You should not place undue reliance on these statements. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as "believe", "expect", "approximately", "anticipate", "intend", "plan", "estimate", "seek", "will", "should", "could", "may" or the negative thereof or variations thereon or similar expressions that are predictions of or indicate future events or trends. These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. As you read and consider this presentation, you should understand that these statements are not guarantees of performance or results and that actual future results may vary materially. They involve risks, uncertainties and assumptions. Many factors could affect our actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements, including if we do not realize some or all of the benefits expected to result from the spin-off (the "Spin") from our former parent company, Laboratory Corporation of America Holdings ("Labcorp"), or if such benefits are delayed; our ongoing businesses may be adversely affected and subject to certain risks and consequences as a result of the Spin; the impacts of becoming an independent public company; our reliance on Labcorp to provide financial reporting and other financial and information for periods prior to the Spin through the end of the relevant transition agreements, as well as IT, accounting, finance, legal, human resources, and other services critical to our businesses; our dependence on third parties generally to provide services critical to our businesses throughout the transition period and beyond; the establishment of our accounting, enterprise resource planning, and other management systems post the transition period could cost more or take longer than anticipated; the impact of the rebranding of the Company business; our ability to successfully implement our business strategies and execute our long-term value creation strategy; risks and expenses associated with our international operations and currency fluctuations; our customer or therapeutic area concentrations; any further deterioration in the macroeconomic environment, which could lead to defaults or cancellations by our customers; the risk that our backlog and net new business may not rebound after the Spin to the extent or over the time period we anticipate, that such measures may not be indicative of our future revenues and we the might not realize all of the anticipated future revenue reflected in our backlog; our ability to generate sufficient net new business awards, or if net new business awards are delayed, terminated, reduced in scope, or fail to go to contract; the risk that we may underprice our contracts, overrun our cost estimates, or fail to receive approval for, or experience delays in documentation of change orders; and other factors described from time to time in documents that we file with the U.S. Securities and Exchange Commission (the "SEC"), including any updates or amendments thereof. For a further discussion of the risks relating to our business, see the "Risk Factors" Section of our Information Statement filed with our Registration Statement on Form 10, as amended (the "Form 10"), as filed with the SEC.*

In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this presentation might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures. *This presentation contains discussions of certain financial measures, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income Net Debt, Net Leverage and Free Cash Flow, which are non-GAAP financial measures. Non-GAAP financial measures are presented only as a supplement to the Company's financial statements based on GAAP. Non-GAAP financial information is provided to enhance understanding of the Company's financial and operational performance and cash flow, but none of these non-GAAP financial measures are recognized terms under GAAP, and non-GAAP measures should not be considered in isolation from, or as a substitute analysis for, the Company's results of operations as determined in accordance with GAAP. The Company believes these adjusted measures are useful to investors as a supplement to, but not as a substitute for, GAAP measures, in evaluating the Company's operational performance and cash-flow. The Company further believes that the use of these non-GAAP financial measures provides an additional tool for investors in evaluating operating results and trends, growth, indebtedness, cash-flow and shareholder returns, as well as in comparing the Company's financial results with the financial results of other companies. However, the Company notes that these adjusted measures may be different from and not directly comparable to the measures presented by other companies. Because not all companies use identical calculations, our presentation of these non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. For example, in calculating Adjusted EBITDA, the Company excludes all the amortization of intangible assets associated with acquired customer relationships and backlog, databases, non-compete agreements and trademarks, trade names and other from non-GAAP expense and income measures as such amounts can be significantly impacted by the timing and size of acquisitions.*

Fortrea's Q2'23 – A Foundational Quarter

Completed the spin-off from Labcorp successfully

Maintained focus on customers and project delivery

Established a proven management team of leaders in Clinical Research services

Crafted a strategy to compete and win as Fortrea

Assembled an experienced Board of Directors

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A Leading Global CRO, Transforming Drug Development

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1. Decades of experience and history as a leader in the attractive global research market
2. Large, global and diversified customer base with long-term relationships
3. Targeted investments to further differentiate service offerings
4. Multi-faceted growth and margin improvement strategy will drive shareholder value
5. Attractive financial profile with a history of revenue growth and margin expansion
6. Leading management team with extensive CRO industry experience and leadership skills

Q2'23– Key Financial Highlights

($ in millions, except per share data)	Second Quarter		
	2022	2023	% Change
Revenue	$793.1	$793.0	-- %
Clinical Services	*$723.3*	*$726.1*	*0.4 %*
Enabling Services	*$69.8*	*$66.9*	*(4.2)%*
Adj. EBITDA [1]	$115.3	$72.5	(37.1) %
% Adj. EBITDA Margin [1]	*14.5 %*	*9.1 %*	*(37.1)%*
Net Income	$66.4	$28.3	(57.4)%
Net Income / share [2]	$0.75	$0.32	(57.4)%
Adj. Net Income [1]	$86.1	$46.3	(46.2) %
Adj. Net Income / share [1, 2]	$0.97	$0.52	(46.2) %
Ending Backlog [3]	n.m.	$6,977	n.m.

