Earnings Release Call
Second Quarter 2022

August 9, 2022

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TENNANT COMPANY

Forward-Looking Statements & Non-GAAP Measures

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 we serve. Particular risks and uncertainties presently facing us include: geopolitical and economic uncertainty throughout the world; uncertainty surrounding the impacts and duration of the COVID-19 pandemic; our ability to comply with global laws and regulations; our ability to adapt to customer pricing sensitivities; the competition in our business; fluctuations in the cost, quality or availability of raw materials and purchased components; our ability to adjust pricing to respond to cost pressures; unforeseen product liability claims or product quality issues; our ability to attract, retain and develop key personnel and create effective succession planning strategies; our ability to effectively develop and manage strategic planning and growth processes and the related operational plans; our ability to successfully upgrade and evolve our information technology systems; our ability to successfully protect our information technology systems from cybersecurity risks; the occurrence of a significant business interruption; our ability to maintain the health and safety of our workers; our ability to integrate acquisitions; and our 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 our results can be found in our 2021 Form 10-K or 2022 Form 10-Q. 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 us in our 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

- Q2 in line with expectations
- Continued robust demand driving increased backlog
- Macroeconomic headwinds persist
- Confirm FY ‘22 adjusted EBITDA guidance to $140M - $155M

	Q2 2022	Q2 2021
Net Sales	$280.2	$279.1
Adjusted EBITDA*	$30.3	$35.1
Adjusted Diluted EPS*	$0.92	$1.18

In millions of USD, except adjusted diluted EPS

*See the Supplemental Non-GAAP Financial Tables within Q2 ’22 Earnings Release for details.

Operational and Strategic Overview

Strategic Playbook

- Relentless focus on high-quality products
- Customer experience
- Continue to drive AMR growth
- Sustainability*

Operations Playbook

- Capacity expansion
- Design around parts constraints
- Leverage global footprint

Margin Expansion Playbook

- Strategic pricing
- Cost structure optimization
- Delivering value to customers

**Refer to recently published 2021 sustainability report.*

Value drivers in place to create substantial returns

Tennant Company

Financial Results
Second Quarter 2022





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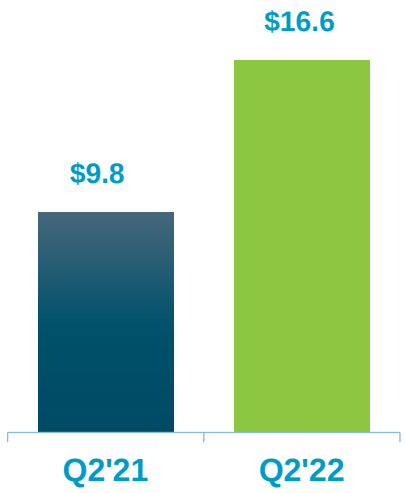
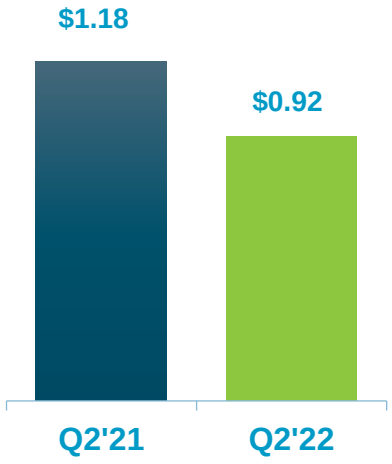
Second Quarter Financial Performance

Net Income



In millions of USD

Adjusted EPS*



*See the Supplemental Non-GAAP Financial Tables within Q2 '22 Earnings Release for details.

