

TENNANT[®]
COMPANY



Earnings Release Call Fourth Quarter 2019

Thursday, February 20, 2020

On the Call Today



Chris Killingstad
President and CEO



Andy Cebulla
Interim 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 fourth quarter of 2018 and 2019. Our 2019 fourth quarter earnings release includes a reconciliation of these non-GAAP measures to our GAAP results.

Tennant Company

Financial Results Conference Call
Fourth Quarter and Full Year 2019

Thursday, February 20, 2020

Fourth Quarter and Full Year 2019

Record level
Revenue and EBITDA

Americas
10 consecutive years
of organic growth

Broad-based
macroeconomic
challenges in EMEA/APAC

Demonstrates our ability to manage reasonable growth with improved profitability

Enterprise Strategy – Global Positioning Strategy (GPS)



**Win where we have a
competitive advantage**



**Reduce complexity & build
scalable processes**



**Innovate for profitable
growth**



**Win where
we have a
competitive
advantage**

Focus investments & resources where
we can create the most value

Focus Areas





1

Simplifying our Product Portfolio

Streamline

Category/Product Exits

- ✓ Orbio: Onsite Generation Technology
- ✓ Outdoor Category Exits: Green Machine, Sentinel & ATLV
- ✓ Trimmed Vacuums & Carpet Extractor Offerings

Rationalize

Standard Offerings

- ✓ Consistent customer experience
 - *Improved lead times*
- ✓ Manufacturing predictability and efficiency
- ✓ Supply chain leverage

Target

By 2021

25%
Targeted
Reduction
(Models/Options)

Streamlining, rationalizing and investing in our product portfolio to enhance customer value



2 Strengthening Local Advantage

| | |
|--|--|
|  Assess Our Market Position vs. Competition | Serving +100 markets globally |
|  Target Markets for Differentiated Strategies | 12 markets targeted |
|  Meeting Local Customer Requirements | 4 markets selected for 2020 actions |

Differentiated strategies to drive EBITDA



3 Optimize Go-to-Market

Applying 80/20 Principles





**Reduce
complexity &
build scalable
processes**

Simplify and standardize to gain
efficiency and leverage

Focus Areas



1

Leveraging Our Platform Product Design



Currently Underway

Upcoming Initiatives

Value Engineering

Sub-system Architecture

Commodity Components

Product Architecture



20-Inch Walk-Behind Scrubber

IoT

Parts Reuse & Supplier Leverage

Rationalized Platforms & Scalable Designs

Improved GM by 500 bps

Board Reduction from 11 to 4

Platform Approach to Simplify Operations, Improve Quality and Reduce Costs





2 Operations: In Region, For Region



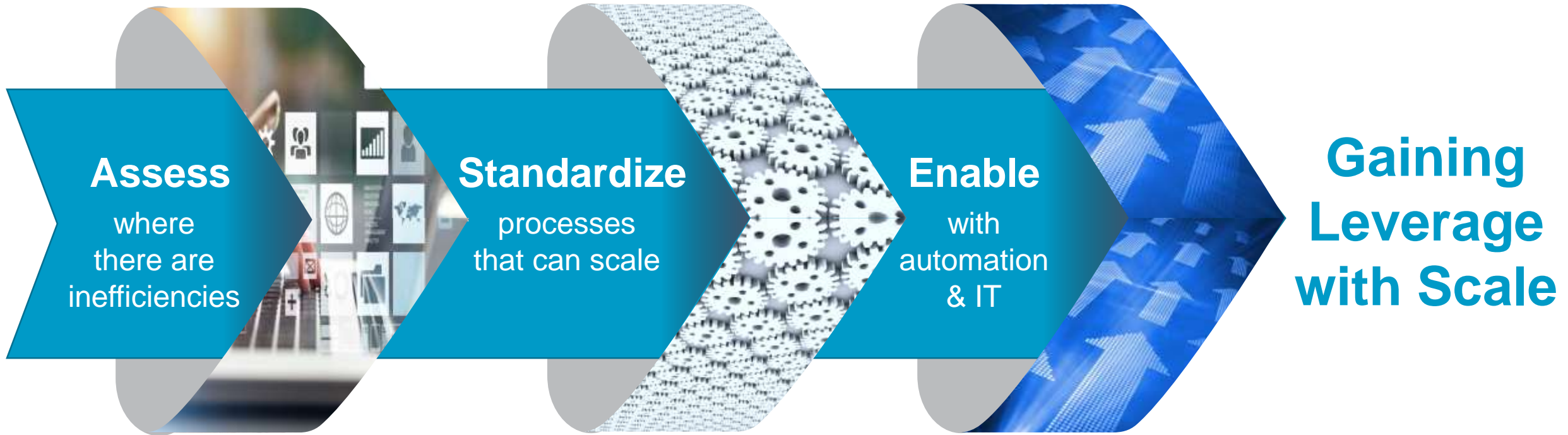
**Win locally by delivering superior customer experience:
delivery, quality, cost**

