

Onterris: A Review Without a Bid

Internal ID: S&F-STR-434

Topic: Mergers & Acquisitions, Competitive Strategy, Customer Strategy

Industry: Environmental & Facilities Services

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Information cutoff: August 31, 2026, 11:59 p.m. Eastern Time

On August 5, Onterris, Inc. announced a Board-led strategic review. The review covers the company's business, portfolio, capital allocation, long-range plan and strategic alternatives. The Board said it would evaluate acquisition interest in Onterris, other value-creating transactions-including acquisitions-operational initiatives, and continued execution of the standalone plan. It set no timetable and gave no assurance of a transaction or other outcome.

By August 31, Onterris had disclosed no bidder, offer, proposed price, acquisition target or preferred path. The company had, however, just lowered its 2026 outlook after a weak second quarter, while maintaining its forecast for second-half cash generation and margin expansion. It also reported continuing demand in parts of its business and more than \$9 million of first-half project awards from a long-standing global client. The public record offered competing signals, but no transaction to value.

The assignment

For this classroom exercise, you are part of a **constructed strategy-and-finance team** asked to prepare a decision framework for Onterris's Board and management during the announced review. This is not a disclosed company assignment or a claim about a private Board discussion.

Recommend how the company should compare the standalone plan with the other alternatives already within the review. Explain what evidence should control that comparison, how to protect the review's credibility, and what operating and capital-allocation priorities should continue while the review proceeds. You may conclude that more than one path should remain open. Do not assume a buyer, bid, transaction timetable, fixed budget or outcome.

Company and business context

Onterris was formerly Montrose Environmental Group, Inc.; the same Delaware registrant adopted the Onterris name in April 2026. The company describes itself as an environmental-services provider serving industrial, government and other clients across consulting, treatment, measurement and analysis. As of June 30, 2026, it reported approximately 120 offices and 3,500 employees.

At the start of 2026, Onterris changed its reportable segments. Its former Assessment, Permitting and Response and Remediation and Reuse segments were combined into **Consulting and Treatment; Measurement and Analysis** remained separate. The company recast prior-period segment comparisons, but did not restate its consolidated comparative financial statements. Historical and current segment data therefore need to be read on the company's stated basis.

The FY2025 10-K describes a fragmented environmental-services market. It names competitors by former service segment, including ERM, Ramboll, Geosyntec, Exponent and WSP in Assessment, Permitting and Response; SGS, TRC Companies, Eurofins and Pace Analytical in Measurement and Analysis; and Tetra Tech, AECOM, Xylem, Veolia and Mead & Hunt in Remediation and Reuse. These are issuer-identified competitors, not market-share or valuation data. The 10-K says some competitors are broad divisions of larger groups while others focus on a service or geography. The 2026 reporting change makes service-level comparisons more useful than treating old segments as unchanged businesses.

Onterris also reported that clients engaging it for more than one service accounted for 62.1% of FY2025 revenue, up from 53.3% in FY2024. This is a share of revenue, not a share of customers, and the company does not define the measure as cross-segment use. The same annual report says three customers accounted for 56.9% of FY2025 revenue in the legacy Assessment, Permitting and Response segment; its largest client represented 17.8% of total company revenue, derived from more than 285 projects including a large emergency-response event. Those annual, pre-realignment figures show both service overlap and concentration exposure. They do not quantify cross-selling, incremental margin or synergy, and the two percentages use different denominators.

A difficult comparison

For the three months ended June 30, Onterris reported revenue of \$186.7 million, down from \$234.5 million a year earlier. GAAP net income was \$1.4 million, compared with \$18.4 million. Consolidated Adjusted EBITDA, a company-defined non-GAAP measure, declined from \$39.6 million to \$31.9 million. Its margin nevertheless rose to 17.1% from 16.9%.

The prior-year Q2 and first-half comparisons each include the same \$53.6 million emergency-response event; it is one event appearing in both period comparisons, not two events to add together. Emergency-response revenue fell to \$10.8 million in Q2 2026 from \$48.5 million a year earlier. Management describes this work as difficult to predict and warns that event-driven periods may not indicate future results. Yet the revenue decline was not purely a response comparison: the company also reported lower revenue in several service lines. Consulting revenue grew \$3.5 million, partly offsetting declines.

Onterris's recast segment results show a similar mix of pressure and resilience. Consulting and Treatment revenue fell to \$125.6 million from \$171.7 million; its Segment Adjusted EBITDA fell to \$27.9 million from \$37.6 million, while margin edged up to 22.2% from 21.9%. Measurement and Analysis revenue fell to \$61.1 million from \$62.8 million; Segment Adjusted EBITDA fell to \$16.0 million from \$18.3 million, and margin declined to 26.2% from 29.1%. Segment Adjusted EBITDA is the measure reviewed by the chief operating decision maker; it is not GAAP operating income or segment net profit.

