



**TETRA TECH**

**Q2-20**

# **EARNINGS CALL**

April 30, 2020

**Dan Batrack, Chairman & CEO**  
**Steve Burdick, Executive VP & CFO**



**WATER**

**ENVIRONMENT**

**SUSTAINABLE INFRASTRUCTURE**

*Leading with Science®*



# Forward Looking Statements & Non-GAAP Financial Measures

Certain statements contained in this presentation are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties, such as those related to fluctuations in the Company's quarterly operating results and stock price, and the other risks detailed from time to time in the Company's SEC reports.

To supplement the financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we present certain non-GAAP financial measures within the meaning of Regulation G under the Securities Exchange Act of 1934, as amended. We provide these non-GAAP financial measures because we believe they provide a valuable perspective on our financial results. However, non-GAAP measures have limitations as analytical tools and should not be considered in isolation and are not in accordance with, or a substitute for, GAAP measures. In addition, other companies may define non-GAAP measures differently which limits the ability of investors to compare non-GAAP measures of Tetra Tech to those used by our peer companies. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in the Appendix to this presentation.



# COVID-19 Response

- #1 Priority - Health and safety of our employees, clients and communities
- Activated our Business Continuity Plan globally
  - ✓ 95% of staff are working remotely
  - ✓ All 450 global offices are operational and supporting our programs and projects
- *Leading with Science*® to address the worldwide challenges of COVID-19



# Resilient Business Model



*Leading  
with  
Science®*

- #1 Water firm for the past 17 years in a row\*
- #1 Environmental firm for the past 11 years in a row\*



**Strong  
Financial  
Position**

- Consistent financial performance: +19% EPS CAGR (FY15 – FY19)
- Low leverage: Net Debt/EBITDA @ 0.8x
- \$3 Billion Backlog – funded and authorized



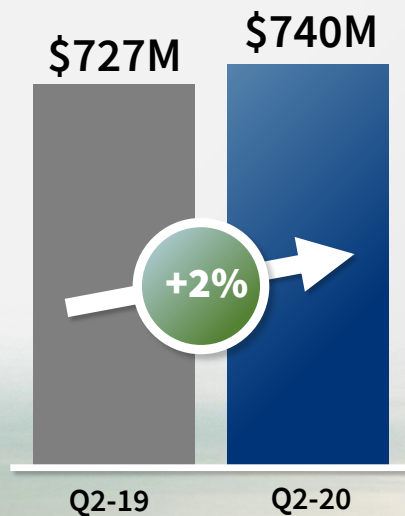
**Focus on Critical  
Water and  
Environment**

- Technically differentiated: Leader in advanced analytics
- Provides essential services for critical water and environment sectors

\* As ranked by Engineering News-Record (ENR)

