



Earnings Release Call Third Quarter 2021

Tuesday, November 2, 2021

On the Call Today



Dave Huml
President and CEO



Fay West
SVP 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 certain items. Our 2021 third-quarter earnings release includes the comparable GAAP measures and a reconciliation of these non-GAAP measures to our GAAP results.

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Financial Results Conference Call
Third Quarter 2021



Third Quarter 2021

- Results reflect a return to pre-pandemic demand across the majority of our geographic markets and verticals
- Financial performance continued to be impacted by the unexpected and prolonged global supply disruptions, inflation and labor constraints
 - Expect that these macro headwinds will continue well into 2022
- Record level of order backlog – 3 to 5 times historical average
 - Varies across product category and region
- Plants remain open and are operating



Actions to address macro challenges

- Prioritize local-for-local and region-for-region manufacturing and sourcing. Examples:
 - Adding production capability to our China plant
 - New investments in machines and tooling within our plants
 - Working to improve freight costs, lead times, labor efficiencies and supply chain flexibility



Parts availability

- Hydraulic pumps, chips and other electronic components are main issues currently
- Parts availability is causing increased backlog and directly affecting our ability to deliver on our full-year potential



Platform design and labor challenges

- Designing parts to allow for flexibility and availability, while balancing platform strategy
 - Committed to maintaining quality, safety and meeting customer needs
- Labor shortages continue across the market
 - Offering competitive wages and leveraging new ways to attract new talent



Innovating for profitable growth – new products

- New Mid-tier Products
 - Leverages IPC product portfolio
 - Provides customers with a wider range of performance and price
 - Offers Tennant-branded experience
- AMR Portfolio
 - 2 new products in last year
 - Expanding to new verticals:
 - Manufacturing
 - Logistics/Warehousing
 - Education
 - And more



Winning where we have a competitive advantage

- Recent value-realization exercise in Australia
- Goal is to align customer experience with our profitability goals
- Realigned over 40% of strategic accounts and 80% distributor relationships

Financial Review

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Third Quarter 2021

Third Quarter 2021 – Sales

Enterprise Q3 '21 Organic Increase of 4.7%

Americas

- Sales decreased 0.6%
 - Reflects divestiture of Coatings business and positive impact of FX (-3.1% and +0.5%, respectively)
- Organic growth of 2.0%
 - Region most impacted by current market dynamics
 - Strength in Brazil, Mexico and service and parts and consumables across region
 - Results lapping large AMR robotic order in Q3 2020

EMEA

- Sales increased 16.1%
 - FX impact of +2.1%
- Organic growth of 14.0%
 - Growth across all countries and product categories in the region as demand returned to pre-pandemic levels
 - Region impacted by current market dynamics

APAC

- Sales decreased 0.4%
 - Reflects divestiture and positive impact of FX (-0.2% and +2.7%, respectively)
- Organic decline of 2.9%
 - Partially attributed to pandemic-related lockdowns in some regional markets
 - Supply-chain disruptions and labor constraints impacting North American plants did impact the region, specifically China and Japan

Q3 sales directly impacted by continued global supply-chain and labor challenges

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Third Quarter 2021 – Sales | Adjusted Gross Margin

	Q3 '21	Q3 '20	CHANGE
Sales	\$272.0 M	\$261.9 M	+3.9%
Gross Margin (% of sales) Adjusted*	40.1%	39.8%	+30 bps

- Gross margins were favorable, but year-ago period was unfavorably impacted by certain strategic investments and pandemic-related productivity challenges
- Q3 2021 was sequentially lower than prior quarter, as previously guided
 - Material, freight costs and productivity continue to be increased challenges due to parts availability

Third Quarter 2021 – Sales | Adjusted S&A Expense

	Q3 '21	Q3 '20	CHANGE
Sales	\$272.0 M	\$261.9 M	+3.9%
S&A Expense (% of sales) Adjusted*	28.3%	29.3%	-100 bps

- YOY leverage due to cost-savings actions and adjustment of management incentives

Third Quarter 2021 – Adjusted EPS/EBITDA

	Q3 '21	Q3 '20	CHANGE
Adjusted EPS*	\$1.33	\$0.90	+47.8%
Adjusted EBITDA*	\$36.0 M	\$32.6 M	+10.4%
Adjusted EBITDA Margin*	13.2%	12.4%	+80 bps

