

Earnings Release Call
Fourth Quarter and Full Year 2022

February 23, 2023

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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 2022 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 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

- 2022 Full Year organic sales growth of 4.2%
  - Strong Q4 with Organic sales growth of 9.7%
- FY Adjusted EBITDA* declines compared to prior year
  - Sequential quarterly improvement versus Q3
- Record global backlog of ~$325M exiting 2022
- Full Year guidance for 2023
  - Net Sales of $1,115M - $1,155M
  - Adjusted EBITDA* of $140M - $160M

	Q4 2022	Q4 2021	FY 2022	FY 2021
Net Sales	$291.0	$276.4	$1,092.2	$1,090.8
Constant Currency	*$303.1*		*$1,135.2*	
Adjusted EBITDA*	$41.7	$28.4	$133.7	$140.2
Constant Currency	*$45.5*		$145.8	
Adjusted Diluted EPS*	$1.46	$0.71	$4.10	$4.39
Constant Currency	$1.60		$4.47	

In millions of USD, except adjusted diluted EPS

*See the Supplemental Non-GAAP Financial Tables within Q4 '22 Earnings Release for details.

Focused investments beyond recovery

Investments in the business

- Investments in supply chain to solve for parts shortages
- Investments in plant operations
- Acceleration of product launches

Market and customer

- Expansion of AMR product line, traction with customer base
- Penetrate new channels and grow with new business models
- Innovation efforts beyond robotics (electrification, data)

Enterprise Strategy

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

Continued focus on growth and structural transformation in addition to backlog recovery

Tennant Company

Financial Results
Fourth Quarter and Full Year 2022





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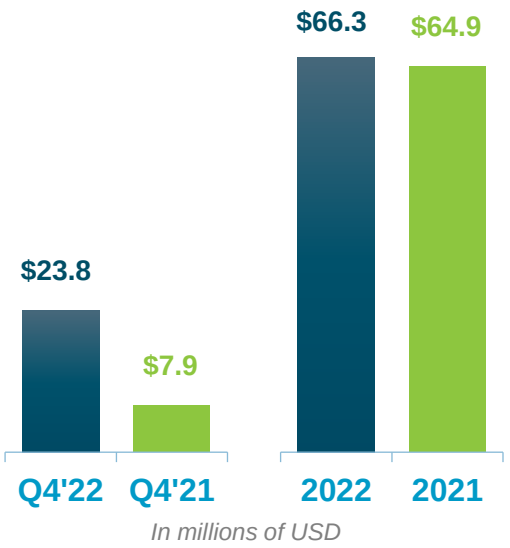
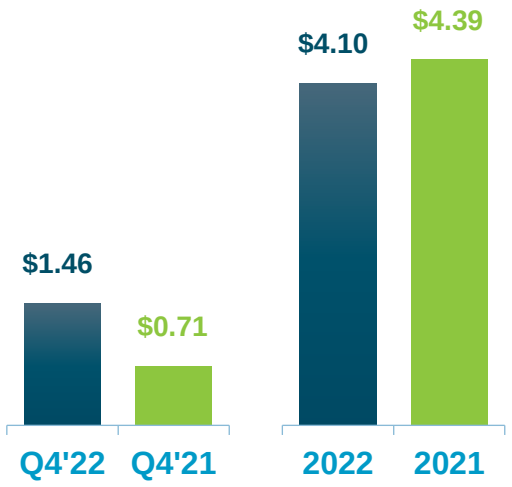
Fourth Quarter and Full Year Financial Performance

Net Income



Adjusted Diluted EPS*



*See the Supplemental Non-GAAP Financial Tables within Q4 ’22 Earnings Release for details.

Net Income

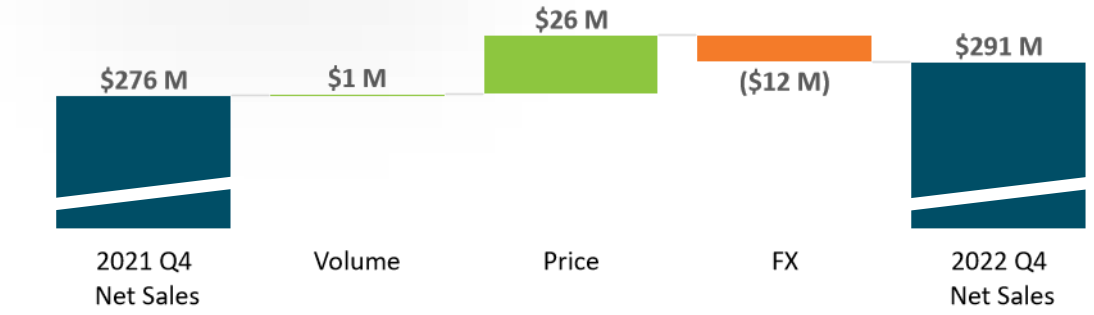
- 2022 Record net income of $66.3M increased $1.4M from 2021
- Q4 ’22 Strong quarterly net income of $23.8M was $15.9M higher than the same quarter last year