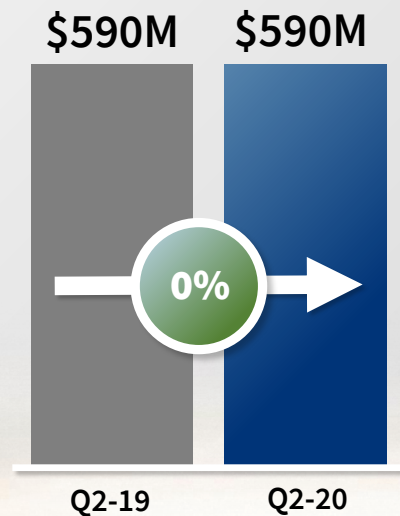
# Q2-20 Results

## Revenue



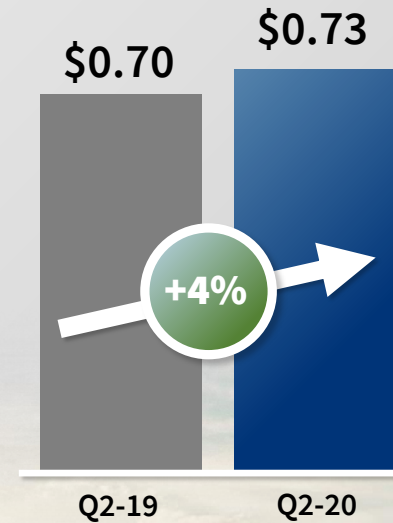
\*Revenue +14%

## Net Revenue

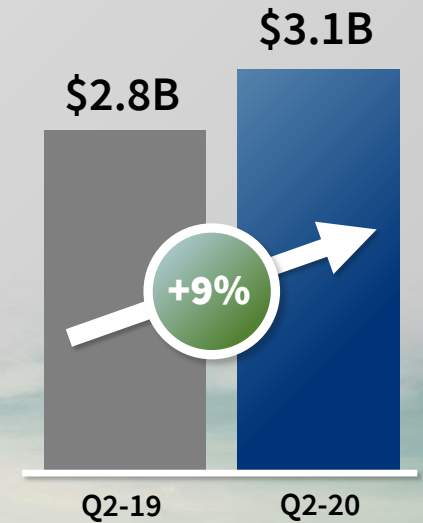


\*Net Revenue +13%

## EPS



## Backlog



Note: Financial measures (non-GAAP) and Y/Y presented on adjusted basis. Refer to appendix for reconciliation summary.

\* Excluding Q2-19 disaster recovery and Canadian turnkey pipeline disposition.



# Q2-20 Reconciliation Summary

(\$ in millions, except EPS)

	Revenue	Net Revenue	EPS	Backlog
<b>Adjusted</b>	<b>\$740</b>	<b>\$590</b>	<b>\$0.73</b>	<b>\$3,062</b>
Non-core Equipment Disposition	—	—	0.03	—
Earn-outs	—	—	0.02	—
COVID-19 Actions	—	—	(0.11)	—
FX	(6)	(6)	(0.01)	(73)
<b>GAAP</b>	<b>\$734</b>	<b>\$584</b>	<b>\$0.66</b>	<b>\$2,989</b>

# Cash Flow Overview

## Cash Flow from Operations (\$ in millions)

\$115

\$101

Q2-19

Q2-20

TTM: 133%  
Cash Flow /  
Net Income

## Net Debt (\$ in millions)

\$138

\$211

Q2-19

Q2-20

Net debt/  
EBITDA: 0.8x

## DSO

78

71

Q2-19

Q2-20

7-day  
improvement  
Y/Y

# Liquidity and Capital Allocation

## Q2-20



### Acquisitions

- Segue – Federal IT, February 2020

### Return to Shareholders

- \$8.2M in dividends in Q2
- Increasing dividend by 13%
- \$60M buyback in Q2; \$243M buyback capacity

### Liquidity & Leverage

- Net Debt/EBITDA: 0.8x
- Cash: \$135M
- Access to capital: \$639M









# Leading Positions in Critical Water and Environment Sectors

Sector	Tt Leading Position	Key Attribute
 Water & Wastewater Systems	<ul style="list-style-type: none"><li>• ENR: #1 Water</li></ul>	<ul style="list-style-type: none"><li>• Front end consulting and design focus</li></ul>
 Renewable Energy	<ul style="list-style-type: none"><li>• ENR: #1 Dams &amp; Reservoirs</li><li>• ENR: #1 Hydro and Wind Power</li></ul>	<ul style="list-style-type: none"><li>• Renewable Portfolio Standards</li></ul>
 Government Services	<ul style="list-style-type: none"><li>• ENR: #1 Environmental Management</li></ul>	<ul style="list-style-type: none"><li>• \$18B U.S. Federal contract capacity</li></ul>
 Emergency Services	<ul style="list-style-type: none"><li>• 400 standing contracts with municipalities</li></ul>	<ul style="list-style-type: none"><li>• Environmental and infrastructure resilience</li></ul>

