



Earnings Release Call

Third Quarter 2024 Results

November 1, 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

Net Sales Growth

- Organic net sales growth of 2.7% driven by price growth across each geography and volume growth in the Americas; partially offset by volume declines in EMEA and APAC

Adjusted EBITDA Growth

- Third quarter Adjusted EBITDA increased 4.4% to \$47.9 million
- Adjusted EBITDA Margin increased 10 bps to 15.2%

Increased Order Activity

- Q3 2024 and YTD 2024 order rates are up in each geography compared to the prior-year period

Reaffirm Full-Year 2024 Guidance

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

Third Quarter Results

Net Sales

\$315.8M

+2.7% Organic Growth

Adj. EBITDA*

\$47.9M

15.2% Adj. EBITDA Margin

Adj. Diluted EPS*

\$1.39/share

+3.7% higher than Q3 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



**3 to 5% Organic Net
Sales Growth**

**50 to 100 bps EBITDA Margin
Expansion**

**100% FCF
Conversion**

Third Quarter Updates



Pricing Growth Across Each Geography

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



New Product Development

- Launched the new T291 small walk-behind scrubber in North America
- Continued focus on small space and product line extensions



Strong Demand for AMR

- Increased manufacturing capacity to support high X4 ROVR order demand
- AMR sales now account for ~5% of YTD net sales



ERP Implementation

- Met our current year design and build phase milestones
- Staggered go-live launches planned for 2025

Well positioned to execute on strategic initiatives



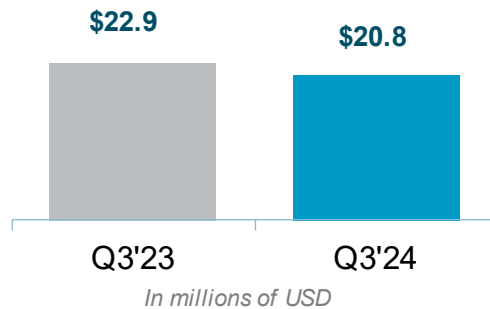


Financial Results

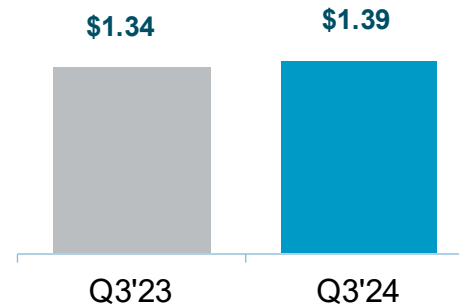
Third Quarter 2024

Third Quarter 2024 Performance

Net Income



Adjusted EPS



Third quarter net income of \$20.8M, compared to \$22.9M in the prior year

- Decrease due to ERP modernization costs and M&A transaction and integration costs
- Interest expense decreased \$0.6M in Q3 2024 due to lower debt balances and reduced interest rates
- Effective tax rate increased to 24.4% due to increase in nondeductible executive compensation and unfavorable change in mix of forecasted earnings by country

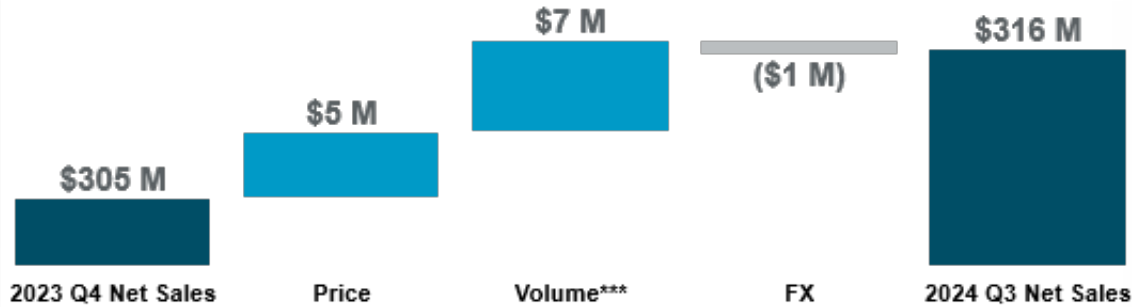
Third quarter adjusted EPS of \$1.39 per diluted share, an increase of 3.7%