Net Income

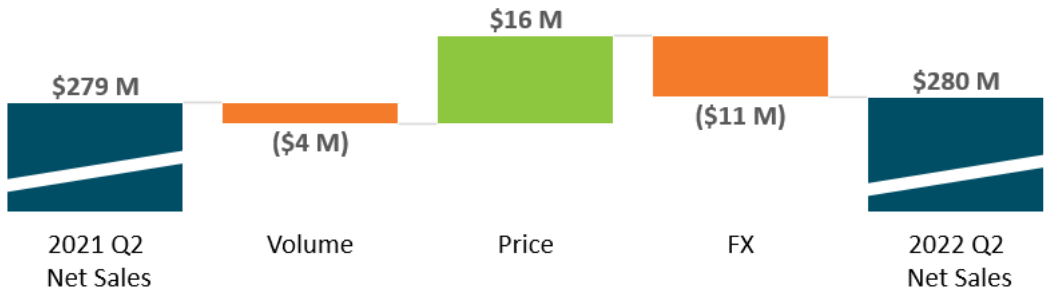
- Q2 '22 Net Income of $16.6M increased $6.8M from Q1 '22 reflecting price increases offset by currency headwinds and lower volumes due to parts availability issues coupled with lower margins from material inflation pressures
- Q2 '22 includes gain on sale of assets ($2.8M)
- Q2 '21 included loss on extinguishment of debt ($8.6M)

Adjusted EPS*

- Q2 '22 Adjusted EPS of $0.92/diluted share excludes amortization and other non-comparable items

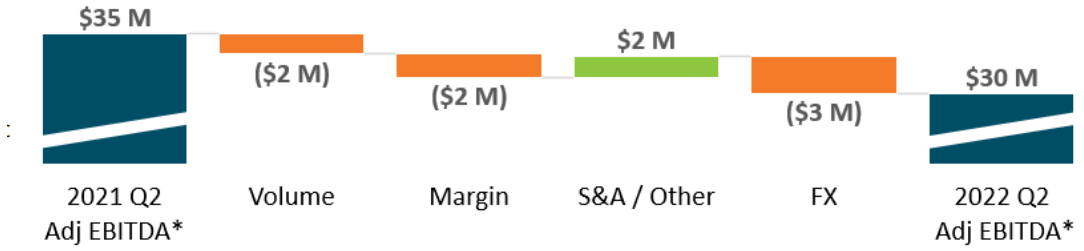
Second Quarter 2022 Results

Net Sales



- Organic growth 4.4%: Americas 6.5%, EMEA 3%, APAC -4.5%
- Unfavorable **volume** impact of approx. $4M
  - North America and EMEA impacted by continued supply-chain constraints on parts availability
  - APAC impacted by COVID lockdowns & demand (China)
  - Growth in Latin America
- Favorable **price** realization of $16M
  - Pricing actions enacted in Q1 and Q2 across all geographies and product categories
- Unfavorable **foreign currency** impact of approx. $11M

Adjusted EBITDA*



- Unfavorable **volume** impact of approximately $2M
- Decline in **gross margin** accounts for $2M driven primarily by:
  - Inflation related to material, labor, freight ($18M)…
  - …partly offset by pricing actions accounting for $16M
- **S&A & Other**: driven by reduction in variable compensation expenses, partly offset by strategic and project spend
- Unfavorable **foreign currency** impact of approx. $3M

