



Q1 2026 Earnings Presentation

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Nasdaq: FTRE

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Fortrea Q1'2026 Earnings presentation

 **Fortrea**

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 among other things, our dependence on third parties generally to provide services critical to our 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, tariff policies, trade sanctions and other trade restrictions and currency fluctuations; our customer or therapeutic area concentrations; our adoption and use of technology within our business and the risks that we may not be able to capture the anticipated benefits of such technology or that such technology may have negative effects; the outcome and impact of pending or future litigation; any further deterioration in the macroeconomic environment, particularly within the pharmaceutical and biotechnology industry, or further changes in government regulations and funding, which could lead to defaults or cancellations by our customers; the risk that our backlog and net new business may not be indicative of our future revenues and that we 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; if we underprice our contracts, overrun our cost estimates, or fail to receive approval for, or experiences 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 Annual Report on Form 10-K (the “Form 10-K”), as filed with the SEC, as such factors may be amended or updated from time to time in our subsequent periodic and other filings with the SEC which are accessible on the SEC’s website at www.sec.gov.

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, Adjusted Basic and Diluted EPS, 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 our financial statements based on GAAP. Non-GAAP financial information is provided to enhance understanding of our 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, our 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 our 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 our 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 Q1 2026 Highlights

Three consecutive quarters of strategy execution to drive commercial, operational & financial excellence

- ✓ Revenue of \$636.5M & Adj. EBITDA of \$47.0M
- ✓ Solid Book-to-Bill of 1.15x; Trailing 12-month Book-to-Bill of 1.05x
- ✓ On track for FY 2026 cost optimization targets of \$70-80M gross & \$40-50M net

CRO demand stabilizing with improving signals (biotech funding up & trial starts rebounding)

Successful customer launch of Fortrea Intelligent Technology™ (FIT), an AI-enabled suite of solutions designed to drive faster, more predictable, and higher-quality trial delivery

Strong foundation to advance our transformation toward growth & margin expansion

Q1'26– Key Financial Highlights

(\$ in millions, except per share data)	Q1 2026	Q1 2025	% Change (Y/Y)
Revenue	\$636.5	\$651.3	(2.3)%
Adj. EBITDA ¹	\$47.0	\$30.3	55.1%
<i>% Adj. EBITDA Margin ¹</i>	7.4%	4.7%	270 bps
Net Loss	\$(23.6)	\$(562.9)	95.8% improvement
Net Loss / diluted share	\$(0.25)	\$(6.25)	96.0% improvement
Adj. Net Income ¹	\$15.2	\$1.9	700.0%
Adj. Diluted EPS ¹	\$0.16	\$0.02	700.0%
Ending Backlog	\$7,846	\$7,721	1.6%

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

Cash Flow and Liquidity Profile

Cash Flow <i>(\$ in millions)</i>	Q1 2026
Operating Cash Flow	\$(17.0)
Less: CAPEX	\$(8.0)
Free Cash Flow ¹	\$(25.0)

Debt, Leverage and Liquidity <i>(\$ in millions)</i>	March 31 2026
Gross Debt ²	\$1,066.3
Cash and cash equivalents	\$147.5
Net Debt ³	\$918.8
Net Leverage ⁴	4.4x
Net DSO ⁵	20 days
Liquidity ⁶	\$595.2

¹ Free Cash Flow, a non-GAAP measure, is equal to Operating Cash Flow less Capital Expenditures.

² Gross Debt includes long-term and current notes, term loans and revolving credit facility balance, excluding debt issuance discount and fees.

