TENNANT COMPANY

Earnings Release Call

Second Quarter 2024 Results

August 8, 2024



SAFE HARBOR STATEMENT

Certain statements contained in this document are considered “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act. These statements do not relate to strictly historical or current facts and provide current expectations or forecasts of future events. Any such expectations or forecasts of future events are subject to a variety of factors. These include factors that affect all businesses operating in a global market as well as matters specific to us and the markets the Company serves. Particular risks and uncertainties presently facing it include: economic uncertainty throughout the world; geopolitical tensions or health epidemics; the Company's ability to comply with global laws and regulations; the Company's ability to adapt pricing to the competitive marketplace and customer pricing sensitivities; the competition in the Company's business; fluctuations in the cost, quality or availability of raw materials and purchased components; increasing cost pressures; unforeseen product liability claims or product quality issues; the Company's ability to attract, retain and develop key personnel and create effective succession planning strategies; the Company's ability to effectively develop and manage strategic planning and growth processes and the related operational plans; the Company's ability to successfully upgrade and evolve its information technology systems; the Company's ability to successfully protect our information technology systems from cybersecurity risks; the occurrence of a significant business interruption; the Company's ability to maintain the health and safety of its workers; the Company's ability to integrate acquisitions; and the Company's ability to develop and commercialize new innovative products and services. We caution that forward-looking statements must be considered carefully and that actual results may differ in material ways due to risks and uncertainties both known and unknown. Information about factors that could materially affect the Company’s results can be found in our 2023 Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. Investors are advised to consult any further disclosures by the Company in its filings with the Securities and Exchange Commission and in other written statements on related subjects. It is not possible to anticipate or foresee all risk factors, and investors should not consider any list of such factors to be an exhaustive or complete list of all risks or uncertainties.



Executive Summary

Record Second Quarter Net Sales

- Organic net sales growth of 2.7% driven by price growth across each geography

Adjusted EBITDA Growth

- Second quarter Adjusted EBITDA increased 1.7% to record $58.6 million

Increased Order Activity

- Second quarter order rates up double digits compared to Q1 2024 and Q2 2023

Raising Full-Year 2024 Guidance

- Net sales of $1.28 billion - $1.305 billion
- Adjusted EBITDA* of $205 million - $215 million

Second Quarter Results

Net Sales	Adj. EBITDA*	Adj. Diluted EPS*
$331.0M	$58.6M	$1.83/share
+2.7% Organic Growth	17.7% Adj. EBITDA Margin	(1.6)% lower than Q2 2023

*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

Elevate Growth Strategy

Our Strategic Pillars

GROWTH

- Pricing Excellence
- Product Innovation
- New Channels & Markets
- New Business Models
- Strategic Acquisitions

PERFORMANCE

- Enterprise Resource Planning
- Sustainability

PEOPLE

- Employee Value Proposition

Second Quarter Updates

Pricing Growth Across Each Geography

- Positioned to achieve long-term growth goal of approximately 50 – 100 bps of annual price growth

Strong Demand for New Product

- Increased manufacturing capacity to support high X4 ROVR order demand
- AMR sales trending higher than previous year

M&A Integration On-Track

- Investment in Brain Corp creating sales efficiency and ARR opportunities
- TCS integration is on track and performing in line with expectations

Published 2024 Sustainability Report

- First year of metrics aligned with *Thriving People. Healthy Planet.* framework