The company reduced full-year 2026 revenue guidance to \$740-790 million from \$840-900 million. Consolidated Adjusted EBITDA guidance fell to \$117-120 million from \$125-130 million. The company attributed the revenue reduction to lower pass-through revenue, lower emergency-response revenue and other reductions. The revised outlook excludes future acquisitions and emergencies that have not occurred.

The outlook still assumes a substantial second-half contribution. Management expects \$70-80 million of second-half operating cash flow, conversion of 60% of full-year Adjusted EBITDA into operating cash flow and approximately 2.5x year-end leverage. Those are forecasts. Through June 30, operating cash flow was negative \$5.5 million, compared with positive \$27.4 million in the first half of 2025. Working capital used \$37.8 million, versus \$26.2 million a year earlier.

The company reported \$12.7 million of cash and \$148.1 million of availability under its secured revolving credit facility at June 30, for \$160.8 million of available liquidity. Facility availability is not cash on hand and is subject to borrowing-base limits and covenants. Facility leverage was 3.2x at June 30. The credit agreement restricts certain acquisitions, dispositions, mergers and restricted payments, subject to exceptions and conditions. The June figures do not establish August balances or transaction-specific borrowing capacity.

Capital allocation and review context

Onterris had spent \$30 million repurchasing approximately 1.6 million shares during the first half under a \$40 million authorization adopted in 2025. The remaining authorization is not a requirement to repurchase stock or unrestricted cash. The company also paid \$10.8 million of contingent consideration during the first half. It completed no business acquisitions in H1 2026. It disclosed no target, pipeline, acquisition budget or expected return.

The August 5 release says the Board adopted a rights plan after an “undisclosed accumulation” of shares and derivatives; it describes the plan as intended to safeguard the Board-led review. An August 14 Schedule 13G filed by two Nomura entities reports the same 2,097,249-share, 6% position for each filer. Their disclosed shares are not additive; the filing certifies ordinary-course ownership without a control purpose. The public record reviewed does not connect Nomura to the accumulation mentioned in the rights-plan release. The 13G is ownership context, not evidence of a bidder or activist campaign.

On August 13, Onterris announced more than \$9 million of project awards secured during the first half from a long-standing, unnamed global energy client. The issuer said the work builds on a multi-million-dollar, five-year contract awarded in 2025. It did not report the awards as recognized revenue, backlog, expected profit or cash. The news offers some counterevidence to a uniformly weak-demand view, but it cannot be added dollar-for-dollar to the forecast.

Exhibit 1. Q2 operating results

\$ millions, except margins and EPS	Q2 2025	Q2 2026
Revenue	234.5	186.7
GAAP operating income	14.9	6.5
GAAP net income	18.4	1.4
Diluted EPS attributable to common stockholders	\$0.42	\$0.04
Consolidated Adjusted EBITDA (non-GAAP)	39.6	31.9
Adjusted EBITDA / revenue	16.9%	17.1%

Source: P1 statements and MD&A; P2 release. Q2 periods ended June 30. Adjusted EBITDA and its margin are company-defined non-GAAP measures; see the source key. Amounts rounded from issuer-reported figures.

Exhibit 2. Q2 segment performance on the 2026 recast basis

Segment / period	Revenue 2025	Revenue 2026	Segment Adjusted EBITDA 2025	Segment Adjusted EBITDA 2026	Margin 2025	Margin 2026
Consulting and Treatment, Q2	\$171.7m	\$125.6m	\$37.6m	\$27.9m	21.9%	22.2%
Measurement and Analysis, Q2	\$62.8m	\$61.1m	\$18.3m	\$16.0m	29.1%	26.2%

Source: P1 Note 19 and MD&A. Prior-period segment data were recast for the 2026 reporting structure. Segment Adjusted EBITDA is a non-GAAP segment measure and is not equivalent to GAAP operating income or segment net income. Dollar values rounded.

Exhibit 3. Revised 2026 outlook and liquidity

Management outlook / reported June 30 position	Earlier outlook / 2025 comparison	August update / June 30, 2026
Full-year revenue guidance	\$840-900m	\$740-790m
Full-year Consolidated Adjusted EBITDA guidance	\$125-130m	\$117-120m
Q3 2026 revenue outlook	-	\$190-210m
H2 2026 operating cash-flow expectation	-	\$70-80m
Year-end leverage expectation	-	Approximately 2.5x
June 30 cash	-	\$12.7m
June 30 revolver availability	-	\$148.1m
Total available liquidity at June 30	-	\$160.8m
Facility leverage at June 30	-	3.2x

Source: P1 liquidity and credit disclosures; P2 revised guidance and cash-flow outlook. Forward figures are management forecasts, not realized results. June 30 cash plus revolver availability equals reported available liquidity; availability is borrowing capacity subject to borrowing-base and covenant limits, not cash on hand. Adjusted EBITDA is non-GAAP.