# Customer Outlook Update

Customer	% Net Revenue	Previous Outlook	Current Impact	Tetra Tech Status/Strategy
 U.S. Federal	30%	Up 5% to 10%	Low	<ul style="list-style-type: none"> <li>• Resilient with least impact</li> <li>• Focus on priority programs</li> </ul>
 U.S. State & Local	15%	Up 10% to 15%*	Low / Medium	<ul style="list-style-type: none"> <li>• Essential water programs</li> <li>• Focus on intelligent capital planning</li> </ul>
 U.S. Commercial	25%	Up 3% to 8%	Medium / High	<ul style="list-style-type: none"> <li>• Discretionary spending disrupted</li> <li>• Focus on regulatory driven programs</li> </ul>
 International	30%	Up 7% to 12%	Medium	<ul style="list-style-type: none"> <li>• 50% Government – stable</li> <li>• 50% Commercial – discretionary down</li> </ul>

\* Excluding Disaster Response

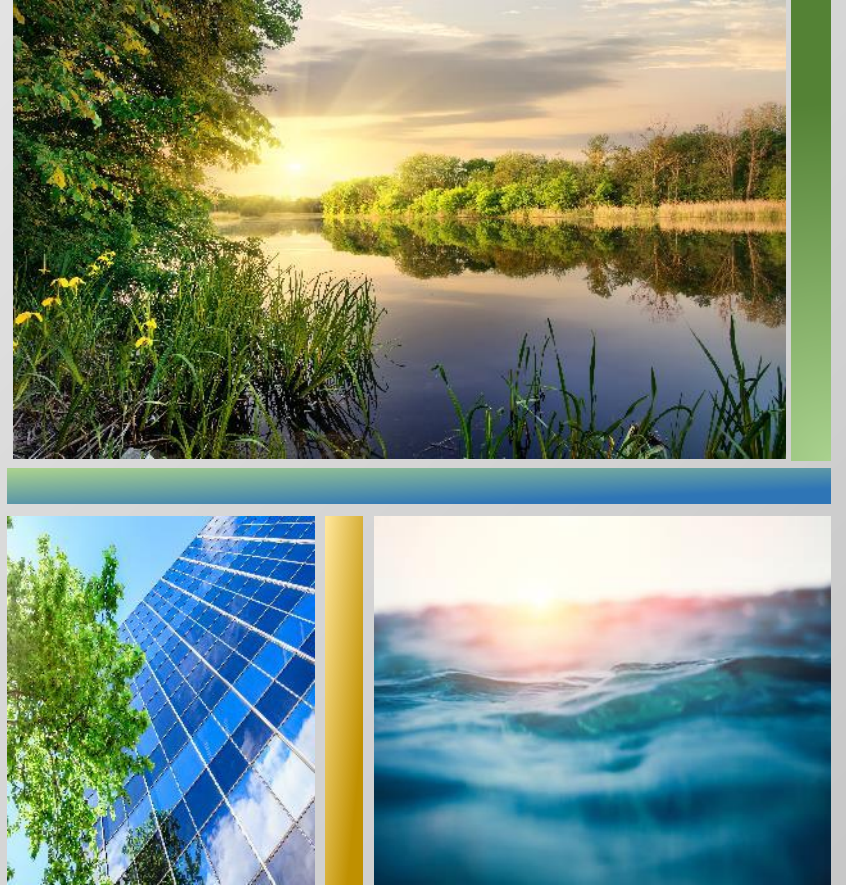
# Guidance

- Second half of fiscal 2020 cannot be estimated with precision at this time
- Withdrawing previously provided net revenue and EPS fiscal 2020 guidance
- Duration of stay-at-home orders and macroeconomic impacts are unknown
- Will update outlook when clarity is improved