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

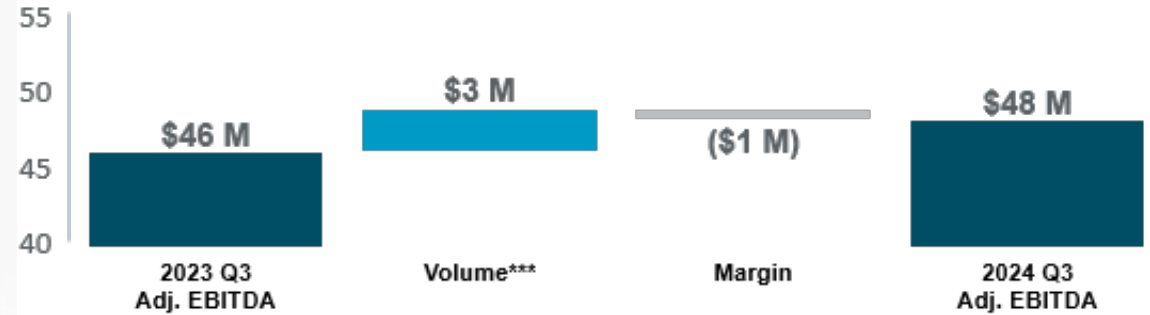
*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

Third Quarter 2024 Results


Net Sales



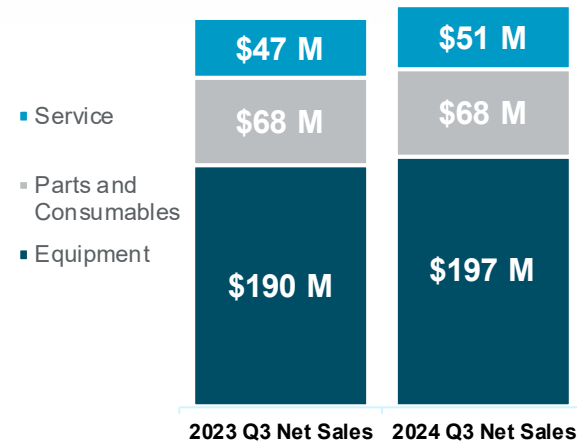
Adjusted EBITDA



By Region**

+4.6%	Americas
-0.8%	EMEA
-4.3%	APAC
+2.7%	Total 

Product Categories



Gross Margin decreased 90 bps to 42.4%

- Attributed to inflationary pressure on materials and elevated freight costs partially offset by price realization

Adjusted S&A* as a percent of net sales improved 80 bps to 28.1%

- Driven by operating performance partly offset by incremental compensation and benefits expense

Adjusted EBITDA Margin* up slightly to 15.2%

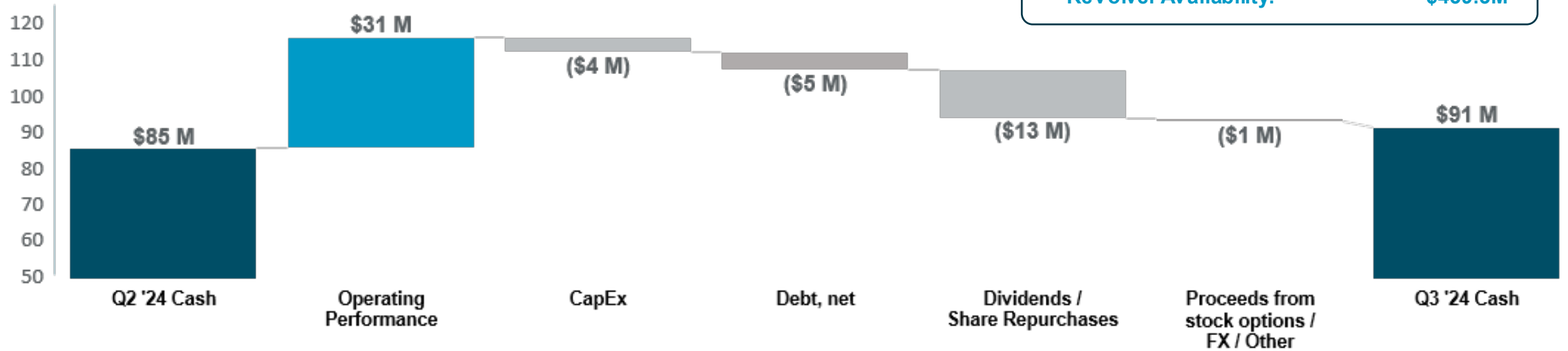
*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

**Organic net sales growth

*** Volume includes inorganic impact from M&A activity

Capital Deployment

Cash Flow



	YE 2023	Q3 2024
Total Debt	\$201M	\$209M
Net Leverage*	0.43x	0.56x
Revolver Availability:		\$439.3M

Net cash provided by operating activities of ~\$31M driven by operating performance, partially offset by increases in working capital and ERP modernization costs

Capital expenditures of ~\$4M

Returned capital to shareholders via dividend and share repurchases

Reaffirm 2024 Full-Year Guidance

	2024 Guidance
Net Sales	\$1.280B - \$1.305B
Organic Net Sales Growth	2.5% - 4.5%
Adjusted Diluted EPS⁽¹⁾	\$6.15 - \$6.55
Adjusted EBITDA⁽¹⁾	\$205M - \$215M
Adjusted EBITDA Margin⁽¹⁾	16.0% - 16.5%
Capital Expenditures⁽¹⁾	~\$20M
Adjusted Effective Tax Rate⁽¹⁾	22% - 27%