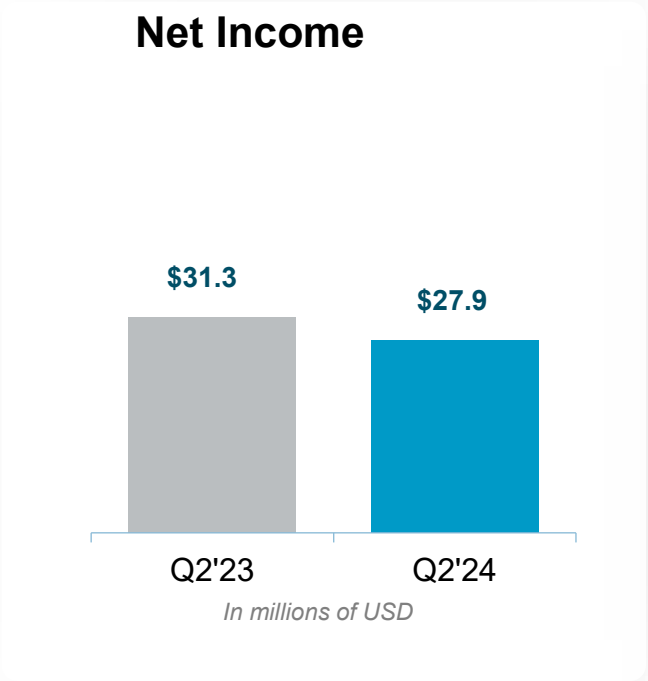


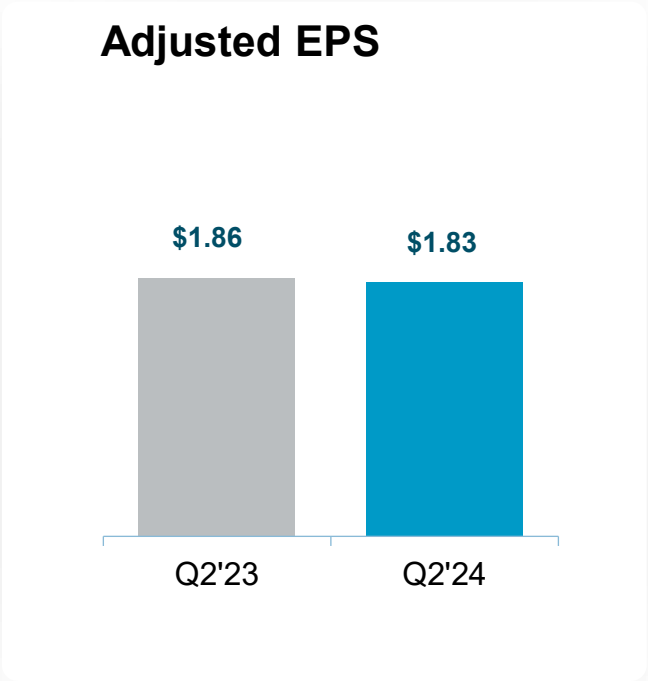
Well positioned to achieve long-term growth targets

Financial Results

Second Quarter 2024

Second Quarter 2024 Performance





*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

Second quarter net income of $27.9M, compared to $31.3M in the prior year

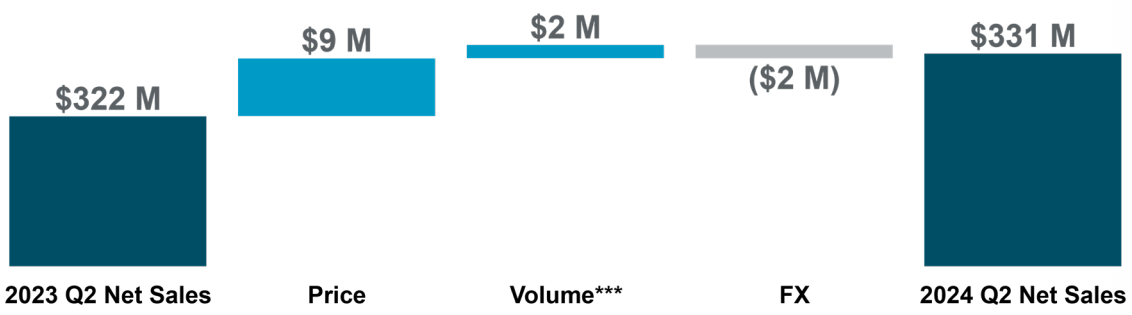
- Driven by ERP modernization costs and M&A transaction and integration costs
- Interest expense decreased $1.5M in Q2 2024 due to lower debt balances
- Effective tax rate increased to 24.4% due to increase in nondeductible executive compensation and unfavorable change in mix of forecasted earnings