3

Capturing Operating Model Efficiencies



Strategically Scaling from “Big” Small Company to “Small” Big Company



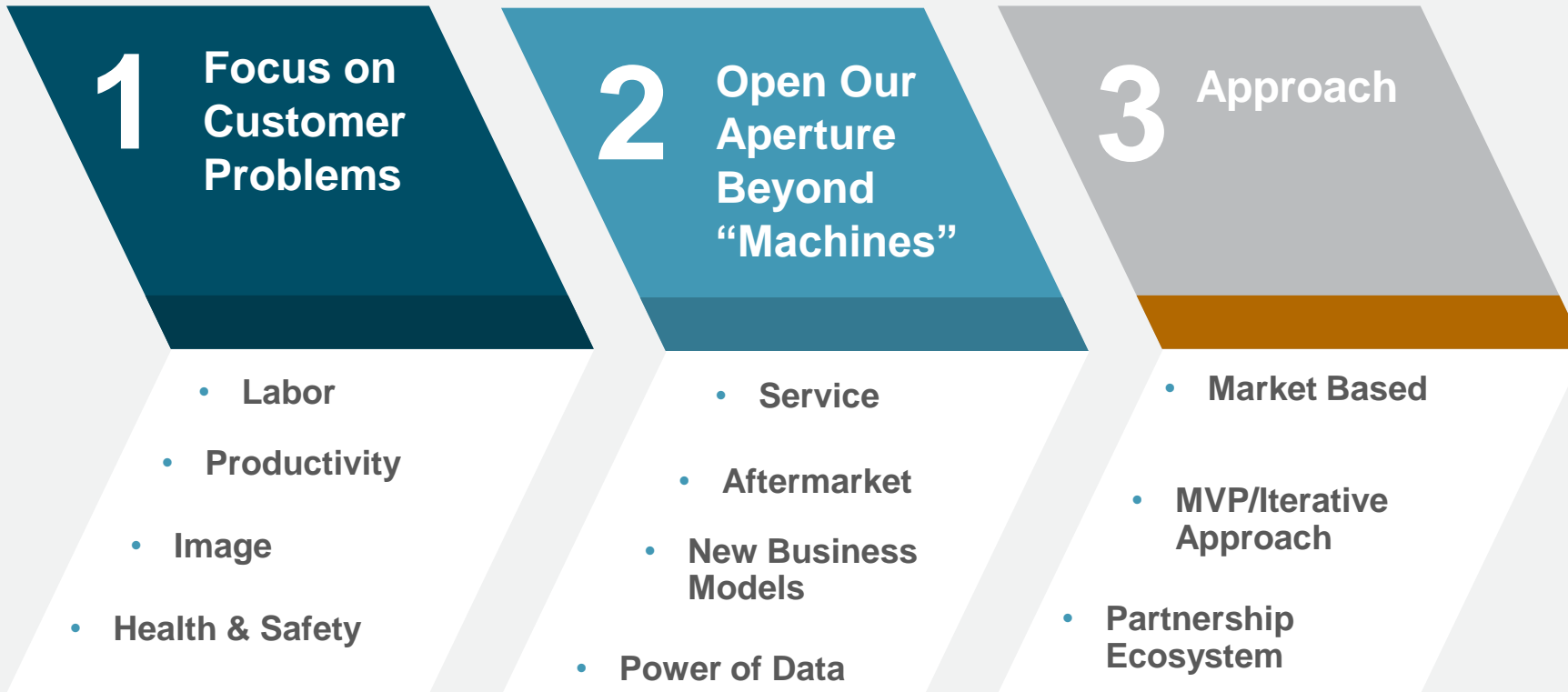


**Innovate for
profitable
growth**

Thinking Differently to Maximize Value for Customers and Tennant



New Innovation Approach



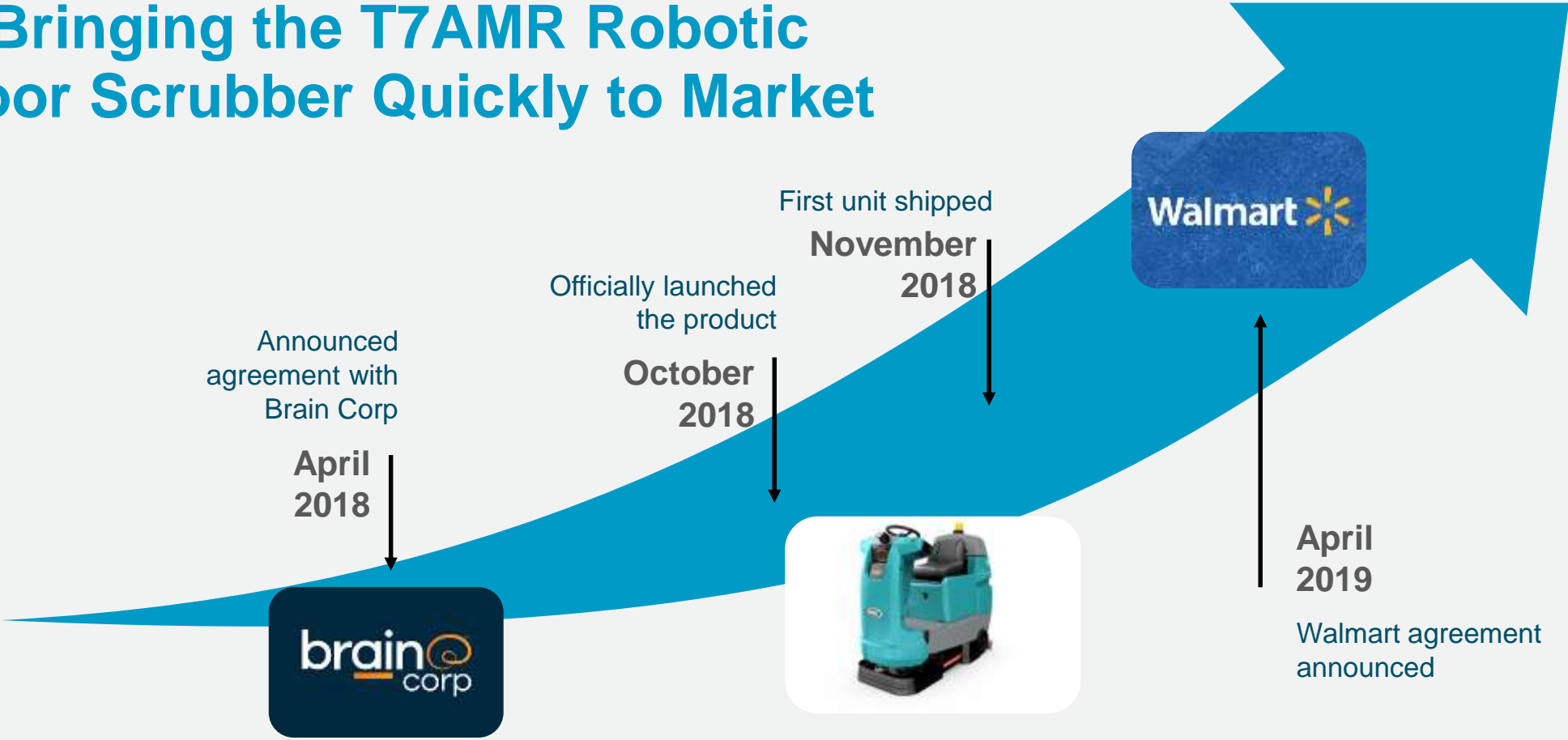
Results

- Value for Customers
- Value for Tennant

Well-positioned to Take Advantage of "Digital Disruption"

Monetizing Innovation

Bringing the T7AMR Robotic Floor Scrubber Quickly to Market



The Journey Has Begun

1

We have a **team dedicated to our three-pillar strategy** to unlock our full growth potential

2

We are focusing our resources on the **rigorous execution** of that strategy

3

We are operating from a **position of strength** and focused on driving **shareholder value**



Capitalizing on the Strategy: 2024 Growth Targets

2-3%

**Organic
Sales
Annually**

6-10%

**EBITDA
Growth
Annually**

50-100 BPS

**EBITDA
Leverage
Annually**

Consistent and predictable results to drive total shareholder return

Note: See the Supplemental Non-GAAP Financial Table within Q4'19 Earnings Release for details.

