Q3 2024 Earnings Presentation

11.08.2024

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 ability to leverage our competitive advantages to achieve or exceed market growth rates; our reliance on our former parent company, Laboratory Corporation of America Holdings to provide financial reporting and other financial and information for periods prior to the spin-off 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, which could cost more or take longer than anticipated; our ability to successfully implement our business strategies, improve margins, 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 be indicative of our future revenues and 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; 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; our ability to realize the full benefits from the divestiture of Endpoint Clinical and Fortrea Patient Access businesses; 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.*

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 Q3 2024 Highlights

Book-to-Bill of 1.23x in Q3 with key wins in both large pharma and biotech;
Trailing 12 Months Book-to-Bill of 1.15x

Continued expansion of Adjusted EBITDA in Q3

Q3 Ending Backlog increased 6.2% y/y to ~$7.6 billion

Sustained focus on cost structure and margin expansion:

- On track to exit majority of TSA[1] services by end of year
- TSA[1] exits lay the foundation for SG&A cost reduction in 2025

1 Transition services agreement with former parent

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

Leverage Competitive Advantages to Lay Foundation for Growth in '23

- Leverage existing scale, skills and capabilities
- Selective further organic investments to differentiate
- World-class customer relationship development

Improve Margins & Optimize the Business in '24

- Continued execution of growth and operational initiatives
- Exit TSAs with fit-for-purpose infrastructure
- Begin to align SG&A to benchmarks
- Improve workforce productivity

Disciplined Strategy to Drive Long-term Growth & Margins

- Positioned for sustained long-term growth
- Investing for further differentiation
- Operating within industry leading delivery cost structures
- Move to 2.5x to 3.0x leverage

Margin optimization program underway to increase EBITDA margins through 2024 and beyond

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Q3'24– Key Financial Highlights
Continuing Operations

($ in millions, except per share data)	Q3 2023	Q3 2024	% Change
Revenue	$713.8	$674.9	(5.4)%
Adj. EBITDA [1]	$68.2	$64.2	(5.9)%
% Adj. EBITDA Margin [1]	*9.6%*	*9.5%*	
Net Income (Loss)	$(16.1)	$(18.5)	14.9%
Net Income (Loss) / diluted share	$(0.18)	$(0.21)	16.7%
Adj. Net Income (Loss) [1]	$20.1	$20.7	3.0%
Adj. Net Income (Loss) / diluted share [1]	$0.23	$0.23	0.0%
Ending Backlog	$7,128	$7,571	6.2%

1 Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss) and Adjusted Net Income (Loss)/diluted share 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 [1] and Liquidity *($ in millions)*	YTD Q3 2024
Operating Cash Flow [1]	$245.7
Less: CAPEX	($28.7)
Free Cash Flow [2]	$217.0
Liquidity [3]	$555.3

Debt and Leverage *($ in millions)*	September 30 2024
Gross Debt [4]	$1,142.0
Cash [5]	$105.3
Net Debt [6]	$1,036.7
Net Leverage [7]	5.0x
Net DSO from continuing operations [8]	50 days

1 The cash flows related to discontinued operations have not been segregated and are included in the cash flow-related amounts shown above.
2 Free Cash Flow, a non-GAAP measure, is equal to Operating Cash Flow less Capital Expenditures.
3 Liquidity equals cash plus available borrowing capacity under the $450M revolving credit facility.
4 Gross Debt includes long-term and current notes, term loans and revolving credit facility balance, excluding debt issuance discount and fees.
5 Cash is defined as Cash and Cash Equivalents.
6 Net Debt, a non-GAAP measure, is defined as Gross Debt less Cash.
7 Net Leverage, a non-GAAP measure, is defined as Net Debt divided by TTM adj. EBITDA. Adj. EBITDA for the TTM ended September 30, 2024, was $205.4 million. Please see slide 9 for a reconciliation to the most comparable GAAP number for Q3 2024.
8 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 2Q24.

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2024 Financial Guidance
Continuing Operations

($ in millions)	Q3'24 Actuals	FY'24 Guidance [1] *(as of November 8th, 2024)*
Revenue	$674.9	$2,700 - $2,725
Adj. EBITDA[2]	$64.2	$220 - $240

1 Full-year 2024 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 Q3 2024.

Illustrative 2024 Sequential Adjusted EBITDA[1]