Adjusted Diluted EPS*

- 2022 Adjusted EPS of $4.10/diluted share was $0.29 below prior year
- Q4 ‘22 Adjusted EPS more than doubled to $1.46/diluted share from $0.71/diluted share

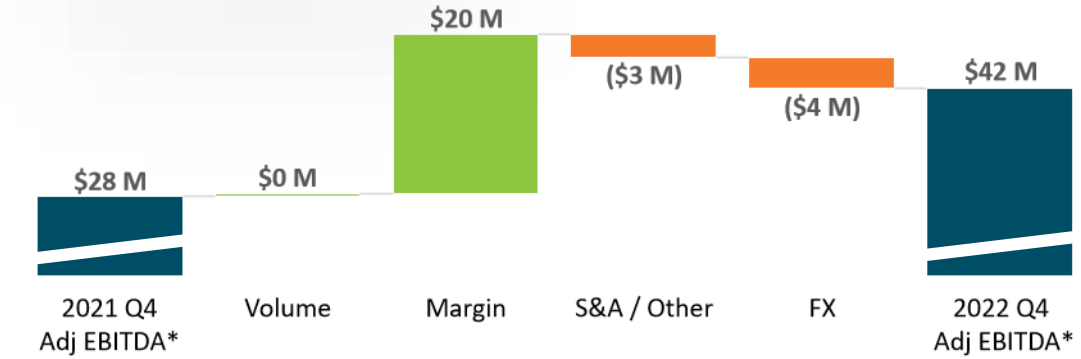
Fourth Quarter 2022 Results

Net Sales



- Organic growth 9.7%
  - Americas 16%, EMEA 2.3%, APAC -7.5%
- Favorable **volume** impact of ~ $1M
  - Both North America and LATAM grew volume in Q4
  - EMEA decline due to persisting supply-chain constraints
  - APAC impacted by COVID situation in China, despite November reopening
- Favorable **price** realization of approx. $26M
  - 2022 pricing actions reading out across all geographies
- Unfavorable **foreign currency** impact of ~ $12M

Adjusted EBITDA*

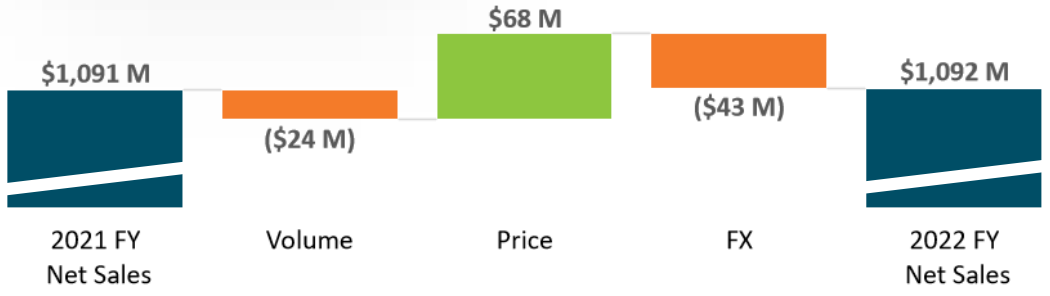


- **Volume** impact relatively flat
- Increase in **gross margin** accounts for $20M driven primarily by pricing actions, only partially offset by labor and materials inflation
- **S&A & Other**: Unfavorable impact due to increased variable compensation
- Unfavorable **foreign currency** impact of ~ $4M

*See the Supplemental Non-GAAP Financial Tables within Q4 '22 Earnings Release for details.