Second quarter adjusted EPS of $1.83 per diluted share

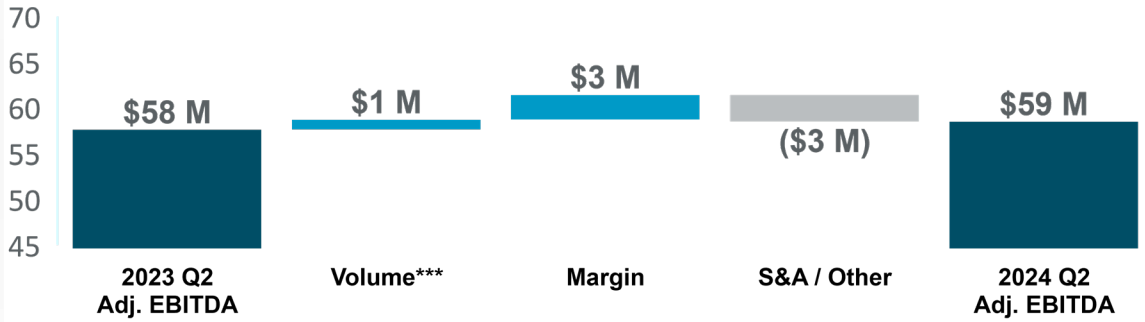
- Excludes amortization expense, ERP modernization costs and M&A transaction and integration costs

Second Quarter 2024 Results

Net Sales



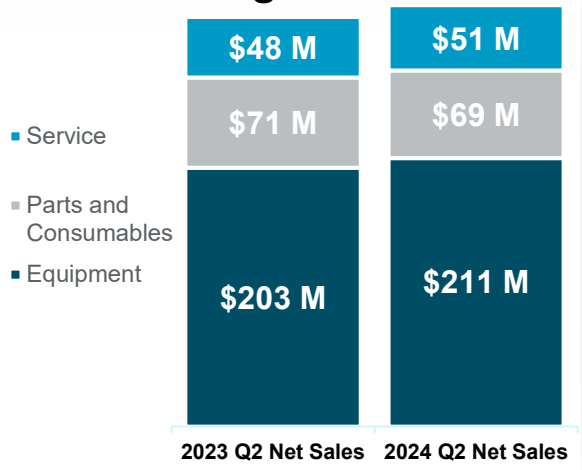
Adjusted EBITDA



By Region**

+5.5%	Americas
-0.3%	EMEA
-11.9%	APAC
+2.7%	Total

Product Categories



Gross Margin decreased 30 bps to 43.1%

- Price realization and cost savings activities materially offset inflation

Adjusted S&A* as a percent of net sales improved 30 bps to 26.4%

- Driven by operating performance partly offset by incremental compensation expense on headcount increases

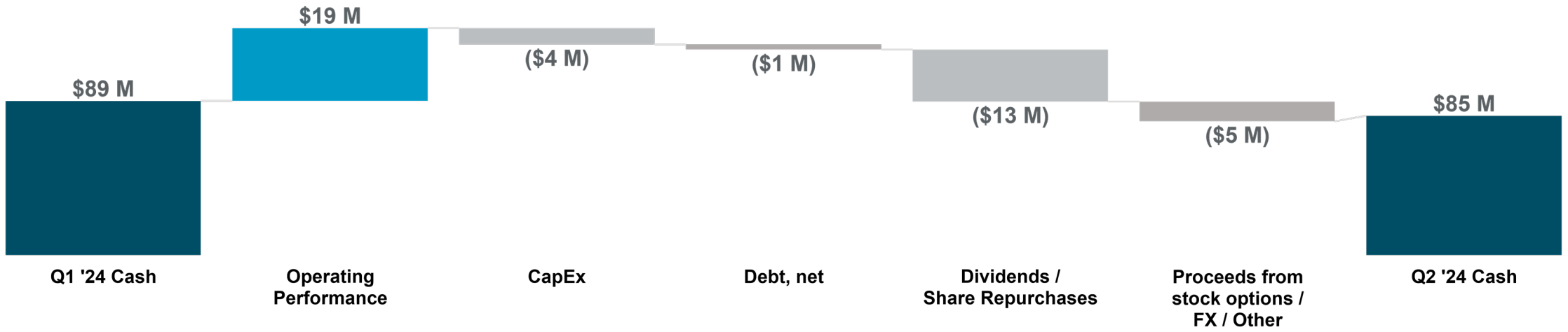
Adjusted EBITDA Margin* essentially flat at17.7%