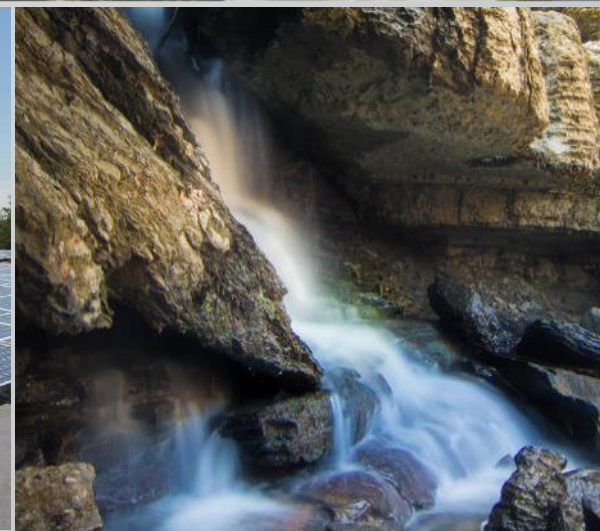
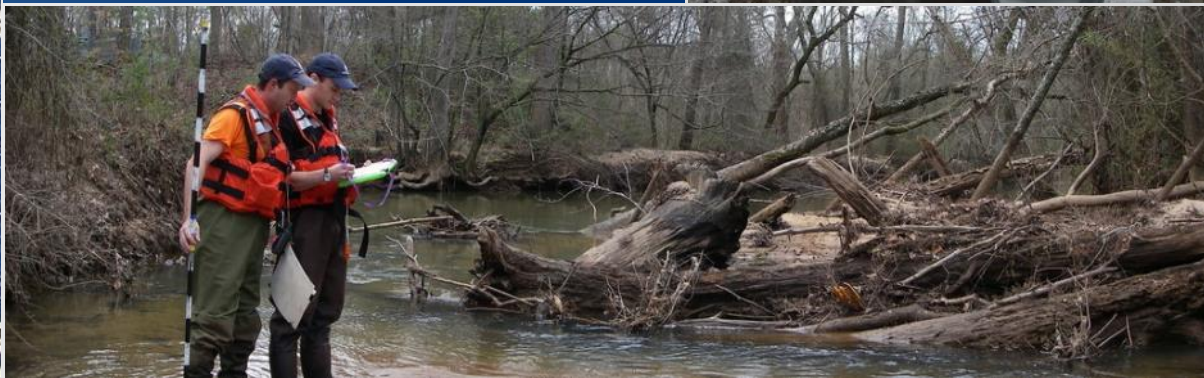
# Summary

- Well-positioned to address global challenges in water, environment and climate change
- Ended Q2 at near record backlog
- Strong balance sheet and access to capital
- Resilient and technically differentiated business model – *Leading with Science*®





# Questions & Answers







TETRA TECH

# APPENDIX



WATER

ENVIRONMENT

SUSTAINABLE INFRASTRUCTURE



# Reconciliation Summary

(\$ in millions, except EPS)

**Q2-20**

	Revenue	Net Revenue	Operating Income	EPS	Backlog
<b>Adjusted</b>	<b>\$740</b>	<b>\$590</b>	<b>\$53.0</b>	<b>\$0.73</b>	<b>\$3,062</b>
Non-core Equipment Disposition	—	—	2.2	0.03	—
Earn-outs	—	—	1.0	0.02	—
COVID-19 Actions	—	—	(8.2)	(0.11)	—
FX	(6)	(6)	(0.5)	(0.01)	(73)
<b>Total</b>	<b>\$734</b>	<b>\$584</b>	<b>\$47.5</b>	<b>\$0.66</b>	<b>\$2,989</b>

**Q2-19**

	Revenue	Net Revenue	Operating Income	EPS
<b>Adjusted</b>	<b>\$727</b>	<b>\$590</b>	<b>\$54.5</b>	<b>\$0.70</b>
RCM	(4)	(5)	(6.0)	(0.08)
Earn-outs	—	—	(1.0)	(0.01)
Non-recurring tax benefit	—	—	—	0.39
<b>Total</b>	<b>\$723</b>	<b>\$585</b>	<b>\$47.5</b>	<b>\$1.00</b>

# Premier Global Consulting and Engineering Firm