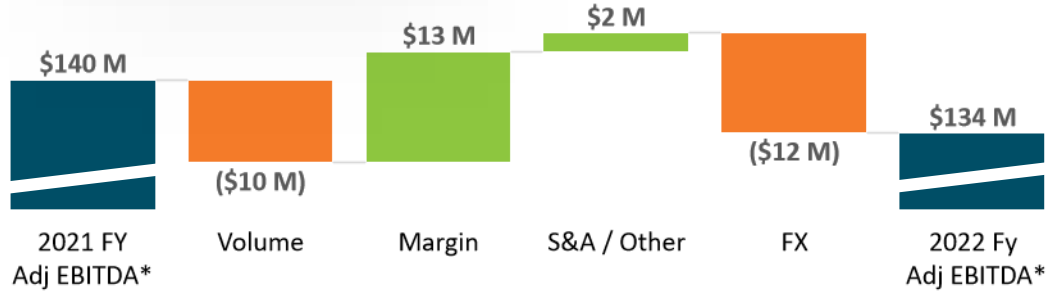
Full Year 2022 Results

Net Sales



- Organic growth 4.2%:
  - Americas 7.4%, EMEA 2.5%, APAC -11.4%
- Unfavorable **volume** impact of ~ $24M
  - 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. $68M
  - Pricing actions enacted Q1 to Q4 across all geographies
- Unfavorable **foreign currency** impact of ~ $43M

Adjusted EBITDA*



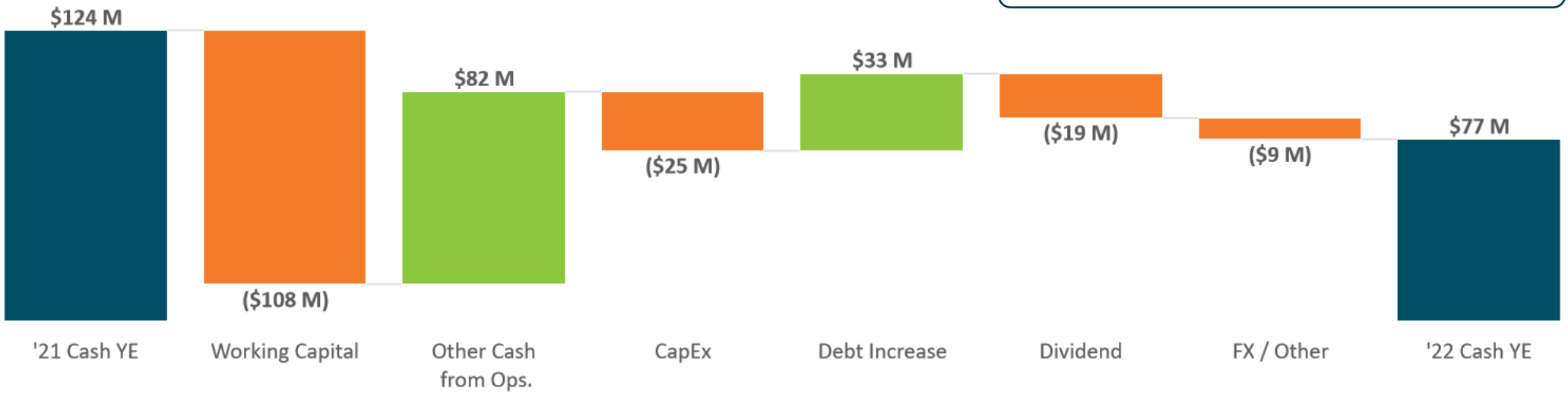
- Unfavorable **volume** impact of ~ $10M
- Increase in **gross margin** accounts for $13M driven primarily by pricing, partially offset by inflation in labor, freight, and materials expenses
- **S&A & Other**: Decrease due to prudent cost management and lower incentive costs, partly offset by strategic and project spend
- Unfavorable **foreign currency** impact of ~ $12M

*See the Supplemental Non-GAAP Financial Tables within Q4 '22 Earnings Release for details.

Capital Deployment

	YE 2022	YE 2021
Total Debt	$300M	$268M
Net Leverage	1.67x	1.03x

Revolver Availability: $242.2M



- Changes in working capital driven by higher inventory (additional purchases and inflation) and higher accounts receivable (customer mix with extended payment terms)
- Capital Expenditures in line with guidance
- Repurchased 79,756 shares for $5.0M

2023 Guidance

	2022 Full Year	2023 Guidance
Net Sales	$1,092.2	$1.115B - $1.155B
Organic Net Sales Growth	4.2%	3.0% - 7%
Diluted EPS	$3.55	$3.10 - $3.90
Adjusted Diluted EPS[(1)]	$4.10	$3.70 - $4.50
Adjusted EBITDA[(1)]	$133.7M	$140M - $160M
Adjusted EBITDA Margin	12.2%	12.6% - 13.9%
Capital Expenditures	$25M	$20M - $25M
Adjusted Effective Tax Rate[(2)]	18.4%	20% - 25%

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

Questions?

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