*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation
**Organic net sales growth
*** Volume includes inorganic impact from M&A activity

Capital Deployment

	YE 2023	Q2 2024
Total Debt	$201M	$213M
Net Leverage*	0.43x	0.61x
Revolver Availability:	$321.8M	

Cash Flow



Net cash provided by operating activities of ~$19M driven by operating performance, partially offset by increases in working capital and ERP modernization costs

Capital expenditures of ~$4M in line with full-year guidance expectations

Returned capital to shareholders via dividend and share repurchases

* Midpoint of full-year Adjusted EBITDA guidance

2024 Full-Year Guidance Raised

	Updated 2024 Guidance	Original 2024 Guidance
Net Sales	$1.280B - $1.305B	$1.27B - $1.295B
Organic Net Sales Growth	2.5% - 4.5%	2% - 4%
Adjusted Diluted EPS[(1)]	$6.15 - $6.55	$6.05 - $6.65
Adjusted EBITDA[(1)]	$205M - $215M	$198M - $213M
Adjusted EBITDA Margin	16.0% - 16.5%	15.6% - 16.4%
Capital Expenditures[(1)]	~$20M	$20M - $25M
Adjusted Effective Tax Rate[(1)]	22% - 27%	22% - 27%

(1) Excludes ERP modernization costs and certain nonoperational items and amortization expense

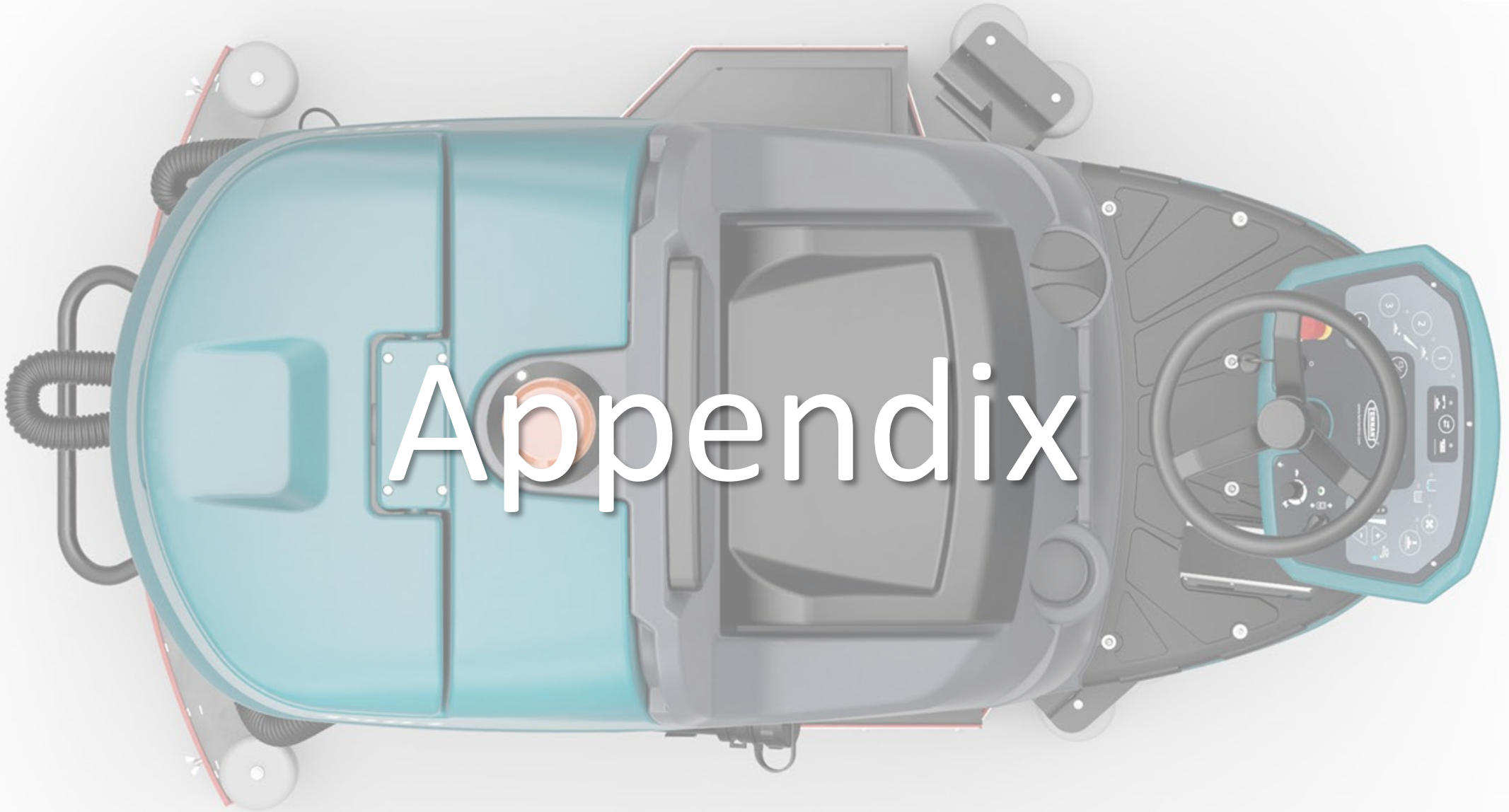
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Q&A



