Earnings Release Call
Third Quarter 2022

October 27, 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

- Q3 organic sales growth of 1.7%; foreign currency headwinds
- Q3 Adjusted EBITDA improvement on constant-currency basis
  - Sequential improvement versus Q2
- Macroeconomic headwinds persist
- Global backlog of ~$280M remains at elevated levels
- Revising full-year guidance
  - Net sales of $1.08B to $1.11B
  - Adjusted EBITDA of $130M to $140M

	Q3 2022	Q3 2021
Net Sales	$262.9	$272.0
Constant Currency	*$276.7*	
Adjusted EBITDA*	$33.8	$36.0
Constant Currency	*$37.3*	
Adjusted Diluted EPS*	$0.99	$1.33
Constant Currency	*$1.13*	

In millions of USD, except adjusted diluted EPS

*See the Supplemental Non-GAAP Financial Tables within Q3 '22 Earnings Release for details.

Addressing Current Environment…Remain Focused on Long-Term

Operations Playbook
Increase Production

- Expand dual-sourcing supply
- Local-for-local procurement
- Leverage global footprint
- Design around constrained parts
- Increase supplier interaction
- Directly procure difficult-to-source parts

Margin Expansion Playbook
Preserve Profitability

- Deliver value to customers
- Drive Service and P&C revenue
- Strategic pricing to offset inflation
- Drive new product revenue – AMR
- Reduce/optimize costs

Enterprise Strategy

- Win where we have a competitive advantage
- Reduce complexity and build scalable processes
- Innovate for profitable growth

Value drivers in place to create substantial returns

Tennant Company

Financial Results
Third Quarter 2022





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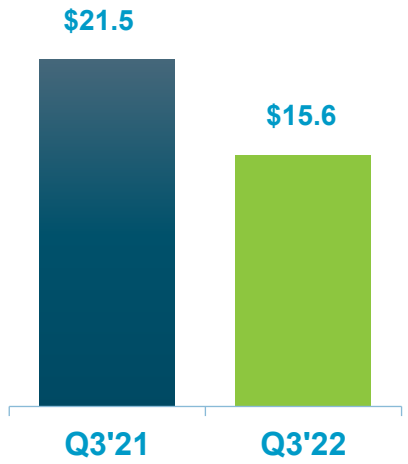
Third Quarter Financial Performance

Net Income



In millions of USD

Adjusted EPS*



*See the Supplemental Non-GAAP Financial Tables within Q3 '22 Earnings Release for details.

Net Income

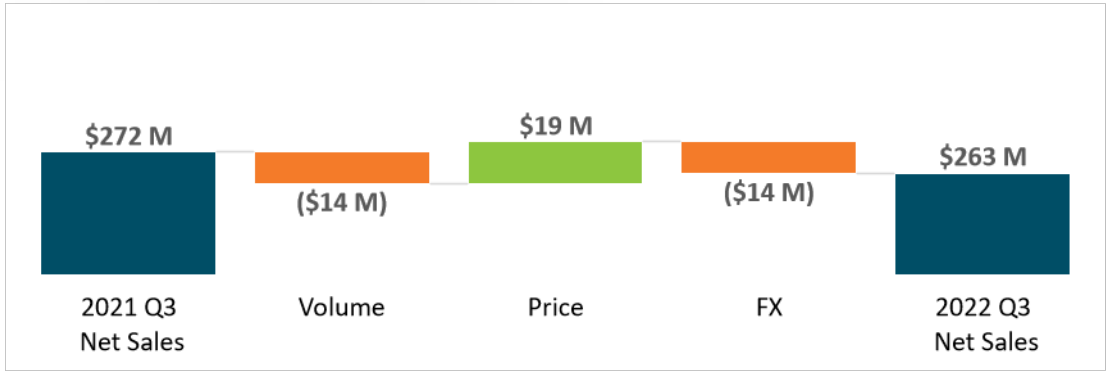
- Q3 '22 Net Income of $15.6M decreased $5.9M from Q3 '21 reflecting unfavorable currency variances and cost inflation, offset partially by pricing actions
- Q3 '22 income taxes of $4.2M were unfavorable by $3.4M to Q3 '21

Adjusted EPS*

- Q3 '22 Adjusted EPS of $0.99/diluted share excludes amortization and restructuring charges

