



Q4 2024 Earnings Presentation

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Fortrea Q4'2024 Earnings presentation



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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 Q4 2024 Highlights

Book-to-Bill of 1.35x in Q4 with key wins in both large pharma and biotech;
Second half 2024 Book-to-Bill of 1.29x

Revenue broadly in-line with low end of guidance range. Adj. EBITDA versus guidance range impacted by lower billable hours in Q4, along with higher SG&A costs

Q4 Ending Backlog increased 4.2% y/y to ~\$7.7 billion

Focus shifting from transition to transformation:

- Successfully met our TSA¹ exit targets for December 31, 2024
- Continued drive for strong bookings and customer satisfaction
- TSA¹ exits lay the foundation for SG&A cost reduction in 2025
- Additional restructuring programs initiated in Q4

¹ Transition Services Agreement with former parent

Q4'24– Key Financial Highlights

Continuing Operations

	Q4 2023	Q4 2024	% Change
<i>(\$ in millions, except per share data)</i>			
Revenue	\$709.7	\$697.0	(1.8)%
Adj. EBITDA ¹	\$58.9	\$56.0	(4.9)%
<i>% Adj. EBITDA Margin ¹</i>	8.3%	8.0%	
Net Loss	\$(48.6)	\$(73.9)	52.1%
Net Loss / diluted share	\$(0.55)	\$(0.82)	49.1%
Adj. Net Income ¹	\$12.7	\$16.6	30.7%
Adj. Net Income / diluted share ¹	\$0.14	\$0.18	28.6%
Ending Backlog	\$7,391	\$7,699	4.2%

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 7 and 8 for a reconciliation to the most comparable GAAP number.

Cash Flow and Liquidity Profile

Cash Flow ¹ and Liquidity (\$ in millions)	YTD Q4
	2024
Operating Cash Flow ¹	\$262.8
Less: CAPEX ²	(\$25.5)
Free Cash Flow ³	\$237.3
Liquidity ⁴	\$568.5

Debt and Leverage (\$ in millions)	December 31
	2024
Gross Debt ⁵	\$1,142.0
Cash ⁶	\$118.5
Net Debt ⁷	\$1,023.5
Net Leverage ⁸	5.1x
Net DSO from continuing operations ⁹	40 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 Capital expenditures reflects the reclassification of \$10.2M of deferrals related to the implementation of a cloud computing arrangement to operating cash flows. There was no impact of this reclassification on free cash flow.

³ Free Cash Flow, a non-GAAP measure, is equal to Operating Cash Flow less Capital Expenditures.

⁴ Liquidity equals cash plus available borrowing capacity under the \$450M revolving credit facility.

⁵ Gross Debt includes long-term and current notes, term loans and revolving credit facility balance, excluding debt issuance discount and fees.

⁶ Cash is defined as Cash and Cash Equivalents.

⁷ Net Debt, a non-GAAP measure, is defined as Gross Debt less Cash.

⁸ Net Leverage, a non-GAAP measure, is defined as Net Debt divided by TTM adj. EBITDA. Adj. EBITDA for the TTM ended December 31, 2024, was \$202.5 million. Please see slide 7 for a reconciliation to the most comparable GAAP number for Q4 2024.

⁹ 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.

2025 Financial Guidance

(as of March 3rd, 2025)

Continuing Operations

	FY'24 Actuals	FY'25 Guidance ¹ FX as of Dec 31, 2024
(\$ in millions)		
Revenue	\$2,696.4	\$2,450 - \$2,550
Adj. EBITDA ²	\$202.5	\$170 - \$200

¹ Full-year 2025 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 7 for a reconciliation to the most comparable GAAP number for 2024.

Net Income to Adjusted EBITDA Reconciliation (Non-GAAP)

Continuing Operations

(\$ in millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Adjusted EBITDA from continuing operations:				
Net income (loss) from continuing operations	\$ (73.9)	\$ (48.6)	\$ (271.5)	\$ (31.7)
Income tax (benefit) expense	(1.0)	(6.1)	(3.5)	1.2
Interest expense, net	21.9	34.5	123.8	69.7
Depreciation and amortization ¹	20.8	22.2	85.3	89.3
EBITDA from continuing operations	(32.2)	2.0	(65.9)	128.5
Foreign exchange (gain) loss	3.6	(1.5)	10.6	(0.3)
Restructuring and other charges ²	27.9	6.9	51.2	23.8
Stock based compensation	15.3	14.8	57.2	40.4
Disposition-related costs ³	6.1	0.0	13.4	0.0
One-time spin related costs ⁴	32.1	25.2	130.0	31.3
Customer matter ⁵	0.8	8.7	6.0	8.7
Enabling Services Segment costs ⁶	0.0	5.1	7.3	19.2
Other ⁷	2.4	(2.3)	(7.3)	(5.8)
Adjusted EBITDA from continuing operations	\$56.0	\$58.9	\$202.5	\$245.8
Adjusted EBITDA Margin from continuing operations:				
Revenue from continuing operations	\$697.0	\$709.7	\$2,696.4	\$2,842.5
Adjusted EBITDA Margin from continuing operations	8.0%	8.3%	7.5%	8.6%

Refer to slide 9 for the notes related to the Net Income to Adjusted EBITDA Reconciliation.

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

Continuing Operations

(\$ in millions, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Adjusted net income from continuing operations:				
Net income (loss) from continuing operations	\$(73.9)	\$(48.6)	\$(271.5)	\$(31.7)
Foreign exchange (gain) loss	3.6	(1.5)	10.6	(0.3)
Amortization ¹	15.2	15.0	60.8	60.7
Restructuring and other charges ²	27.9	6.9	51.2	23.8
Stock based compensation	15.3	14.8	57.2	40.4
Disposition-related costs ³	6.1	0.0	13.4	0.0
One-time spin related costs ⁴	32.1	25.2	130.0	31.3
Customer matter ⁵	0.8	8.7	6.0	8.7
Enabling Services Segment costs ⁶	0.0	5.1	7.3	19.2
Other ⁷	2.4	(2.3)	(7.3)	(5.8)
Income tax impact of adjustments ⁸	(12.9)	(10.6)	(27.6)	(34.4)
Adjusted net income from continuing operations	\$16.6	\$12.7	\$30.1	\$111.9
Basic shares	89.7	88.8	89.5	88.8
Adjusted basic earnings per share from continuing operations	\$0.18	\$0.14	\$0.34	\$1.26
Diluted shares	90.2	89.7	90.3	89.0
Adjusted diluted earnings per share from continuing operations	\$0.18	\$0.14	\$0.33	\$1.26

Refer to slide 9 for the notes related to the Net Income to Adjusted Net Income Reconciliation.

Reconciliation of Non-GAAP Measures Notes (slides 7 and 8)

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. Approximately \$21.3M was recorded in the fourth quarter related to a restructuring plan to reduce overcapacity, which we expect to complete by the end of 2025.
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 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 Spin, Founders share awards, 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.