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Fourth Quarter 2019 – Sales | Adjusted EPS

Q4 '19 Organic Growth of +2.8%

| | Q4 '19 | Q4 '18 | CHANGE |
|---------------|-----------|-----------|--------|
| SALES | \$294.8 M | \$285.2 M | +3.4% |
| EPS Adjusted* | \$0.64 | \$0.54 | +18.5% |

Full Year

- Meaningful progress throughout 2019
- Record-level revenue and EBITDA

Fourth Quarter 2019 – Geographies

Americas

- Sales increased 6.7%, or +7.2% organically:
 - 9th consecutive quarter of organic growth
- North America
 - Autonomous T7 demand in North America
 - Continued strength in Service, Parts and Consumables in North America
- Latin America
 - Broad-based strength, particularly in Mexico

Fourth Quarter 2019 – Geographies

EMEA

- Sales decreased 7.2%, or -4.2% organically:
 - Continued market uncertainty across the region

APAC

- Sales increased 15.5%, or -4.1% organically:
 - Primarily driven by China

Fourth Quarter 2019 – Sales | Adjusted Gross Margin

| | Q4 '19 | Q4 '18 | CHANGE |
|-------------------------------------|-----------|-----------|----------|
| Sales | \$294.8 M | \$285.2 M | +3.4% |
| Gross Margin (% of sales) Adjusted* | 40.5% | 39.3% | +120 bps |

Adjusted results

- Positive pricing actions
- Cost-reduction efforts to offset macro headwinds

Fourth Quarter 2019 – Sales | Adjusted S&A Expense

| | Q4 '19 | Q4 '18 | CHANGE |
|------------------------------------|-----------|-----------|---------|
| Sales | \$294.8 M | \$285.2 M | +3.4% |
| S&A Expense (% of sales) Adjusted* | 30.4% | 30.7% | -30 bps |

Adjusted results

- Reflects cost-containment efforts and higher revenue

Fourth Quarter 2019 – Adjusted EBITDA | Other Financial Metrics

| | Q4 '19 | Q4 '18 | CHANGE |
|-------------------------|----------|----------|---------|
| Adjusted EBITDA* | \$34.0 M | \$30.3 M | +12.2% |
| Adjusted EBITDA Margin* | 11.5% | 10.6% | +90 bps |

Other results

- Adjusted Effective Tax rate of 23.2%
- Cash from operations generation of \$25.7 million
- Cash dividends of \$4.0 million
- Reduced outstanding debt by \$3.9 million

Full Year 2019 – Performance

FY '19 Organic Growth of +2.2%

| | FY '19 | FY '18 | CHANGE |
|-------------------------|-----------|-----------|----------|
| Sales | \$ 1.14 B | \$1.12 B | +1.3% |
| EPS Adjusted* | \$2.90 | \$2.18 | +33.0% |
| Adjusted EBITDA* | \$136.9 M | \$120.8 M | +13.3% |
| Adjusted EBITDA Margin* | 12.0% | 10.8% | +120 bps |

Other results

- Cash from operations generation of \$71.9 million
- Cash dividends of \$16.0 million
- Reduced outstanding debt by \$41.8 million

Adjusted EPS

| | Adj EPS | After-tax Amortization Impact | Updated Adj EPS |
|------------------------|---------|-------------------------------|-----------------|
| 2019 Full Year Results | \$2.90 | \$0.88 | \$3.78 |

Comments

- Adjusted EPS now excludes certain non-operational items and also excludes after-tax amortization expense
- Better reflection of the operational performance of our business given the significant impact of after-tax amortization on our P&L

2020 Guidance

- Full Year Sales of \$1.15 billion to \$1.16 billion (1.5% to 2.5% organic) (includes approximately \$10 to \$15 million of impact within the year due to product exits completed in 2019)
- GAAP earnings of \$3.05 to \$3.20 per diluted share
- Adjusted EPS of \$4.00 to \$4.15
- Adjusted EBITDA of \$146 million to \$149 million
- Other Key Assumptions
 - Capital expenditures of approximately \$35 million
 - Managing our debt leverage to our updated leverage goal of 1.5 to 2.5 times EBITDA
 - Effective tax rate of approximately 19%
- First half of EPS is front end loaded into Q1

Questions?

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