

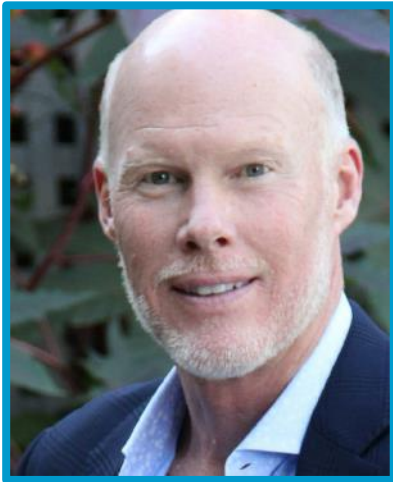
**TENNANT**<sup>®</sup>  
COMPANY



# Earnings Release Call Fourth Quarter 2020

Thursday, February 25, 2021

# On the Call Today



**Chris Killingstad**  
President and CEO



**Tom Paulson**  
Interim CFO



**Dave Huml**  
COO  
(incoming CEO)

# 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 certain items. Our 2020 fourth-quarter earnings release includes the comparable GAAP measures and a reconciliation of these non-GAAP measures to our GAAP results.

# Tennant Company

Financial Results Conference Call  
Fourth Quarter 2020

# 2020 Full Year Results

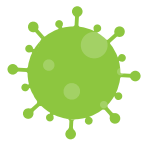


**2020**  
Challenging Year

Speed & effectiveness in responding to the pandemic minimized the overall operational & financial impact

Adjusted EBITDA %

2020	2019
<b>11.9%</b>	<b>12.0%</b>



**Pandemic had little effect** on our strategic initiatives within the company



Win where we have a competitive advantage



Reduce complexity & build scalable processes



Innovate for profitable growth

# Enterprise Strategy Update

## Actions Completed in 2020

▶ **EVALUATED**  
Products,  
Geographies,  
Channels &  
Customers

▶ **DIVESTITURE**  
Coatings  
Business

▶ **JAPAN**  
Shift to distributor-  
based model for go-  
to-market strategy

▶ **35% REDUCTION**  
Core Tennant legacy product portfolio

**20% REDUCTION**  
Product options when ordering

▶ **TARGETED**  
Cost reductions,  
customer-facing  
quality &  
performance  
improvements

▶ **PLANT  
OPTIMIZATION**  
Consolidation of  
manufacturing  
sites in China

▶ **ROBOTICS**  
Introduction of  
T380AMR floor  
scrubber

# Enterprise Strategy Update

Looking Ahead – 2020

## Improvements

to our North  
America service  
infrastructure



## Introduction

of T16AMR  
industrial robotic  
floor scrubber



## New

commercial  
product  
offerings



# Financial Review

Financial Results Conference Call  
Fourth Quarter 2020



# Fourth Quarter 2020 – Sales

Enterprise Q4 '20 Organic Decline of -8.9%

## Americas

- Sales decline 11.6%, or -10.5% organically
- Continued market weakness, due to pandemic
- Lapping unusually large AMR order from Q4 2019
- Continued strength in Brazil

## EMEA

- Sales increase 3.7%, or decrease -3.4% organically
- General market weakness, mainly in UK, Netherlands and Iberian Peninsula
- Growth in Italy and Germany
- Strong growth in parts and service

## APAC

- Sales decline 10.4%, or -13.9% organically
- Declines driven by Korea, due to COVID-related restrictions, and Australia
- Growth in China due to Strategic Accounts

# Fourth Quarter 2020 – Sales | Adjusted Gross Margin

	Q4 '20	Q4 '19	CHANGE
Sales	\$273.0 M	\$294.8 M	-7.4%
Gross Margin (% of sales) Adjusted*	41.3%	40.5%	+80 bps

- Gross margin improvements driven by pricing actions and cost-out initiatives, driven by our enterprise strategy
  - Results also reflect regional mix and investments made into our employees

# Fourth Quarter 2020 – Sales | Adjusted S&A Expense

	Q4 '20	Q4 '19	CHANGE
Sales	\$273.0 M	\$294.8 M	-7.4%
S&A Expense (% of sales) Adjusted*	33.9%	30.4%	+350 bps

- Results reflect:
  - Strategic investments to drive our enterprise strategy and invest in our team
  - Planned expenses related to our new corporate headquarters

# Fourth Quarter 2020 – Adjusted EPS/EBITDA

	Q4 '20	Q4 '19	CHANGE
Adjusted EPS*	\$0.48	\$0.86	-44.2%
Adjusted EBITDA*	\$25.4 M	\$34.0 M	-25.3%
Adjusted EBITDA Margin*	9.3%	11.5%	-220 bps

- Results reflect:
  - Lower revenue due to the global pandemic
  - Increased strategic investments in our business and team

# Fourth Quarter 2020 – Other Financial Metrics

- Adjusted Effective Tax rate of 32.3% vs. 23.3% last year
  - Decrease in discrete tax items in the quarter and mix of regional earnings
  - Adjusted effective tax rate does not include amortization expense adjustment
- Cash from operations generation of \$36.3 million
- Reduced debt by \$15.2 million
- Paid dividends of \$4.2 million

# 2020 Full-Year Results

Enterprise 2020 Organic Decline of -11.8%

	2020	2019	CHANGE
Sales	\$1,001.0 M	\$1,137.6 M	-12.0%
Adjusted EBITDA*	\$119.4 M	\$136.9 M	-12.8%
Adjusted EBITDA Margin*	11.9%	12.0%	-10 bps

- Cash flow from operations of \$133.8 million
- Reduced outstanding debt by \$31.1 million
- Paid \$16.3 million in cash dividends to shareholders

# 2021 Guidance

- Full Year Sales of \$1,050 million to \$1,080 million (5.0% to 8.0% organic)
- GAAP earnings of \$2.50 to \$2.95 per diluted share
- Adjusted EPS of \$3.50 to \$3.95
  - Excludes certain non-operational items and amortization expense
- Adjusted EBITDA of \$130 million to \$140 million
- Other Key Assumptions
  - Capital expenditures of \$20 to \$25 million
  - Adjusted effective tax rate of approximately 20% (excludes amortization expense adjustment)
- Expect that EBITDA and adjusted EPS will improve sequentially each quarter in 2021, with Q1 likely being the lowest quarter for EBITDA and Adjusted EPS growth
- Guidance incorporates the divestiture of our coatings business, which we estimate having a \$20 to \$25 million impact to sales

# Tennant Company

Financial Results Conference Call  
Fourth Quarter 2020



Questions?

# Tennant Company

Financial Results Conference Call  
Fourth Quarter 2020

# Appendix

# Enterprise Strategy – Global Positioning Strategy (GPS)



Win where we have a competitive advantage



Reduce complexity & build scalable processes



Innovate for profitable growth

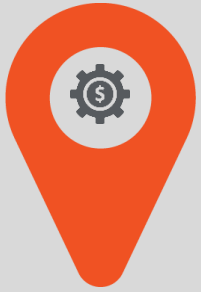


Win where we have a competitive advantage

Focus investments and resources where we can create the most value

Focus Areas





**Reduce complexity & build scalable processes**

## Simplify and standardize to gain efficiency and leverage

### Focus Areas





**Innovate for  
profitable  
growth**

## Thinking Differently to Maximize Value for Customers and Tennant



# 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**