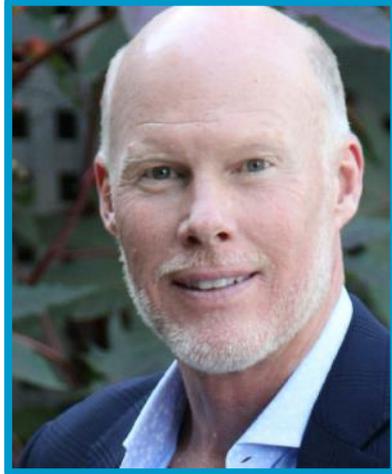


# TENNANT COMPANY

Earnings Release Conference Call  
First Quarter 2019

Tuesday, April 30, 2019

# | On the Call Today



**Chris Killingstad**  
President and CEO



**Keith Woodward**  
Senior VP and CFO

# Forward-Looking Statements & Non-GAAP Measures

Our remarks this morning and our answers to questions may contain forward-looking statements regarding the company's expectations of future performance. Such statements are subject to risks and uncertainties, and our actual results may differ materially from those contained in the statements. These risks and uncertainties are described in today's news release and the documents we file with the Securities and Exchange Commission. We encourage you to review those documents, particularly our Safe Harbor statement, for a description of the risks and uncertainties that may affect our results.

Additionally, on this conference call we will discuss non-GAAP measures that include or exclude special or non-operational items. For each non-GAAP measure, we also provide the most directly comparable GAAP measure. There were special non-GAAP items in the first quarter of 2018 and 2019. Our 2019 first quarter earnings release includes a reconciliation of these non-GAAP measures to our GAAP results.

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# First Quarter 2019 – Results

- Net sales decline
  - Negative organic and currency impact
  - Organic softness due to challenging sales comparison and industry market softness in UK
  
- EBITDA expansion
  - Focused on prioritizing sales efforts where our value proposition is strongest
  - Optimizing our operations and supply chain
  - Mitigating external factors impacting our margins

# First Quarter 2019 – Results

- Gross margins
  - Increase of 120 bps over prior-year period
  - Macro-driven factors: tariffs, tight skilled-labor market, material inflation and higher freight costs
  - Positive impacts: pricing actions, favorable channel mix and efforts to mitigate headwinds
- EBITDA expansion
  - 17% growth or 200 bps over prior-year period
  - Gross margin performance and disciplined expense management

# First Quarter 2019 – Announcements

## T7 Autonomous Machine

- Q1 announcement of Walmart agreement
- Promising and emerging trend
- Believe to have first-mover advantage at large scale

## Corporate Headquarters

- Ability to repurpose our current headquarters
- Accommodate additional growth
- Help attract and retain talent
- Consolidate multiple sites

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# First Quarter 2019 – Sales | Adjusted EPS

Q1 '19 Organic Growth of (0.8%)

	Q1 '19	Q1 '18	CHANGE
<b>SALES</b>	<b>\$262.5 M</b>	<b>\$272.8 M</b>	<b>-3.8%</b>
<b>EPS</b> Adjusted*	<b>\$0.49</b>	<b>\$0.27</b>	<b>+82%</b>

## Q1 2019 Results

- Organic results exclude unfavorable currency of 3.4%
- First-quarter 2019 reported net earnings grew 64 percent to \$5.4 million, or \$0.29 per share

# First Quarter 2019 – Geographies

## The Americas

- Sales declined 1.1%, or +0.3% organically, driven by:
  - Strong Latin America sales, with strength in Mexico
  - Challenging comparison to last year
  - Walmart autonomous T7 announcement did not contribute significantly to the quarter

## EMEA

- Sales declined 12%, or -5.0% organically, driven by:
  - Challenging comparison to last year
  - Industry market softness in the United Kingdom

## APAC

- Sales increased 10.3%, or +8.4% organically, driven by:
  - Broad strength across the region

# First Quarter 2019 – Sales | Adjusted Gross Margin

	Q1 '19	Q1 '18	CHANGE
<b>SALES</b>	\$262.5 M	\$272.8 M	-3.8%
<b>Gross Margin</b> Adjusted*	41.2%	40.0%	+120 bps

## 2019 Results

- 120 bps improvement
  - Favorable channel mix
  - Positive pricing actions
  - Mitigation efforts to offset macro headwinds

# First Quarter 2019 – Sales | R&D | S&A

	Q1 '19	Q1 '18	CHANGE
<b>SALES</b>	\$262.5 M	\$272.8 M	-3.8%
<b>R&amp;D Expense</b> (% of sales)	2.7%	2.9%	-20 bps
<b>S&amp;A Expense</b> (% of sales) - Adjusted*	\$85.2 M	\$88.5 M	-3.7%

- R&D at levels that allow us to remain competitive, meet customer needs and support our leadership position as a top innovator in the industry

# First Quarter 2019 – EBITDA | Other Financial Metrics

	2019	2018	CHANGE
<b>Q1 Adjusted EBITDA*</b>	<b>\$29.5 M</b>	<b>\$25.2 M</b>	<b>+17%</b>
<b>Q1 Adjusted EBITDA*</b> (% of sales)	<b>11.2%</b>	<b>9.2%</b>	<b>+200 bps</b>

## Tennant Committed to Improve Profitability By:

- Driving organic revenue growth
- Driving operational cost leverage
- Working to offset macro headwinds such as inflation
- Tightly managing controllable expenses

## First Quarter

- Cash used in operations of \$11.6 million
- Cash dividends of \$4 million
- Reduced debt by \$8 million

# 2019 Guidance

- Full Year Sales of \$1.15 billion to \$1.17 billion (2% to 3% organic)
- Adjusted Earnings per Share of \$2.30 to \$2.50
  - GAAP Earnings per Share of \$2.05 to \$2.25
- Adjusted EBITDA of \$129 million to \$133 million
- Other Key Assumptions
  - Capital expenditures of approximately \$40 to \$45 million
  - An effective tax rate of approximately 20%

# Questions

Thank You