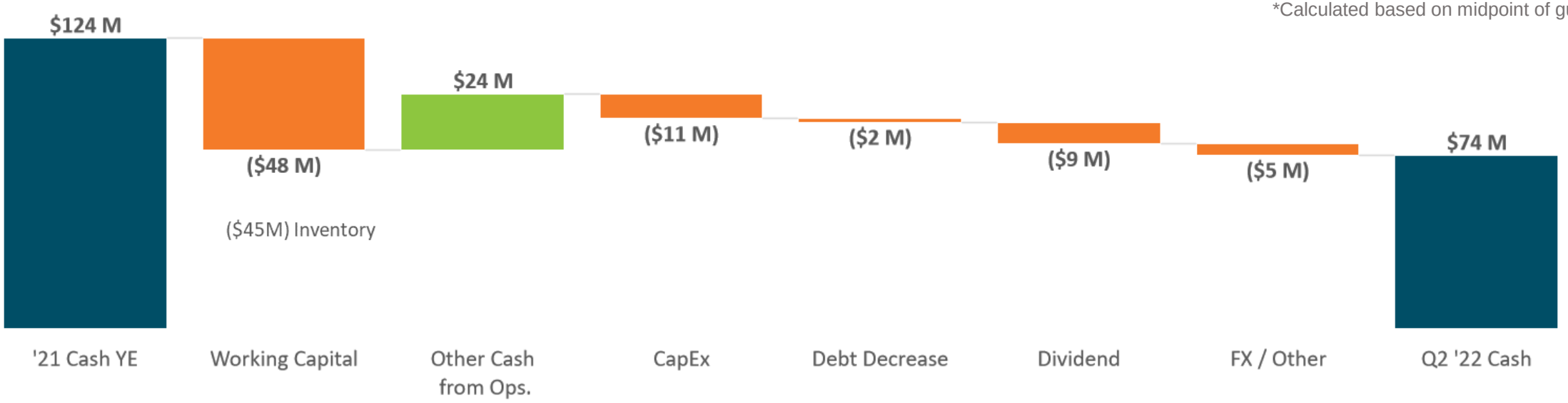
*See the Supplemental Non-GAAP Financial Tables within Q2 '22 Earnings Release for details.

Capital Deployment

	Q2 2022	YE 2021
Total Debt	$266M	$268M
Net Leverage*	1.30x	1.03x

Revolver Availability: $279.1M

*Calculated based on midpoint of guidance range



- Higher inventory driven by additional purchases (future builds, built-not-shipped, safety stock) and inflation
- As production output increases in the second half of the year, inventory levels will moderate

2022 Guidance – Confirm Guidance Range

Maintains path to long-term financial objectives:

2-3%
Annual net sales growth

6-10%
Annual adjusted EBITDA growth

50-100 bps
Annual adjusted EBITDA margin improvement

	Guidance
Net Sales	$1.125B - $1.170B
Organic Net Sales Growth	6.0% - 10.0%
Diluted EPS	$3.65 - $4.25
Adjusted Diluted EPS[(1)]	$4.15 - $4.75
Adjusted EBITDA[(1)]	$140M - $155M
Adjusted EBITDA Margin	12.4% - 13.3%
Capital Expenditures	$25M - $30M
Adjusted Effective Tax Rate[(2)]	20% - 25%

(1) Excludes certain non-operational items and amortization expense.
(2) Excludes certain non-operational items and the amortization expense adjustment.

Questions?

Appendix

Enterprise Strategy – Global Positioning Strategy (GPS)