[1] Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Adjusted Net Income/share are non-GAAP financial measures. Please see slides 9 and 10 for a reconciliation to the most comparable GAAP number.

[2] On June 30, 2023, the Separation from Labcorp was effected through a pro-rata distribution of one share of the Company's common stock for every share of Labcorp common stock held at the close of business on the record date of June 20, 2023. As a result, on June 30, 2023, the Company had 88.8 million shares of common stock outstanding. This share amount is being utilized for the calculation of basic earnings per share for all periods presented through the Separation date. Additionally, as of June 30, 2023, there are no dilutive instruments.

[3] Given changes to backlog methodology, we are unable to restate historical backlog for previous quarters and previously disclosed backlog is not directly comparable to backlog as shown for the second quarter of 2023.

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Cash Flow and Liquidity Profile

Free Cash Flow and Conversion Rate

Cash Flow ($ in millions)	First Half 2023
Operating Cash Flow	$154
Less: CAPEX	$26
Free Cash Flow [1,9]	$128
EBITDA [9]	$109
Free Cash Flow Conversion % [2,9]	117%
Adj. EBITDA [9]	$130

Liquidity Position

Debt Leverage ($ in millions)	June 30, 2023
Debt [3]	$1,640
Cash [4]	$114
Net Debt [5]	$1,526
Net Leverage [6, 7]	4.4x
Net DSO [8]	86

[1] Free Cash Flow is equal to Operating Cash Flow less Capital expenditures; [2] Free Cash Flow Conversion % is equal to Free Cash Flow divided by EBITDA; [3] Debt includes long-term and current notes, term loans and revolving credit facility balance; [4] Cash is defined as Cash and Cash Equivalents; [5] Net Debt, a non-GAAP measure, is defined as Debt less Cash; [6] Net leverage is defined as Net Debt divided by TTM adj. EBITDA. TTM adj. EBITDA as of Jun 30, 2023, was $344.5 million; [7] Net leverage changed 4.0x to 4.4x due to the change to TTM adj. EBITDA as of June 30, 2023 as shown on slide 9; [8] Net Days Sales Outstanding (DSO) reflects Revenue, net, and is based on billed and unbilled accounts receivable and gross unbilled services, less allowance for credit losses and unearned revenue; [9]Non-GAAP financial measure. Please see slides 9 and 10 for a reconciliation to the most comparable GAAP number.