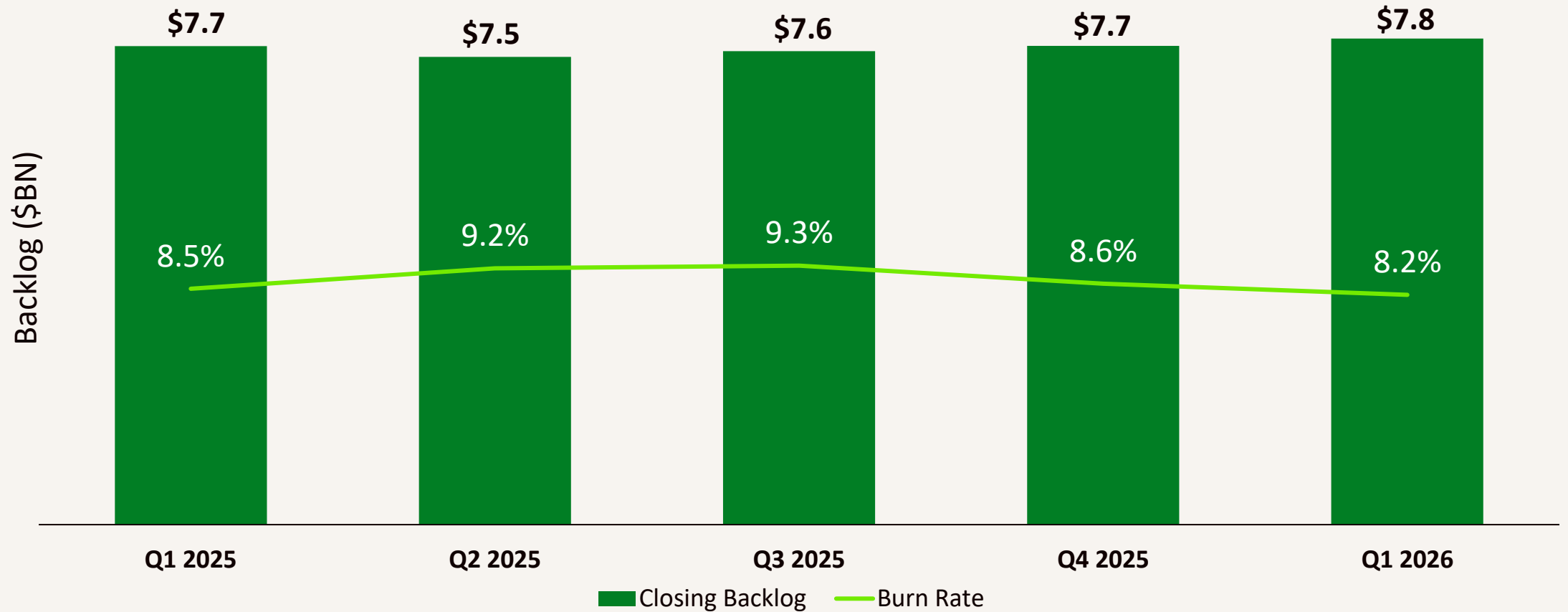
³ Net Debt, a non-GAAP measure, is defined as Gross Debt less Cash.

⁴ Net Leverage, a non-GAAP measure, is defined as Net Debt divided by TTM Adj. EBITDA. Adj. EBITDA for the TTM ended March 31, 2026, was \$206.6 million. Please see slide 9 for a reconciliation to the most comparable GAAP number for Q1 2026.

⁵ Net Days Sales Outstanding (DSO) is based on accounts receivable and unbilled services, less allowance for credit losses, and unearned revenue. Includes impact of accounts receivable sale under A/R Securitization facility signed in Q2 2024.

