

Earnings Release Call Second Quarter 2023

August 4, 2023

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COMPANY

Forward-Looking Statements & Non-GAAP Measures

Certain statements contained in this document are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act. These statements do not relate to strictly historical or current facts and provide current expectations or forecasts of future events. Any such expectations or forecasts of future events are subject to a variety of factors. These include factors that affect all businesses operating in a global market as well as matters specific to us and the markets we serve. Particular risks and uncertainties presently facing us include: geopolitical and economic uncertainty throughout the world; uncertainty surrounding the impacts and duration of the COVID-19 pandemic; our ability to comply with global laws and regulations; our ability to adapt to customer pricing sensitivities; the competition in our business; fluctuations in the cost, quality or availability of raw materials and purchased components; our ability to adjust pricing to respond to cost pressures; unforeseen product liability claims or product quality issues; our ability to attract, retain and develop key personnel and create effective succession planning strategies; our ability to effectively develop and manage strategic planning and growth processes and the related operational plans; our ability to successfully upgrade and evolve our information technology systems; our ability to successfully protect our information technology systems from cybersecurity risks; the occurrence of a significant business interruption; our ability to maintain the health and safety of our workers; our ability to integrate acquisitions; and our ability to develop and commercialize new innovative products and services. We caution that forward-looking statements must be considered carefully and that actual results may differ in material ways due to risks and uncertainties both known and unknown. Information about factors that could materially affect our results can be found in our 2022 Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. Investors are advised to consult any further disclosures by us in our filings with the Securities and Exchange Commission and in other written statements on related subjects. It is not possible to anticipate or foresee all risk factors, and investors should not consider any list of such factors to be an exhaustive or complete list of all risks or uncertainties.

Executive Summary

- ✓ Record net sales quarter
- ✓ 2023 Q2 organic sales growth of 15%
 - Net sales driven by delivering on backlog, base business relatively flat
- ✓ Q2 Adjusted EBITDA* improves to \$57.6M
 - 17.9% of net sales – up from 10.8% Q2 '22
 - Sequential quarterly improvement versus Q1
- ✓ Backlog of ~\$255M
 - Reduced ~\$43M from Q1 '23
- ✓ Over 100% FCF conversion from net income
- ✓ Increase full-year guidance for 2023
 - Net Sales of \$1.2B - \$1.25B
 - Adjusted EBITDA* of \$175M - \$190M

In millions of USD, except adjusted diluted EPS

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	Q2 2023	Q2 2022	% Change
Net Sales	\$321.7	\$280.2	14.8%
Adjusted EBITDA*	\$57.6	\$30.3	90.1%
Adjusted Diluted EPS*	\$1.86	\$0.92	102.2%

*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

Innovation and Sustainability



Product Launches North America

- Enhances existing lineup of ride-on sweepers
- Smaller size and improved maneuverability at an affordable price



Autonomous Robotics – T16AMR

- Used in industrial applications like logistics and manufacturing
- Works alongside cleaning staff, saving time and money



Thriving People. Healthy Planet.

- 2023 Sustainability Report – coming soon
- Net Zero GHG Target – 2040
- Women in leadership ambition, strengthen workforce



S680 Ride-on Sweeper

S880 Ride-on Sweeper



T16AMR Industrial Scrubber



Continued leadership with an emphasis on creating a cleaner, safer, and healthier world

Tennant Company

Financial Results Second Quarter 2023



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Second Quarter 2023 Financial Performance