Thank You

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Appendix

Non-GAAP Financial Measures

This presentation and the related conference call include presentation of Non-GAAP measures that include or exclude special items of a nonrecurring and/or nonoperational nature (hereinafter referred to as “special items”). Management believes that the Non-GAAP measures provide useful information to investors regarding the Company’s results of operations and financial condition because they permit a more meaningful comparison and understanding of Tennant Company’s operating performance for the current, past or future periods. Management uses these Non-GAAP measures to monitor and evaluate ongoing operating results and trends and to gain an understanding of the comparative operating performance of the Company.

The Company believes that disclosing selling and administrative (“S&A”) expense – as adjusted, S&A expense as a percent of net sales – as adjusted, operating income – as adjusted, operating margin – as adjusted, income before income taxes – as adjusted, income tax expense – as adjusted, net income – as adjusted, net income per diluted share – as adjusted, EBITDA – as adjusted, and EBITDA margin – as adjusted (collectively, the “Non-GAAP measures”), excluding the impacts from special items, is useful to investors as a measure of operating performance. The Company uses these measures to monitor and evaluate operating performance. The Non-GAAP measures are financial measures that do not reflect United States Generally Accepted Accounting Principles (GAAP). The Company calculates the Non-GAAP measures by adjusting for ERP modernization costs, transaction-related costs and amortization expense. The Company calculates income tax expense – as adjusted by adjusting for the tax effect of these Non-GAAP measures. The Company calculates net income per diluted share – as adjusted by adjusting for the after-tax effect of these Non-GAAP measures and dividing the result by the diluted weighted average shares outstanding. The Company calculates EBITDA margin – as adjusted by dividing EBITDA – as adjusted by net sales.

TENNANT COMPANY
SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Net Income and Net Income Per Share

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income - as reported	$ 27.9	$ 31.3	$ 56.3	$ 55.6
Adjustments:				
Amortization expense	2.9	2.6	5.8	5.4
Restructuring-related charge (S&A expense)	0.4	0.8	0.4	0.8
ERP modernization costs (S&A expense)	2.6	—	4.5	—
Transaction and integration-related costs (S&A expense)	1.4	—	2.9	—
Net income - as adjusted	$ 35.2	$ 34.7	$ 69.9	$ 61.8
Net income per share - as reported:				
Diluted	$ 1.45	$ 1.68	$ 2.94	$ 2.98
Adjustments:				
Amortization expense	0.15	0.14	0.30	0.29
Restructuring-related charge (S&A expense)	0.02	0.04	0.02	0.04
ERP modernization costs (S&A expense)	0.14	—	0.24	—
Transaction and integration-related costs (S&A expense)	0.07	—	0.15	—
Net income per diluted share - as adjusted	$ 1.83	$ 1.86	$ 3.65	$ 3.31