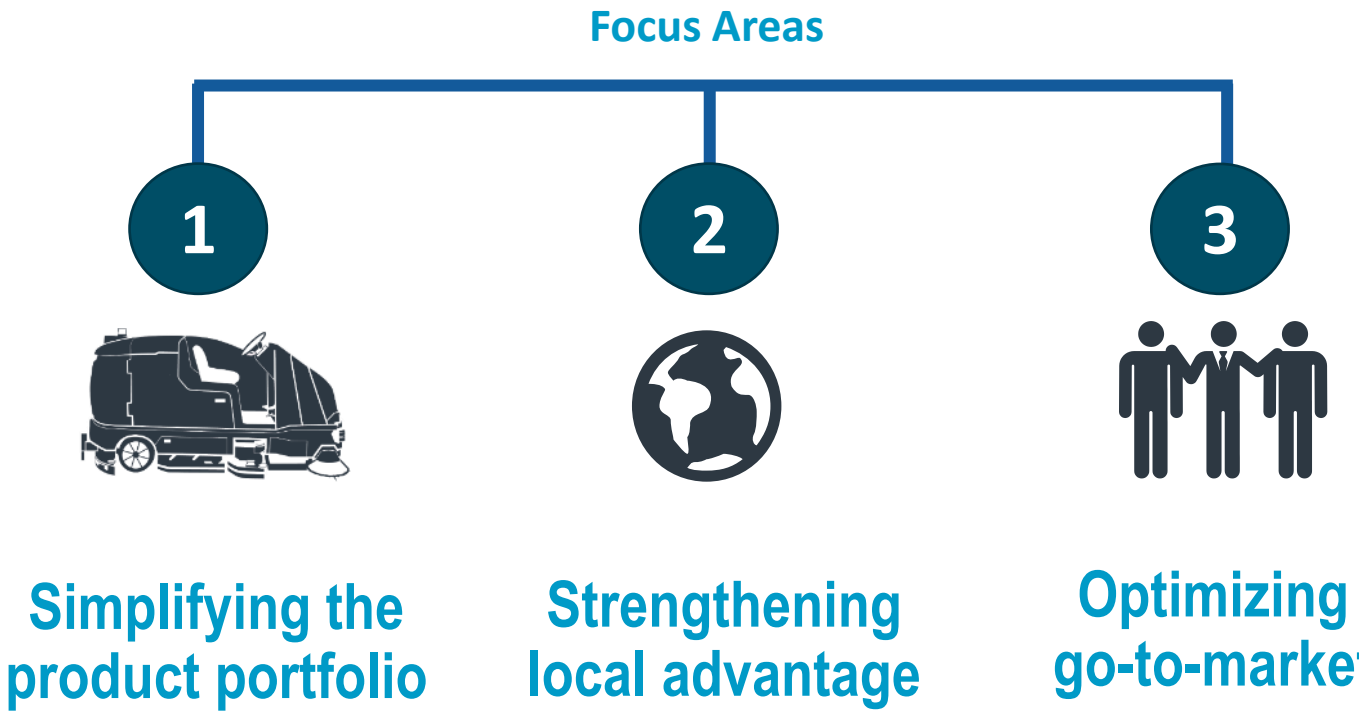
Win where we have a competitive advantage

Reduce complexity & build scalable processes

Innovate for profitable growth

Win where we have a competitive advantage

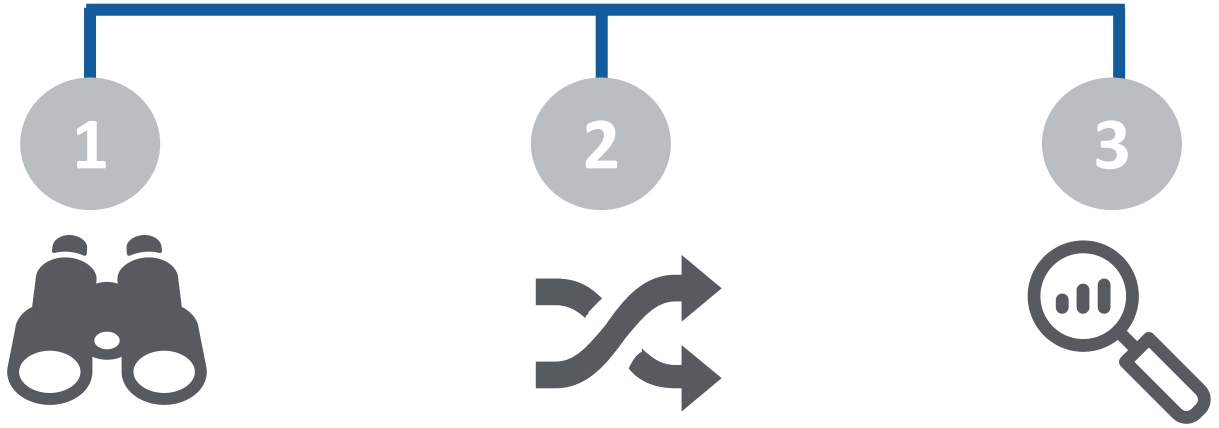
Focus investments and resources where we can create the most value



Reduce complexity & build scalable processes

Simplify and standardize to gain efficiency and leverage

Focus Areas



Leveraging Our Platform Product Design

Advancing Our Supply Chain – Local for Local

Capturing Operating Model Efficiencies

Innovate for profitable growth

Thinking Differently to Maximize Value for Customers and Tennant