Net Income



In millions of USD

Adjusted Diluted EPS*



Net Income

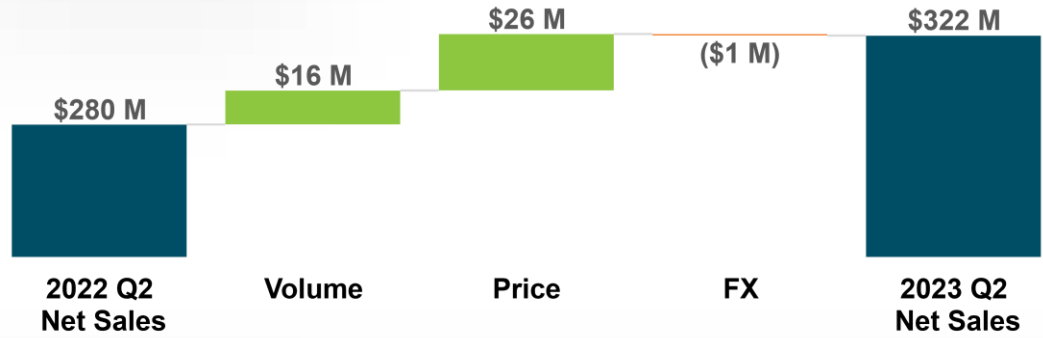
- ▶ Q2 2023 net income of \$31.3M increased \$14.7M compared to the same period last year
- ▶ Interest expense of \$4.0M increased \$2.8M in Q2 2023 compared to the prior-year period
- ▶ Effective tax rate of 21.6% in Q2 2023 compared to 18.2% in the same period last year

Adjusted Diluted EPS*

- ▶ Q2 2023 Adjusted EPS of \$1.86 per diluted share compared to \$0.92 per diluted share in the same period last year

Second Quarter 2023 – Net Sales Performance

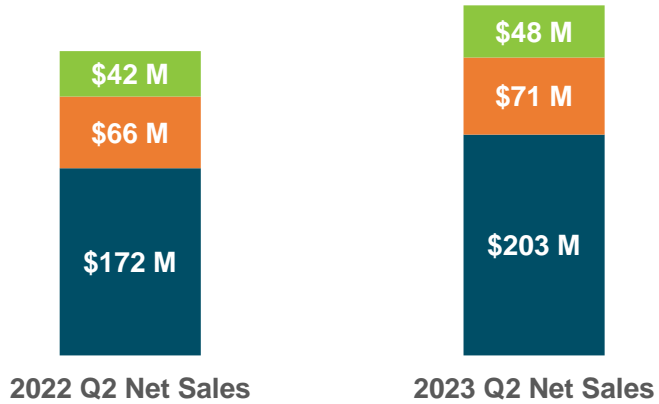
Net Sales



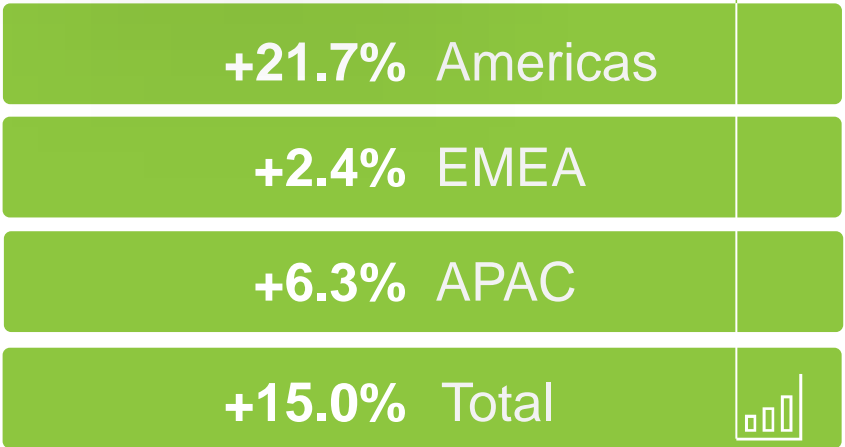
- **Favorable volume impact of ~\$16M**
Volume increases in all major geographies except EMEA
- **Favorable price realization of ~\$26M**
Pricing realization impacting all geographies
- **Unfavorable foreign currency impact of ~\$1M, primarily APAC**