Reported Net Income to Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income - as reported	$ 27.9	$ 31.3	$ 56.3	$ 55.6
Less:				
Interest expense, net	2.5	4.0	4.8	7.7
Income tax expense	9.0	8.6	15.7	16.3
Depreciation expense	9.9	8.9	19.5	17.2
Amortization expense	3.9	3.6	7.8	7.5
EBITDA	53.2	56.4	104.1	104.3
Adjustments:				
Restructuring-related charge (S&A expense)	0.6	1.2	0.6	1.2
ERP modernization costs (S&A expense)	3.4	—	5.9	—
Transaction and integration-related costs (S&A expense)	1.4	—	2.9	—
EBITDA - as adjusted	$ 58.6	$ 57.6	$ 113.5	$ 105.5
EBITDA margin - as adjusted	*17.7 %*	*17.9 %*	*17.7 %*	*16.8 %*

TENNANT COMPANY
SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Selling and Administrative Expense (S&A expense) and Operating Income

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
S&A expense - as reported	$ 92.9	$ 87.0	$ 182.8	$ 168.7
S&A expense as a percent of net sales - as reported	*28.1 %*	*27.0 %*	*28.5 %*	*26.9 %*
Adjustments:				
Restructuring-related charge (S&A expense)	(0.6)	(1.2)	(0.6)	(1.2)
ERP modernization costs (S&A expense)	(3.4)	—	(5.9)	—
Transaction and integration-related costs (S&A expense)	(1.4)	—	(2.9)	—
S&A expense - as adjusted	$ 87.5	$ 85.8	$ 173.4	$ 167.5
S&A expense as a percent of net sales - as adjusted	*26.4 %*	*26.7 %*	*27.0 %*	*26.7 %*
Operating income - as reported	$ 38.6	$ 43.5	$ 76.1	$ 79.4
Operating margin - as reported	*11.7 %*	*13.5 %*	*11.9 %*	*12.7 %*
Adjustments:				
Restructuring-related charge (S&A expense)	0.6	1.2	0.6	1.2
ERP modernization costs (S&A expense)	3.4	—	5.9	—
Transaction and integration-related costs (S&A expense)	1.4	—	2.9	—
Operating income - as adjusted	$ 44.0	$ 44.7	$ 85.5	$ 80.6
Operating margin - as adjusted	*13.3 %*	*13.9 %*	*13.3 %*	*12.8 %*

TENNANT COMPANY
SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Income Before Income Taxes and Income Tax Expense

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Income before income taxes - as reported	$ 36.9	$ 39.9	$ 72.0	$ 71.9
Adjustments:				
Amortization expense	3.9	3.6	7.8	7.5
Restructuring-related charge (S&A expense)	0.6	1.2	0.6	1.2
ERP modernization costs (S&A expense)	3.4	—	5.9	—
Transaction and integration-related costs (S&A expense)	1.4	—	2.9	—
Income before income taxes - as adjusted	$ 46.2	$ 44.7	$ 89.2	$ 80.6
Income tax expense - as reported	$ 9.0	$ 8.6	$ 15.7	$ 16.3
Effective tax rate - as reported	*24.4 %*	*21.6 %*	*21.8 %*	*22.7 %*
Adjustments[1]:				
Amortization expense	1.0	1.0	2.0	2.1
Restructuring-related charge (S&A expense)	0.2	0.4	0.2	0.4
ERP modernization costs (S&A expense)	0.8	—	1.4	—
Income tax expense - as adjusted	$ 11.0	$ 10.0	$ 19.3	$ 18.8
Effective tax rate - as adjusted	*23.8 %*	*22.4 %*	*21.6 %*	*23.3 %*

[1] In determining the tax impact, we applied the statutory rate in effect for each jurisdiction where income or expenses were generated.

Reported to Free Cash Flows

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash provided by operating activities - as reported	$ 18.6	$ 39.1	$ 21.5	$ 70.2
Less:				
Capitalized expenditures	(4.2)	(5.0)	(7.2)	(11.8)
Free cash flows	$ 14.4	$ 34.1	$ 14.3	$ 58.4
Adjustments:				
ERP modernization spend	9.0	—	16.2	—
Free cash flows - as adjusted	$ 23.4	$ 34.1	$ 30.5	$ 58.4