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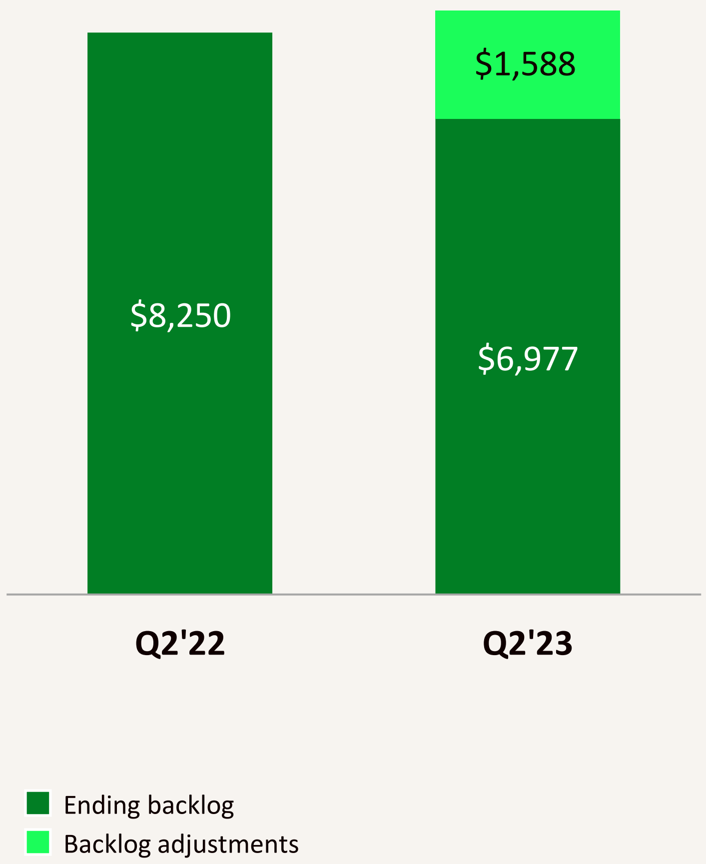
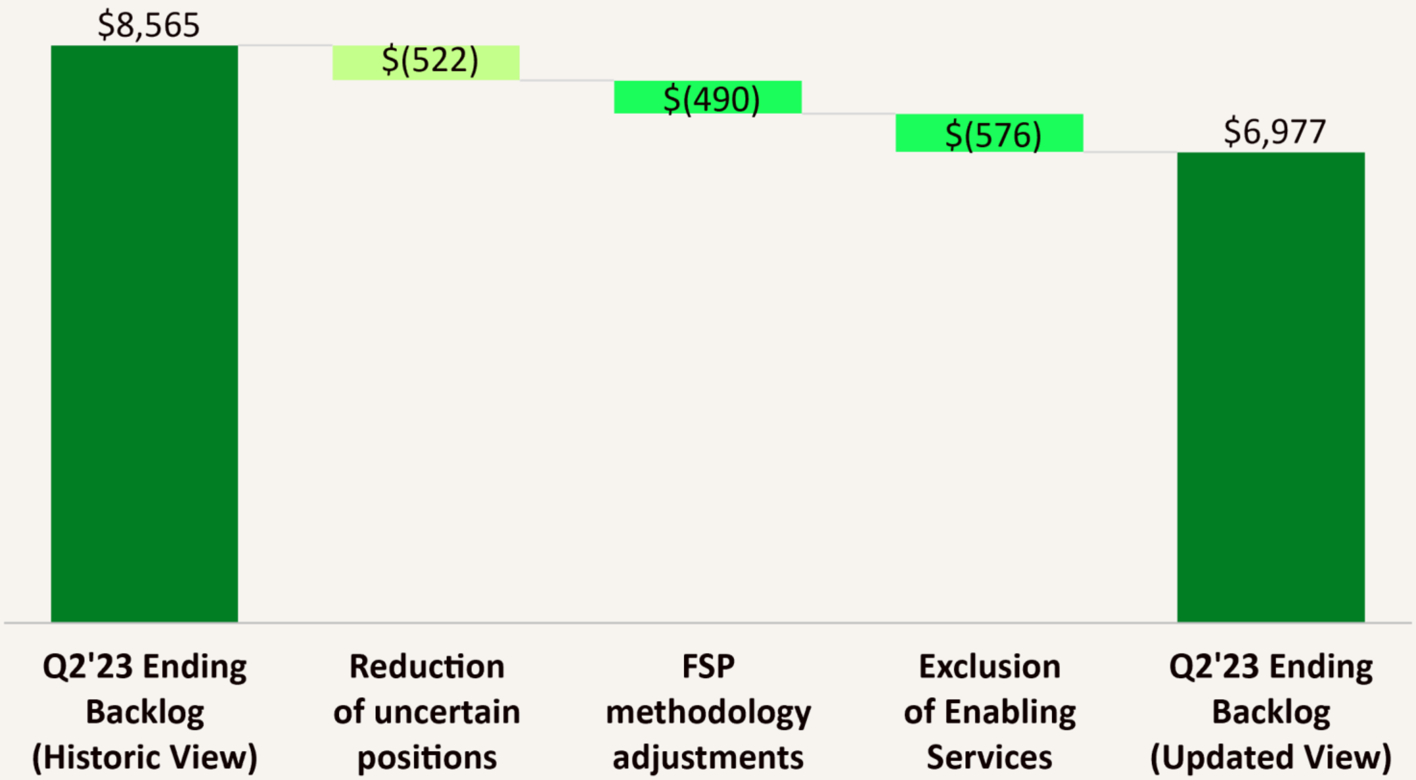
Q2'23 Backlog and Adjustments

($ in millions)