Categories

- Service and Other
- Parts and Consumables
- Equipment

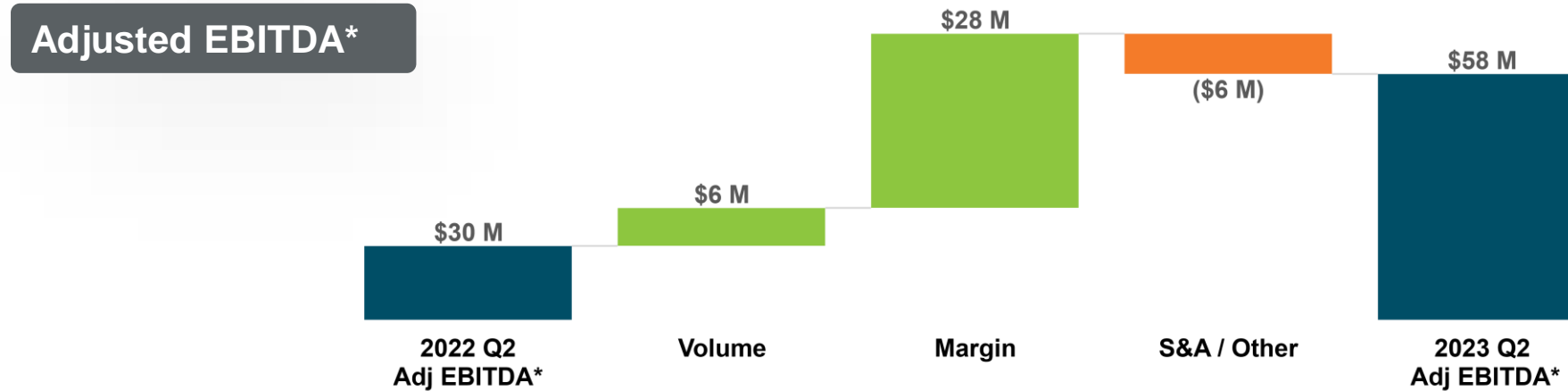


Region*



*Organic net sales growth

Second Quarter 2023 – Adjusted EBITDA Performance



► **Volume**
impact of
~\$6M

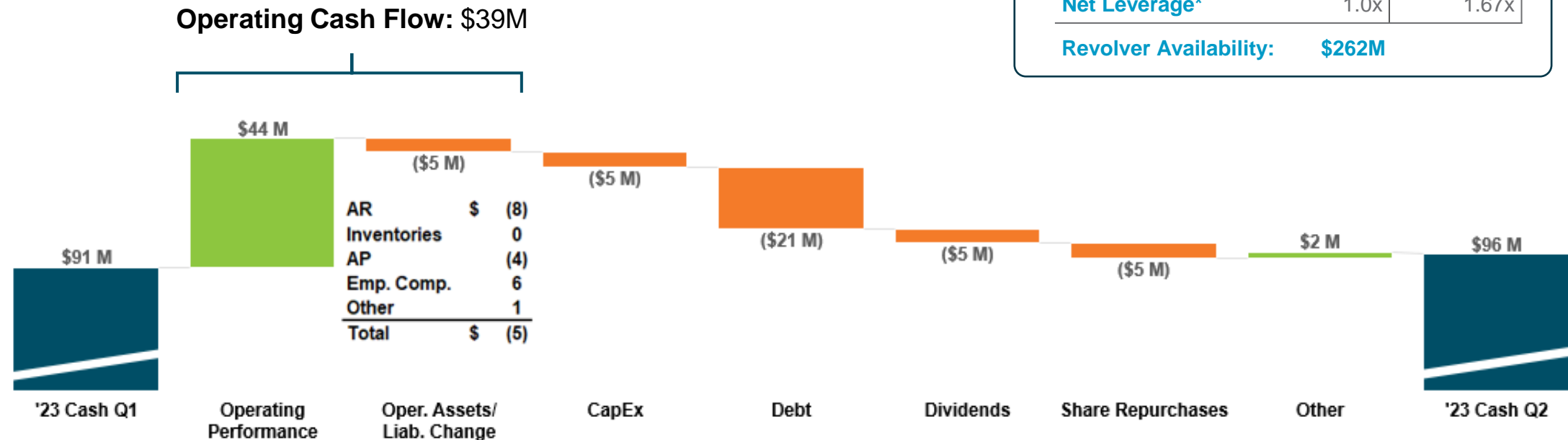
► Improvement in **gross margin** contributed ~\$28M of the increase in Adjusted EBITDA primarily due to pricing realization and improved productivity