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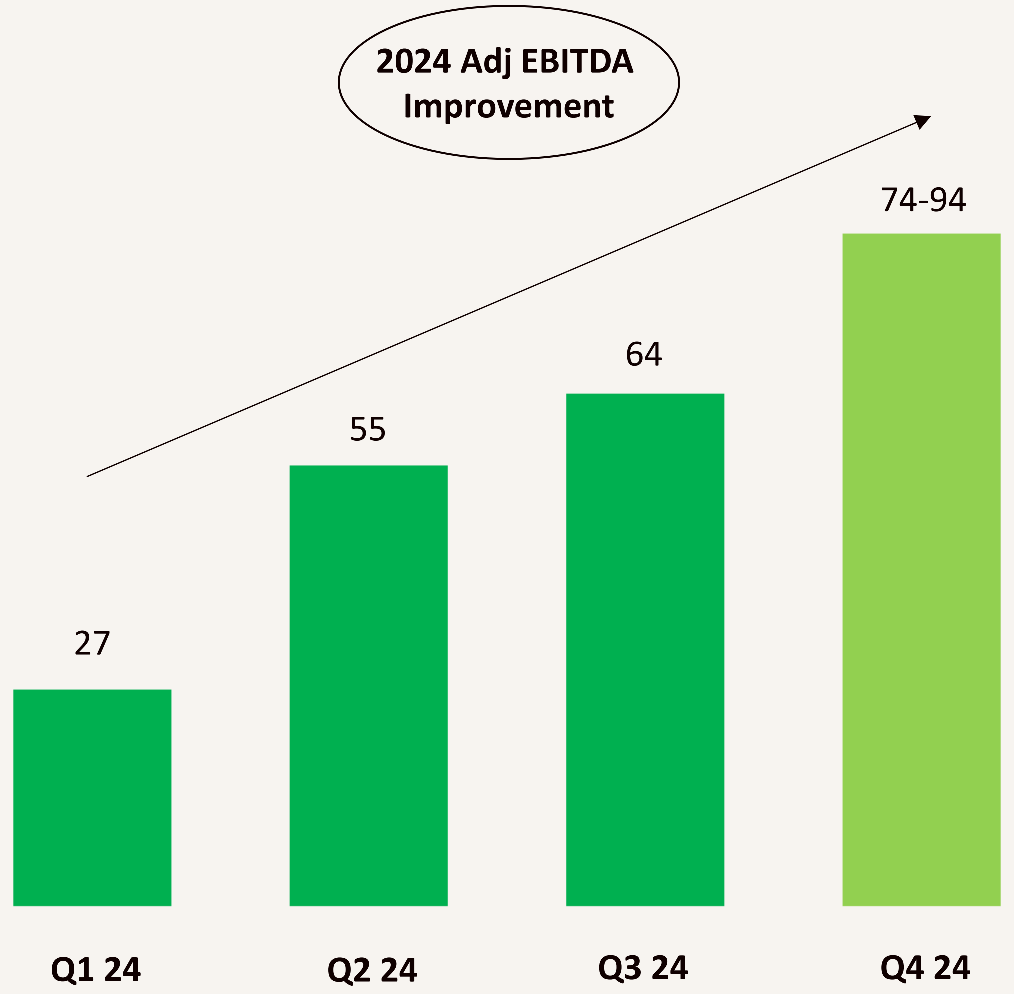