Third Quarter 2022 Results

Net Sales



- Organic growth 1.7%: Americas 4.6%, EMEA 0.6%, APAC -14%
- Unfavorable **volume** impact of ~ $14M
  - North America and EMEA impacted by continued supply-chain constraints on parts availability
  - APAC primarily impacted by COVID lockdowns in China
  - Growth in Latin America
- Favorable **price** realization of approx. $19M
  - Pricing actions enacted Q1 to Q3 across all geographies
  - Unfavorable **foreign currency** impact of ~ $14M as driven mostly by the devaluation of the euro

Adjusted EBITDA*



- Unfavorable **volume** impact of ~ $6M
- Increase in **gross margin** accounts for $4M driven primarily by:
  - Inflation related to material, labor, freight ($15M) offset by pricing actions accounting for $19M
- **S&A & Other**: Reduction due to decreased variable compensation expenses, partly offset by strategic and project spend
- Unfavorable **foreign currency** impact of ~ $4M

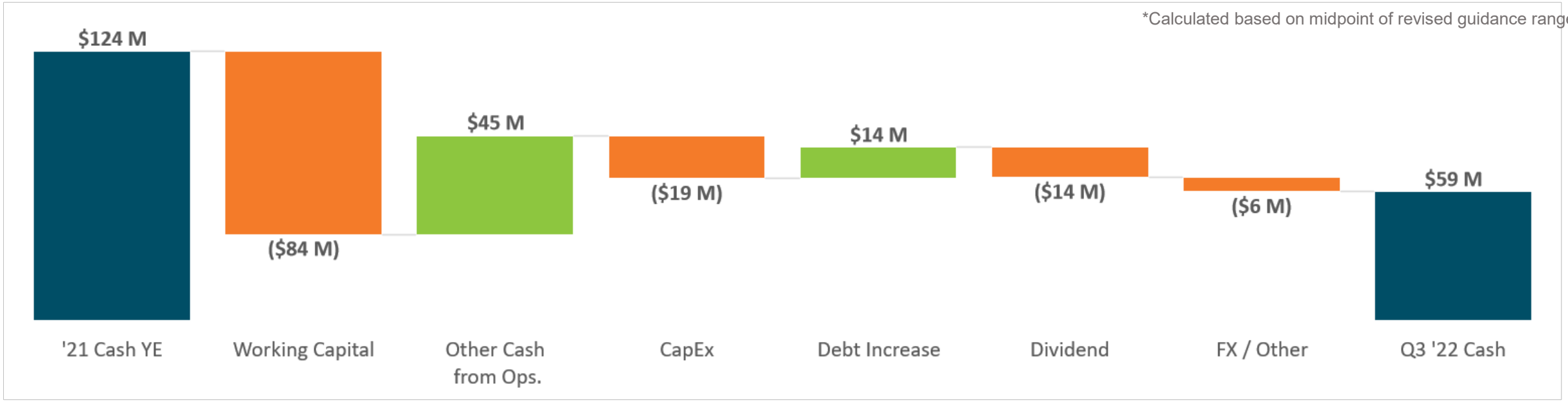
*See the Supplemental Non-GAAP Financial Tables within Q3 '22 Earnings Release for details.

Capital Deployment

	Q3 2022	YE 2021
Total Debt	$282M	$268M
Net Leverage*	1.65x	1.03x

Revolver Availability: $261.9M

*Calculated based on midpoint of revised guidance range



- Changes in working capital driven by higher inventory (additional purchases and inflation) and higher accounts receivable (customer mix with extended payment terms), higher interest and tax payments
- CapEx in line with guidance

2022 Guidance – Revised Guidance Range

	Prior Guidance	Revised Guidance
Net Sales	$1.125B - $1.17B	$1.08B - $1.11B
Organic Net Sales Growth	6.0% - 10.0%	3.0% - 6.0%
Diluted EPS	$3.65 - $4.25	$3.20 - $3.60
Adjusted Diluted EPS(1)	$4.15 - $4.75	$3.70 - $4.10
Adjusted EBITDA(1)	$140M - $155M	$130M - $140M
Adjusted EBITDA Margin	12.4% - 13.3%	12.0% - 12.6%
Capital Expenditures	$25M - $30M	$25M - $30M
Adjusted Effective Tax Rate(2)	20% - 25%	20% - 25%

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

Questions?