► **S&A & Other** increase due to higher variable employee costs

► **Adjusted EBITDA Margin*** improves to 17.9% of net sales from 10.8% in prior-year period

Capital Deployment

	Q2 2023	YE 2022
Total Debt	\$278M	\$300M
Net Leverage*	1.0x	1.67x
Revolver Availability:	\$262M	



► Net cash provided by operating activities of ~\$39M

► Capital expenditures of ~\$5M in line with guidance expectations

► Returned capital to shareholders via dividend and share repurchases

Increase 2023 Full-Year Guidance

	Revised 2023 Guidance	Original 2023 Guidance
Net Sales	\$1.2B - \$1.25B	\$1.115B - \$1.155B
Organic Net Sales Growth	10% - 14%	3% - 7%
Diluted EPS	\$4.30 - \$4.95	\$3.10 - \$3.90
Adjusted Diluted EPS⁽¹⁾	\$5.10 - \$5.75	\$3.70 - \$4.50
Adjusted EBITDA⁽¹⁾	\$175M - \$190M	\$140M - \$160M
Adjusted EBITDA Margin	14.6% - 15.2%	12.6% - 13.9%
Capital Expenditures	\$20M - \$25M	\$20M - \$25M
Adjusted Effective Tax Rate⁽¹⁾	20% - 25%	20% - 25%

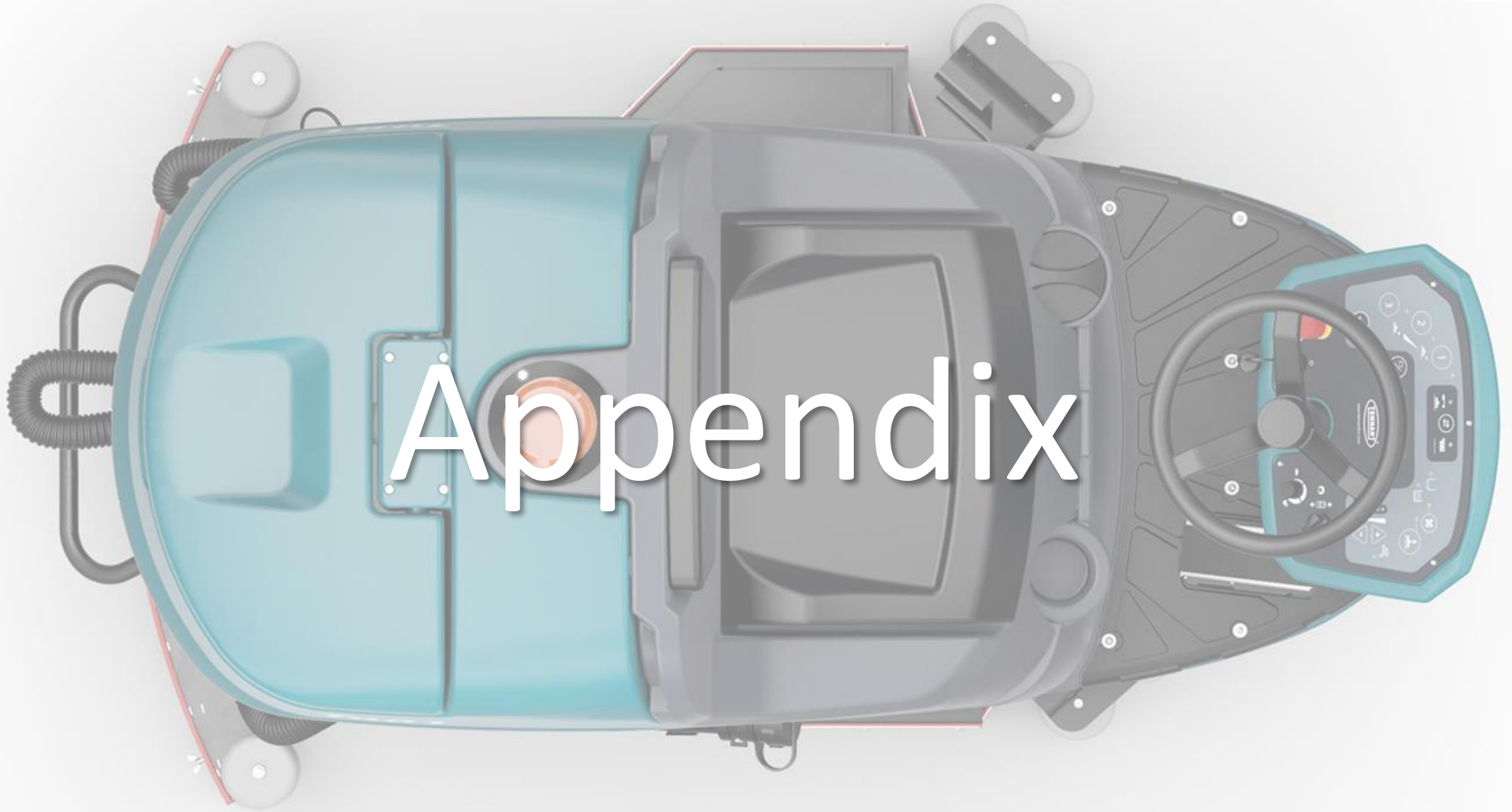
⁽¹⁾ Excludes certain nonoperational items and amortization expense.