Exhibit 4. Disclosed review scope and information boundary

Publicly disclosed by cutoff	Not established in reviewed public materials
Board-led review of business, portfolio, capital allocation, long-range plan and strategic alternatives	A bidder, offer, price, probability, preferred path or transaction timetable
Evaluation of acquisition interest in Onterris, other value-creating transactions (including acquisitions), operational initiatives and continued standalone execution	A sale candidate, named acquisition target, acquisition pipeline or project-level return case
Outside financial and legal advisers assist the review; the issuer gave no assurance of a transaction or other outcome	Segment-level cash flows, separation costs, synergies, transaction financing or proceeds waterfall
Rights plan described by the Board as process protection after an undisclosed accumulation	Public evidence linking Nomura's later 13G to the referenced accumulation or showing activist intent

Sources: P2 release and P3 rights-plan filing; P8 Schedule 13G. This exhibit separates issuer statements from information not established by the cutoff record.

Discussion questions

1. What should serve as the reference case in the Board's review: continued standalone execution, a transaction/portfolio alternative, or a parallel process? What evidence supports your choice?
2. Which criteria and evidence gates should the Board use to compare standalone operations, acquisition opportunities, and any acquisition interest in Onterris? Which inputs are missing?
3. How should the company treat operating priorities and capital allocation while the review proceeds? Address the remaining repurchase authorization, selective acquisitions, liquidity, leverage and client service without assuming unused capacity is unrestricted.
4. What process safeguards and stakeholder considerations matter given the rights plan, the 13G and the absence of a disclosed bidder or offer?

Student source key

- **P1 - Q2 2026 Form 10-Q**, period ended June 30, accession 0001193125-26-337925, accepted August 6, 2026, 16:02:46 ET. [SEC filing index](#) · [Filing](#). GAAP statements lines 163-197; Item 1 issuer scale and 2026 segment transition lines 343-356; Note 7 states no H1 2026 business acquisitions, lines 547-550; liquidity/debt lines 656-680 and 1375-1417; segment results Note 19 lines 914-946 and MD&A lines 1314-1373; revenue drivers/emergency-response discussion lines 1187-1189 and 1347-1359.
- **P2 - Q2 results and Board-led strategic-review release**, furnished with 8-K accession 0001193125-26-335022, accepted August 5, 2026, 16:04:16 ET. [SEC index](#) · [Exhibit 99.1](#). Results and guidance lines 6-79; review scope lines 121-124; rights-plan purpose lines 126-129; non-GAAP definitions and reconciliations lines 391-456.
- **P3 - Rights Plan 8-K**, accession 0001193125-26-335121. [SEC filing](#).
- **P4 - Name-change 8-K**, accession 0001193125-26-166730, accepted April 21, 2026, 16:05:15 ET. [SEC index](#) · [8-K](#). Item 5.03, lines 71-78; Onterris name effective April 17 and ticker effective May 4, 2026.
- **P5 - August 13 issuer award release**. [Direct release](#), lines 194-200.
- **P8 - August 14 Schedule 13G**, accession 0000905148-26-003681. [SEC index](#) · [Filing](#). Cover pages lines 41-94; reporting parties and certification lines 102-103 and 150-151.
- **P10 - FY2025 Form 10-K**, accession 0001193125-26-076511, accepted February 26, 2026, 16:02:43 ET. [SEC index](#) · [Readable SEC-filed annual report PDF](#). Client concentration and multi-service disclosures: Item 1, "Business," printed p. 8 / PDF p. 9, lines 329-339; competition context: printed pp. 9-10.
- **P9 - Cutoff-eligible IR archive and event pages**. [Presentations archive](#) · [May 7 Q1 event](#) · [June 4 conference event](#) · [August 5 Q2 event](#). Used only to describe the public information boundary: archive/event pages list presentations, call/webcast materials and a Q2 addendum. Linked PDF/audio contents were not verified and are not used as factual inputs.

Information boundary: This case uses information available by August 31, 2026, 11:59 p.m. ET. The official issuer archive lists cutoff-eligible presentations and call/webcast materials, but their linked contents were not verified and are not used. The Q2 written release lists a 17:30 ET call time while the event page shows 17:15 ET; the discrepancy is unresolved, and no call timing or spoken remarks are relied on. No transcript was identified or used. September

releases and later information are excluded.