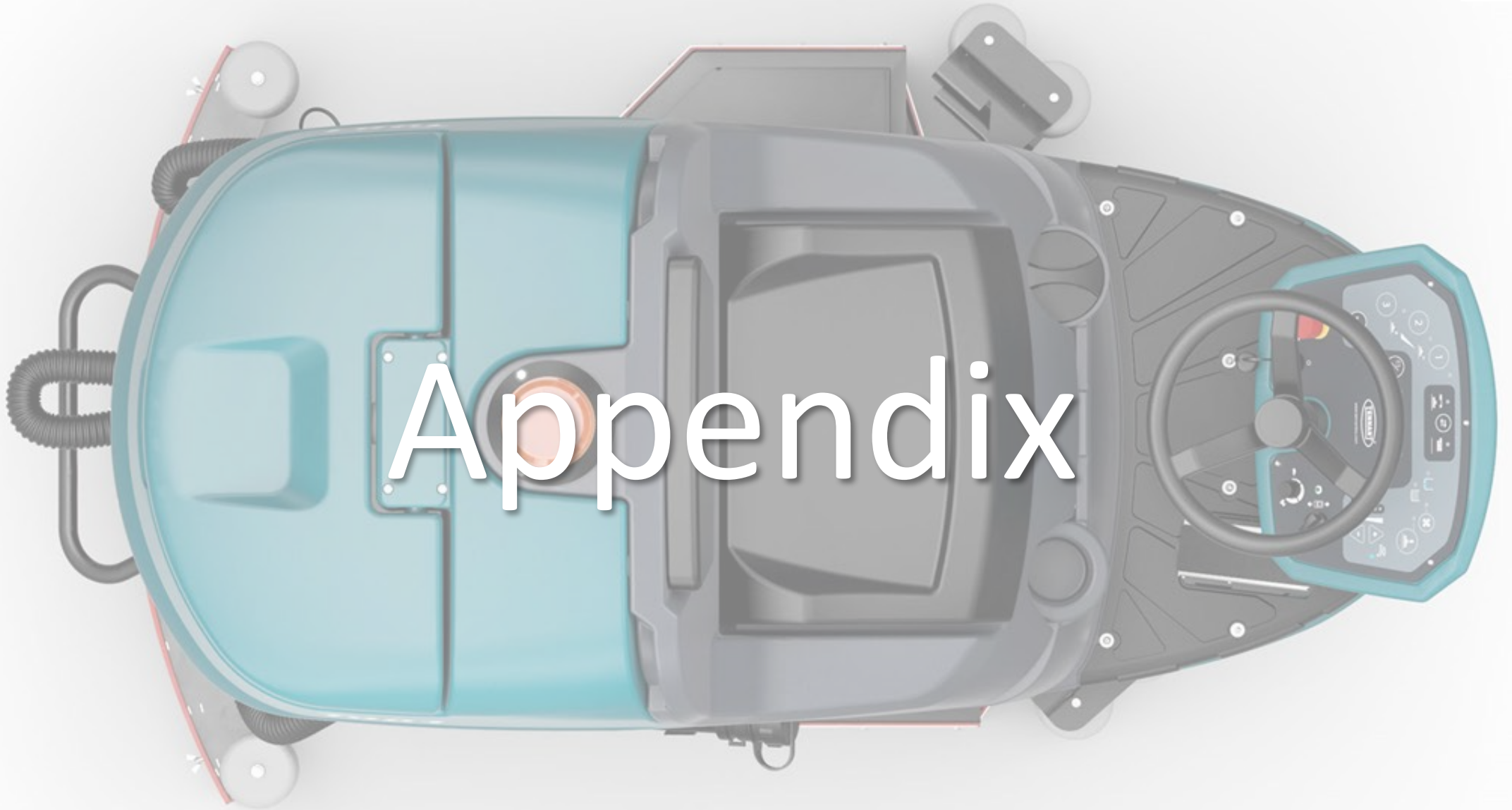
Q&A



Thank You



TENNANT
COMPANY



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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income - as reported	\$ 20.8	\$ 22.9	\$ 77.1	\$ 78.5
Adjustments:				
Amortization expense	2.6	2.5	8.4	7.9
Restructuring-related charge (S&A expense)	—	—	0.4	0.8
ERP modernization costs (S&A expense)	2.5	—	7.0	—
Transaction and integration-related costs (S&A expense)	0.7	—	3.6	—
Net income - as adjusted	\$ 26.6	\$ 25.4	\$ 96.5	\$ 87.2
Net income per share - as reported:				
Diluted	\$ 1.09	\$ 1.21	\$ 4.03	\$ 4.19
Adjustments:				
Amortization expense	0.14	0.13	0.44	0.42
Restructuring-related charge (S&A expense)	—	—	0.02	0.04
ERP modernization costs (S&A expense)	0.13	—	0.37	—
Transaction and integration-related costs (S&A expense)	0.04	—	0.19	—
Net income per diluted share - as adjusted	\$ 1.39	\$ 1.34	\$ 5.05	\$ 4.65