Questions?

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Thank you

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Non-GAAP Financial Measures

This presentation and the related conference call include presentation of Non-GAAP measures that include or exclude special items of a nonrecurring and/or nonoperational nature (hereinafter referred to as “special items”). Management believes that the Non-GAAP measures provide useful information to investors regarding the Company’s results of operations and financial condition because they permit a more meaningful comparison and understanding of Tennant Company’s operating performance for the current, past or future periods. Management uses these Non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of the comparative operating performance of the Company.

We believe that disclosing selling and administrative (“S&A”) expense – as adjusted, S&A expense as a percent of net sales – as adjusted, operating income – as adjusted, operating margin – as adjusted, income before income taxes – as adjusted, income tax expense – as adjusted, net income – as adjusted, net income per diluted share – as adjusted, EBITDA – as adjusted, and EBITDA margin – as adjusted (collectively, the “Non-GAAP measures”), excluding the impacts from special items, is useful to investors as a measure of operating performance. We use these as one measure to monitor and evaluate operating performance. The Non-GAAP measures are financial measures that do not reflect United States Generally Accepted Accounting Principles (GAAP). We calculate the Non-GAAP measures by adjusting for restructuring-related charges and amortization expense, and any gain or loss on a sale of assets. We calculate income tax expense – as adjusted by adjusting for the tax effect of these Non-GAAP measures. We calculate net income per diluted share – as adjusted by adjusting for the after-tax effect of these Non-GAAP measures and dividing the result by the diluted weighted average shares outstanding. We calculate operating margin – as adjusted by dividing operating income – as adjusted by net sales. We calculate EBITDA margin – as adjusted by dividing EBITDA – as adjusted by net sales.