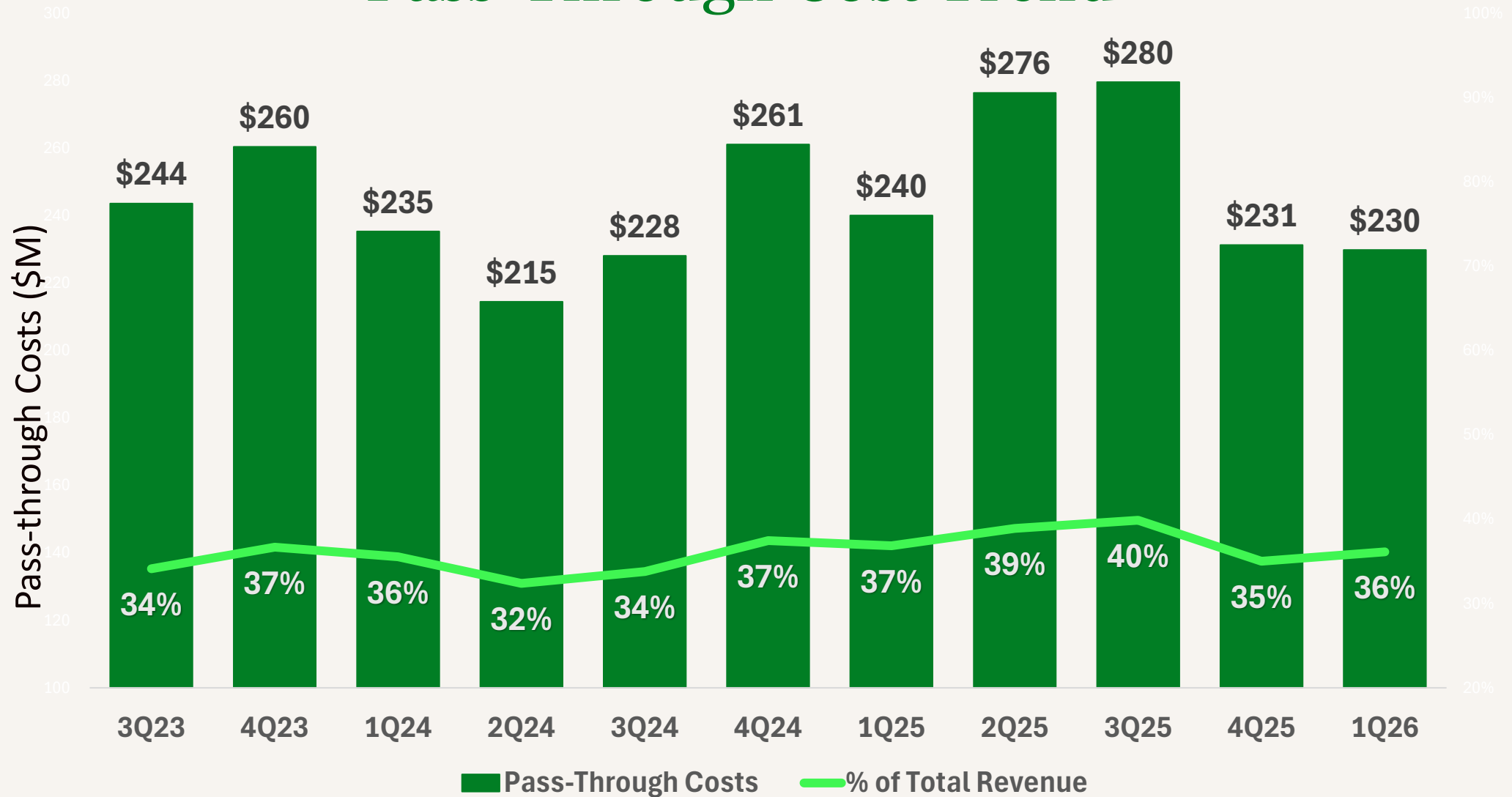
⁶ Liquidity equals cash plus available borrowing capacity under the \$450M revolving credit facility.

Backlog & Burn Rate¹ Metrics



¹ Burn rate defined as revenue in current period divided by opening period backlog.

Pass-Through Cost Trend



2026 Financial Guidance

<i>(\$ in millions)</i>	Q1'26 Actual	FY'26 Guidance ¹
Revenue	\$636.5	\$2,550 - \$2,650
Adj. EBITDA ²	\$47.0	\$190 - \$220

¹ FY 2026 guidance measures (other than revenue) are provided on a non-GAAP basis without a reconciliation to the most directly comparable GAAP measure because Fortrea is unable to predict with a reasonable degree of certainty certain items contained in the GAAP measures without unreasonable efforts. Such items include, but are not limited to, acquisition-related expenses, restructuring and related expenses, stock-based compensation and other items not reflective of Fortrea's ongoing operations.

