

**TENNANT**<sup>®</sup>  
COMPANY



# Earnings Release Call First Quarter 2021

Tuesday, May 4, 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 First-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  
First Quarter 2021

# First Quarter 2021

- Strong first quarter results
  - Organic growth across all regions
- Focused on serving our customers
  - Continued investment in our enterprise strategy
- Raising full-year guidance that reflects:
  - Strong Q1 demand and positive sales trends
  - Operational improvements
  - Commodity and freight headwinds
  - Prudent expense management

# Challenges and Enterprise Strategy

- Mitigating significant challenges to deliver financial results
  - Challenges: commodity inflation, transportation-related issues, parts shortages, and supply base disruptions
- Enterprise strategy is yielding solid bottom-line results
  - Examples:
    - Value engineering by simplifying our products
    - Plant consolidation in China
    - Improved price discounting
    - Adjusting our go-to-market approach in specific regions like Japan
    - Sale of Coatings business
    - Enhanced plant productivity

# Investments and Impact of Pandemic

- Continued investment through the pandemic is allowing Tennant to meet the needs of our customers
  - Examples
    - T16 AMR robotic scrubber
    - Standard product offerings
    - New commercial mid-tier offerings
- Future of industrial and commercial cleaning
  - Importance of cleaning has been elevated
  - New desire to turn cleaning from something invisible to visible
  - Labor challenges have grown all the more acute
  - More emphasis on the importance of technology in the products and services we offer

# Financial Review

Financial Results Conference Call  
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# First Quarter 2021 – Sales

Enterprise Q1 '21 Organic Increase of +3.1%

## Americas

- Sales decline 3.0%
  - Reflects divestiture of Coatings business and negative impact of Fx (-2.6% and -0.8% respectively)
- Organic growth of 0.4%
  - Solid growth in direct and distribution channels in North America
  - Continued strength in Brazil

## EMEA

- Sales increase 12.4%
  - Fx impact of +10.1%
- Organic growth of 2.3%
  - Growth in France, Italy and Germany
  - Pandemic-related restrictions still impacting United Kingdom and Central and Eastern Europe, the Middle East, and Africa (CEEMEA)

## APAC

- Sales increase 40.6%
  - Fx impact of +8.8%
- Organic growth of 31.8%
  - Growth across all APAC countries, product categories, and channels

# First Quarter 2021 – Sales | Adjusted Gross Margin

	Q1 '21	Q1 '20	CHANGE
Sales	\$263.3 M	\$252.1 M	+4.4%
Gross Margin (% of sales) Adjusted*	43.0%	41.5%	+150 bps

- Gross margin improvements driven by increased productivity, product mix and actions related to the Company’s enterprise strategy, including pricing and cost-reduction initiatives
  - Headwinds included commodity and freight cost pressures

# First Quarter 2021 – Sales | Adjusted S&A Expense

	Q1 '21	Q1 '20	CHANGE
Sales	\$263.3 M	\$252.1 M	+4.4%
S&A Expense (% of sales) Adjusted*	30.2%	31.8%	-160 bps

- Results reflect:
  - Continued expense management
  - Temporary savings related to the suspension of most business travel and in-person tradeshows and customer events

# First Quarter 2021 – Adjusted EPS/EBITDA

	Q1 '21	Q1 '20	CHANGE
Adjusted EPS*	\$1.17	\$0.57	+105.3%
Adjusted EBITDA*	\$40.7 M	\$26.1 M	55.9%
Adjusted EBITDA Margin*	15.5%	10.4%	+510 bps

- Results reflect:
  - Strength in revenue, gross margin and S&A management
  - Adjusted results in the quarter excluded the gain on sale from the divestiture of the Coatings business

# First Quarter 2021 – Other Financial Metrics

- Adjusted effective tax rate of 21.4% vs. 20.5% last year, driven by:
  - 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 \$18.4 million
- Restructured credit agreements to optimize debt structure:
  - Enhances flexibility with minimal covenants and no pre-payment penalties
  - Reduces future interest expense by approximately \$1 million per month.

# 2021 Guidance – Raised

	<u>Prior Guidance</u>	<u>Updated Guidance</u>
Revenue	\$1.05B to \$1.08B	\$1.09B to \$1.11B
Organic %	5.0% to 8.0%	9.0% to 11.0%
GAAP EPS	\$2.50 to \$2.95	\$3.45 to \$3.85
Adjusted EPS*	\$3.50 to \$3.95	\$4.10 to \$4.50
Adjusted EBITDA*	\$130M to \$140M	\$140M to \$150M
Capital Expenditures	\$20M to \$25M	\$20M to \$25M
Adj. Effective Tax %*	Approximately 20%	Approximately 20%

\* - excludes certain non-operational items and amortization expense

Questions?

# Tennant Company

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# 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**