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SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Net Income and Net Income Per Share

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income - as reported	\$ 31.3	\$ 16.6	\$ 55.6	\$ 26.9
<u>Adjustments:</u>				
Gain on sale of assets	—	(2.8)	—	(2.8)
Amortization expense	2.6	2.9	5.4	6.1
Restructuring-related charge (S&A expense)	0.8	0.3	0.8	0.5
Net income - as adjusted	\$ 34.7	\$ 17.0	\$ 61.8	\$ 30.7
Net income per share - as reported:				
Diluted	\$ 1.68	\$ 0.89	\$ 2.98	\$ 1.44
<u>Adjustments:</u>				
Gain on sale of assets	—	(0.15)	—	(0.15)
Amortization expense	0.14	0.16	0.29	0.33
Restructuring-related charge (S&A expense)	0.04	0.02	0.04	0.03
Net income per diluted share - as adjusted	\$ 1.86	\$ 0.92	\$ 3.31	\$ 1.65

Reported Net Income to Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income - as reported	\$ 31.3	\$ 16.6	\$ 55.6	\$ 26.9
<u>Less:</u>				
Interest expense, net	4.0	1.2	7.7	1.5
Income tax expense	8.6	3.7	16.3	8.1
Depreciation expense	8.9	8.2	17.2	16.4
Amortization expense	3.6	3.9	7.5	8.4
EBITDA	56.4	33.6	104.3	61.3
<u>Adjustments:</u>				
Gain on sale of assets	—	(3.7)	—	(3.7)
Restructuring-related charge (S&A expense)	1.2	0.4	1.2	0.6
EBITDA - as adjusted	\$ 57.6	\$ 30.3	\$ 105.5	\$ 58.2
<i>EBITDA margin - as adjusted</i>	17.9 %	10.8 %	16.8 %	10.8 %

TENNANT COMPANY

SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Selling and Administrative Expense (S&A expense) and Operating Income

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
S&A expense - as reported	\$ 87.0	\$ 79.1	\$ 168.7	\$ 155.7
<i>S&A expense as a percent of net sales - as reported</i>	27.0 %	28.2 %	26.9 %	28.9 %
<u>Adjustments:</u>				
Restructuring-related charge (S&A expense)	(1.2)	(0.4)	(1.2)	(0.6)
S&A expense - as adjusted	\$ 85.8	\$ 78.7	\$ 167.5	\$ 155.1
<i>S&A expense as a percent of net sales - as adjusted</i>	26.7 %	28.1 %	26.7 %	28.8 %
Operating income - as reported	\$ 43.5	\$ 22.8	\$ 79.4	\$ 37.4
<i>Operating margin - as reported</i>	13.5 %	8.1 %	12.7 %	6.9 %
<u>Adjustments:</u>				
Gain on sale of assets	—	(3.7)	—	(3.7)
Restructuring-related charge (S&A expense)	1.2	0.4	1.2	0.6
Operating income - as adjusted	\$ 44.7	\$ 19.5	\$ 80.6	\$ 34.3
<i>Operating margin - as adjusted</i>	13.9 %	7.0 %	12.8 %	6.4 %

Reported to Adjusted Income Before Income Taxes and Income Tax Expense

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Income before income taxes - as reported	\$ 39.9	\$ 20.3	\$ 71.9	\$ 35.0
<u>Adjustments:</u>				
Gain on sale of assets	—	(3.7)	—	(3.7)
Amortization expense	3.6	3.9	7.5	8.4
Restructuring-related charge (S&A expense)	1.2	0.4	1.2	0.6
Income before income taxes - as adjusted	\$ 44.7	\$ 20.9	\$ 80.6	\$ 40.3
Income tax expense - as reported	\$ 8.6	\$ 3.7	\$ 16.3	\$ 8.1
<i>Effective tax rate - as reported</i>	21.6 %	18.2 %	22.7 %	23.1 %
<u>Adjustments⁽¹⁾:</u>				
Gain on sale of assets	—	(0.9)	—	(0.9)
Amortization expense	1.0	1.0	2.1	2.3
Restructuring-related charge (S&A expense)	0.4	0.1	0.4	0.1
Income tax expense - as adjusted	\$ 10.0	\$ 3.9	\$ 18.8	\$ 9.6
<i>Effective tax rate - as adjusted</i>	22.4 %	18.7 %	23.3 %	23.8 %

⁽¹⁾ In determining the tax impact, we applied the statutory rate in effect for each jurisdiction where income or expenses were generated.