² Adjusted EBITDA is a non-GAAP financial measure. Please see slide 9 for a reconciliation to the most comparable GAAP number for Q1 2026.

Net Income to Adjusted EBITDA Reconciliation (Non-GAAP)

(\$ in millions)	Trailing Twelve Months Ended March 31, 2026	Three Months Ended March 31,	
		2026	2025
Adjusted EBITDA:			
Net loss	\$ (446.9)	\$ (23.6)	\$ (562.9)
Income tax (benefit) expense	(0.4)	11.3	14.9
Interest expense, net	88.2	19.1	22.3
Depreciation and amortization ¹	78.3	19.8	19.5
EBITDA	(280.8)	26.6	(506.2)
Foreign exchange (gain) loss	11.6	(9.7)	5.6
Goodwill and other asset impairments ²	309.1	-	488.8
Restructuring and other charges ³	50.1	7.8	6.8
Stock based compensation	71.2	11.4	14.6
Disposition-related costs ⁴	6.2	-	3.8
One-time spin related costs ⁵	15.0	0.3	10.0
CEO transition related costs	5.1	-	-
Other ⁶	19.1	10.6	6.9
Adjusted EBITDA	\$206.6	\$47.0	\$30.3
Adjusted EBITDA Margin:			
Revenue	\$2,708.6	\$636.5	\$651.3
Adjusted EBITDA Margin	7.6%	7.4%	4.7%

Refer to slide 11 for the notes related to the Net Income to Adjusted EBITDA Reconciliation.

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

	Three Months Ended March 31,	
	2026	2025
<i>(\$ in millions, except per share data)</i>		
Adjusted net income:		
Net loss	\$(23.6)	\$(562.9)
Foreign exchange (gain) loss	(9.7)	5.6
Amortization ¹	14.6	14.5
Goodwill and other asset impairments ²	-	488.8
Restructuring and other charges ³	7.8	6.8
Stock based compensation	11.4	14.6
Disposition-related costs ⁴	-	3.8
One-time spin related costs ⁵	0.3	10.0
Other ⁶	10.6	6.9
Income tax impact of adjustments ⁷	3.8	13.8
Adjusted net income	\$15.2	\$1.9
Basic shares	93.6	90.1
Adjusted basic earnings per share	\$0.16	\$0.02
Diluted shares	98.1	91.2
Adjusted diluted earnings per share	\$0.16	\$0.02

Refer to slide 11 for the notes related to the Net Income to Adjusted Net Income Reconciliation.

Reconciliation of Non-GAAP Measures Notes (slides 9 and 10)

1. Includes amortization of intangible assets acquired as part of business acquisitions.
2. The goodwill impairments occurred during the first half of 2025 and primarily resulted from declines in the Company's share price. The second quarter was also impacted by a market-driven increase to the discount rate.
3. Restructuring and other charges represent amounts incurred in connection with the elimination of redundant positions to reduce overcapacity, align resources and facilities, and restructure certain operations.
4. Disposition-related costs are short-term incremental costs to support the transition services agreement associated with the sale of the Enabling Services Segment.
5. Represents one-time or incremental costs required to implement capabilities to exit the transition services agreement with the Company's former parent.
6. Includes adjustments to estimated contingent consideration on a sale of a facility, income related to services provided under transition services agreements, settlements related to litigation initiated prior to the spinoff of the Company as a standalone company, the yield expense incurred on amounts received under the Company's Receivables Securitization Program, non-recurring business advisory consulting costs, and amortization of implementation costs deferred in connection with cloud computing arrangements.
7. Income tax impact of adjustments represents the amount of additional tax expense that the Company estimates it would record if it used Non-GAAP results instead of GAAP results in the calculation of its provision.