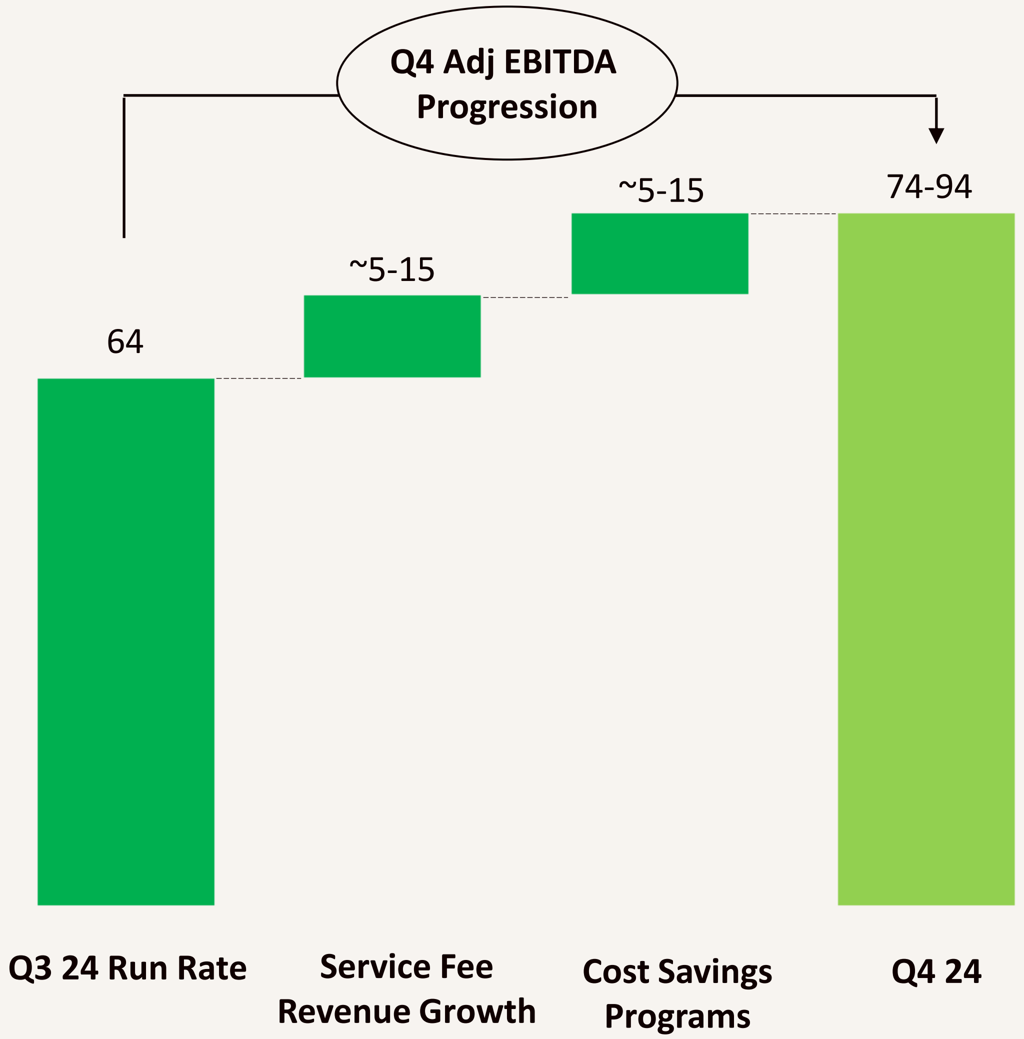

1. *Adjusted EBITDA Margin is a non-GAAP financial measure. See slide 9 for a reconciliation to the most comparable GAAP number*

Net Income to Adjusted EBITDA Reconciliation (Non-GAAP)

Continuing Operations

($ in millions)	Trailing Twelve Months Ended September 30, 2024	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Adjusted EBITDA from continuing operations:					
Net income (loss) from continuing operations	**$(246.2)**	**$(18.5)**	**$(16.1)**	**$(197.6)**	**$16.9**
Income tax (benefit) expense	(8.6)	(17.3)	(5.8)	(2.5)	7.3
Interest expense, net	136.4	22.4	34.6	101.9	35.2
Depreciation and amortization [1]	86.7	21.2	22.8	64.5	67.1
EBITDA from continuing operations	**(31.7)**	**7.8**	**35.5**	**(33.7)**	**126.5**
Foreign exchange loss	5.5	0.2	1.2	7.0	1.2
Restructuring and other charges [2]	30.2	8.9	12.7	23.3	16.9
Stock based compensation	56.7	13.0	10.5	41.9	25.6
Disposition-related costs [3]	7.3	5.9	0.0	7.3	0.0
One-time spin related costs [4]	123.1	27.0	6.1	97.9	6.1
Customer matter [5]	13.9	0.9	0.0	5.2	0.0
Enabling Services Segment costs [6]	12.4	0.0	5.4	7.3	14.1
Other [7]	(12.0)	0.5	(3.2)	(9.7)	(3.5)
Adjusted EBITDA from continuing operations	**$205.4**	**$64.2**	**$68.2**	**$146.5**	**$186.9**
Adjusted EBITDA Margin from continuing operations:					
Revenue from continuing operations	$2,709.1	$674.9	$713.8	$1,999.4	$2,132.8
Adjusted EBITDA Margin from continuing operations	7.6%	9.5%	9.6%	7.3%	8.8%

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

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

Continuing Operations

($ in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Adjusted net income from continuing operations:				
Net income (loss) from continuing operations	$(18.5)	$(16.1)	$(197.6)	$16.9
Foreign exchange loss	0.2	1.2	7.0	1.2
Amortization [1]	15.2	15.3	45.6	45.7
Restructuring and other charges [2]	8.9	12.7	23.3	16.9
Stock based compensation	13.0	10.5	41.9	25.6
Disposition-related costs [3]	5.9	0.0	7.3	0.0
One-time spin related costs [4]	27.0	6.1	97.9	6.1
Customer matter [5]	0.9	0.0	5.2	0.0
Enabling Services Segment costs [6]	0.0	5.4	7.3	14.1
Other [7]	0.5	(3.2)	(9.7)	(3.5)
Income tax impact of adjustments [8]	(32.4)	(11.8)	(14.7)	(23.8)
Adjusted net income from continuing operations	**$20.7**	**$20.1**	**$13.5**	**$99.2**
Basic shares	89.6	88.8	89.4	88.8
Adjusted basic earnings per share from continuing operations	$0.23	$0.23	$0.15	$1.12
Diluted shares	90.1	89.2	90.3	89.0
Adjusted diluted earnings per share from continuing operations	$0.23	$0.23	$0.15	$1.11

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

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

1. Includes 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 to reduce overcapacity, align resources and facilities, and restructure certain operations.
3. Disposition-related costs are short-term incremental costs to support the transition services agreement associated with the sale of the Enabling Services Segment.
4. Represents one-time or incremental costs required to implement capabilities to exit Transition Services Agreement with former parent.
5. As part of working with a customer, the Company has agreed to make concessions and provide discounts and other consideration to the customer as part of a multi-party solution.
6. These adjustments remove the impact of certain Enabling Services costs not included in discontinued operations. The Enabling Services Segment was sold in the second quarter of 2024.
7. Includes the recognition of a contingent consideration payment on a sale of a facility recorded in the second quarter of 2024, income related to services provided under Transition Services Agreements, and the yield expense incurred on amounts received under the Company's Receivables Securitization Program.
8. Income tax impact of adjustments calculated based on the tax rate applicable to each item.