Quarterly Ending Backlog



Quarterly Ending Backlog Recalibration



2023 Financial Guidance and Outlook

($ in millions)	**FY'22**	**FY'23 Guidance** *(as of August 14th, 2023)*	**Growth rate** *(FY2023 guidance vs. FY2022A)*
Revenue	$3,096	$3,034 - $3,096	(2.0) - 0.0 %
Adj. EBITDA [1]	$405	$255 - $285	(37.0) - (29.6)%

Key underlying metrics for FY2023 Guidance

- Effective tax rate of 27-30%
- Total interest expense of approximately $70 mn
- Includes no M&A and does not reflect the potential impact of currency fluctuations

[1] *Adjusted EBITDA is a non-GAAP financial measure. Please see slides 9 and 10 for a reconciliation to the most comparable GAAP number.*

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Net Income to Adjusted EBITDA Reconciliation (Non-GAAP)

($ in millions)	Trailing Twelve Months Ended June 30, 2023 (1)	Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022
Adjusted EBITDA:					
Net income (loss)	$139.7	$28.3	$66.4	$45.7	$98.9
Provision for income taxes	36.2	10.6	17.2	14.3	22.2
Interest expense, net	0.7	0.7	-	0.7	-
Depreciation and amortization [2]	93.6	25.1	23.4	47.9	47.0
EBITDA	270.2	64.7	107.0	108.6	168.1
Foreign exchange (gain) loss	17.2	(5.4)	(12.0)	0.1	(16.3)
Goodwill and other asset impairments [3]	9.8	-	-	-	-
Restructuring and other charges [4]	13.0	3.9	13.0	5.1	22.6
Stock based compensation	28.3	9.4	7.0	16.1	13.2
Acquisition and disposition-related costs [5]	2.3	-	1.6	-	1.6
Other	3.7	(0.1)	(1.3)	(0.3)	0.9
Adjusted EBITDA	$344.5	$72.5	$115.3	$129.6	$190.1
Adjusted EBITDA Margin:					
Revenue		$793.0	$793.1	$1,557.2	$1,572.1
Adjusted EBITDA Margin		9.1%	14.5%	8.3%	12.1%

[1] Provision for income taxes, TTM EBITDA, and TTM adj. EBITDA were amended August 24, 2023.
[2] Represents amortization of intangible assets acquired as part of business acquisitions.
[3] During 2022, impairment of identifiable intangible assets of $9.8 was recorded for Enabling Services for impairment of technology assets.
[4] Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization and acquisitions or dispositions of businesses by the Company.
[5] Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration or disposition related activities.

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Net Income to Adjusted Net Income Reconciliation (Non-GAAP)

($ in millions)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Adjusted net income (loss):				
Net income (loss)	$28.3	$66.4	$45.7	$98.9
Foreign exchange (gain) loss	(5.4)	(12.0)	0.1	(16.3)
Amortization [1]	16.0	16.6	31.9	33.5
Restructuring and other charges [2]	3.9	13.0	5.1	22.6
Stock based compensation	9.4	7.0	16.1	13.2
Acquisition and disposition-related costs [3]	-	1.6	-	1.6
Other	(0.1)	(1.3)	(0.3)	0.9
Income tax impact of adjustments [4]	(5.8)	(5.2)	(12.0)	(14.1)
Adjusted net income (loss)	$46.3	$86.1	$86.6	$140.3
Basic and diluted shares [5]	88.8	88.8	88.8	88.8
Adjusted basic and diluted EPS	$0.52	$0.97	$0.98	$1.58

[1] *Represents amortization of intangible assets acquired as part of business acquisitions.*

[2] *Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions within the organization and acquisitions or dispositions of businesses by the Company.*

[3] *Acquisition and disposition-related costs include due-diligence legal and advisory fees, retention bonuses and other integration or disposition related activities.*

[4] *Income tax impact of adjustments calculated based on the tax rate applicable to each item.*

[5] *On June 30, 2023, the Separation from Labcorp was effected through a pro-rata distribution of one share of the Company's common stock for every share of Labcorp common stock held at the close of business on the record date of June 20, 2023. As a result, on June 30, 2023, the Company had 88.8 shares of common stock outstanding. This share amount is being utilized for the calculation of basic earnings per share for all periods presented through the Separation date. Additionally, as of June 30, 2023, there are no dilutive instruments.*

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Fortrea's Program for Change: A Significant Opportunity to Create Shareholder Value

Leverage Competitive Advantages to Achieve or Exceed Market Growth Rate

Improve Margins & Optimize the Business Over the Next 2-3 Years

Disciplined Strategy to Drive Long-term Growth & Margins

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