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

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income - as reported	\$ 20.8	\$ 22.9	\$ 77.1	\$ 78.5
Less:				
Interest expense, net	2.7	3.3	7.5	11.0
Income tax expense	6.7	7.0	22.4	23.3
Depreciation expense	10.1	9.2	29.6	26.4
Amortization expense	3.6	3.5	11.4	11.0
EBITDA	43.9	45.9	148.0	150.2
Adjustments:				
Restructuring-related charge (S&A expense)	—	—	0.6	1.2
ERP modernization costs (S&A expense)	3.3	—	9.2	—
Transaction and integration-related costs (S&A expense)	0.7	—	3.6	—
EBITDA - as adjusted	\$ 47.9	\$ 45.9	\$ 161.4	\$ 151.4
EBITDA margin - as adjusted	15.2 %	15.1 %	16.9 %	16.2 %

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
S&A expense - as reported	\$ 92.7	\$ 88.2	\$ 275.5	\$ 256.9
<i>S&A expense as a percent of net sales - as reported</i>	29.4 %	28.9 %	28.8 %	27.6 %
Adjustments:				
Restructuring-related charge (S&A expense)	—	—	(0.6)	(1.2)
ERP modernization costs (S&A expense)	(3.3)	—	(9.2)	—
Transaction and integration-related costs (S&A expense)	(0.7)	—	(3.6)	—
S&A expense - as adjusted	\$ 88.7	\$ 88.2	\$ 262.1	\$ 255.7
<i>S&A expense as a percent of net sales - as adjusted</i>	28.1 %	28.9 %	27.4 %	27.4 %
Operating income - as reported	\$ 30.6	\$ 34.7	\$ 106.7	\$ 114.1
<i>Operating margin - as reported</i>	9.7 %	11.4 %	11.1 %	12.2 %
Adjustments:				
Restructuring-related charge (S&A expense)	—	—	0.6	1.2
ERP modernization costs (S&A expense)	3.3	—	9.2	—
Transaction and integration-related costs (S&A expense)	0.7	—	3.6	—
Operating income - as adjusted	\$ 34.6	\$ 34.7	\$ 120.1	\$ 115.3
<i>Operating margin - as adjusted</i>	11.0 %	11.4 %	12.5 %	12.4 %

TENNANT COMPANY

SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

Reported to Adjusted Income Before Income Taxes and Income Tax Expense

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income before income taxes - as reported	\$ 27.5	\$ 29.9	\$ 99.5	\$ 101.8
Adjustments:				
Amortization expense	3.6	3.5	11.4	11.0
Restructuring-related charge (S&A expense)	—	—	0.6	1.2
ERP modernization costs (S&A expense)	3.3	—	9.2	—
Transaction and integration-related costs (S&A expense)	0.7	—	3.6	—
Income before income taxes - as adjusted	\$ 35.1	\$ 33.4	\$ 124.3	\$ 114.0
Income tax expense - as reported	\$ 6.7	\$ 7.0	\$ 22.4	\$ 23.3
<i>Effective tax rate - as reported</i>	24.4 %	23.4 %	22.5 %	22.9 %
Adjustments⁽¹⁾:				
Amortization expense	1.0	1.0	3.0	3.1
Restructuring-related charge (S&A expense)	—	—	0.2	0.4
ERP modernization costs (S&A expense)	0.8	—	2.2	—
Income tax expense - as adjusted	\$ 8.5	\$ 8.0	\$ 27.8	\$ 26.8
<i>Effective tax rate - as adjusted</i>	24.2 %	24.0 %	22.4 %	23.5 %

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

Free Cash Flow Conversion

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income - as reported	\$ 20.8	\$ 22.9	\$ 77.1	\$ 78.5
Adjustments:				
ERP modernization costs (S&A expense)	2.5	—	7.0	—
Net income - as adjusted	\$ 23.3	\$ 22.9	\$ 84.1	\$ 78.5
Cash provided by operating activities - as reported	\$ 30.7	\$ 54.4	\$ 52.2	\$ 124.6
Less:				
Capital expenditures	(4.3)	(3.5)	(11.5)	(15.3)
Free cash flows	\$ 26.4	\$ 50.9	\$ 40.7	\$ 109.3
Adjustments:				
ERP modernization spend	9.4	—	25.6	—
Free cash flows - as adjusted	\$ 35.8	\$ 50.9	\$ 66.3	\$ 109.3
Net income to free cash flows conversion	154 %	222 %	79 %	139 %