- Adjusted EPS driven by lower interest expense and increased business performance
- EBITDA driven by increased revenue based on strong demand, as we continued to lap the pandemic-related slowdown of 2020, as well as improved gross margins and adjustment of management incentives

Third Quarter 2021 – Other Financial Metrics

- Adjusted effective tax rate of 3.8% vs. 11.3% last year, driven by:
 - Tax benefit resulting from an election to step up the tax basis of certain assets for Italian tax purposes (excluding this impact: 26.2%)
- Cash from operations generation of \$25.1 million (YTD \$62.9 million)
- Ended quarter with \$140.6 million in cash and cash equivalents
 - Net leverage of .93 times adjusted EBITDA

Solid balance sheet and cash flow generation

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Returning Capital to Shareholders

- Dividend
 - 9 percent increase in the Company's quarterly cash dividend to \$0.25 per share
 - 50th consecutive year of increased annual cash dividend payout
- Share Repurchase
 - Repurchased 102,229 shares of common stock for \$7.5 million

Aligned with our long-term capital allocation priorities

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2021 Guidance

	<u>Prior Guidance</u>	<u>Guidance</u>
Revenue	\$1.09B to \$1.11B	\$1.09B to \$1.10B
Organic %	9.0% to 11.0%	9.0% to 10.0%
GAAP EPS	\$3.45 to \$3.85	\$3.50 to \$3.70
Adjusted EPS*	\$4.10 to \$4.50	\$4.20 to \$4.40
Adjusted EBITDA*	\$140M to \$150M	\$137M to \$142M
Capital Expenditures	Approximately \$20M	Approximately \$20M
Adj. Effective Tax %*	Approximately 20%	Approximately 15%

* Excludes certain non-operational items and amortization expense.

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Third Quarter 2021



Questions?

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Third Quarter 2021



Appendix

Enterprise Strategy – Global Positioning Strategy (GPS)



Win where we have a
competitive advantage



Reduce complexity & build
scalable processes

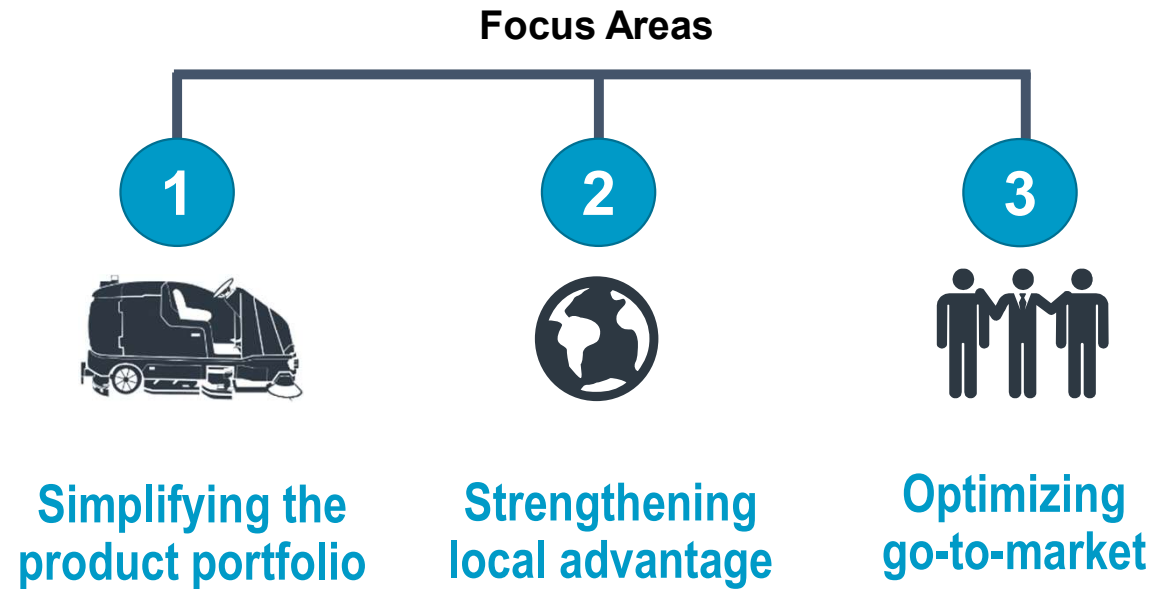


Innovate for profitable
growth



**Win where
we have a
competitive
advantage**

Focus investments and resources where we can create the most value





**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