Earnings Release Call
First Quarter 2023

April 28, 2023

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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 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

- 2023 Q1 organic sales growth of 21%
  - 11% backlog reduction and 10% base business growth
- Q1 Adjusted EBITDA* improves to $47.9M
  - 15.7% of Net Sales – up from 10.8% Q1 '22
  - Sequential quarterly improvement versus Q4
- Backlog of ~$298M
  - Reduced ~$28M from Q4 '22
- 100% FCF Conversion from Net income
- Maintain Full-Year Guidance for 2023
  - Net Sales of $1,115M - $1,155M
  - Adjusted EBITDA* of $140M - $160M

In millions of USD, except adjusted diluted EPS

	Q1 2023	Q1 2022
Net Sales	**$305.8**	**$258.1**
Constant Currency	***$312.4***	
Adjusted EBITDA*	**$47.9**	**$27.9**
Constant Currency	***$49.0***	
Adjusted EBITDA* Margin	**15.7%**	**10.8%**
Adjusted Diluted EPS*	**$1.45**	**$0.73**
Constant Currency	**$1.48**	

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

Innovation and Leadership

Research and Development

- Innovate to drive customer value
- Expand product lines to capitalize on diverse customer use cases
- Enhance product portfolio

New Product Launches

- Penetrate new channels and grow with new business models
- Full suite of i-mop® products targeting small space applications
- Expanded line of scrubbers to capture additional mid-market opportunities

Net-Zero Commitment

- Leading the industry
- Goal of achieving net-zero GHG emissions across Scopes 1, 2, and 3 by 2040
- Customer and supplier collaboration



T681 Ride-on Scrubber



T981 Ride-on Scrubber



i-mop® products

Continued leadership with an emphasis on creating a cleaner, safer, and healthier world

*i-mop is a registered trademark of i-mop GmbH

Tennant Company

Financial Results
First Quarter 2023

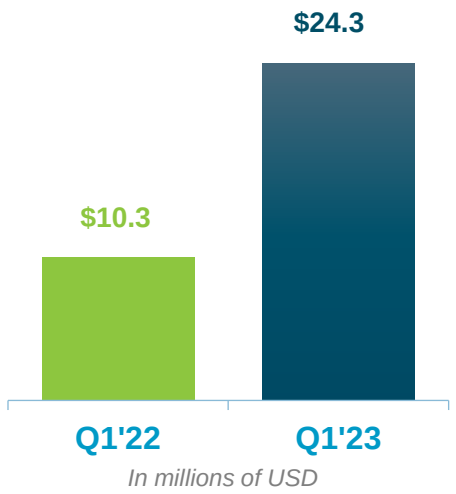




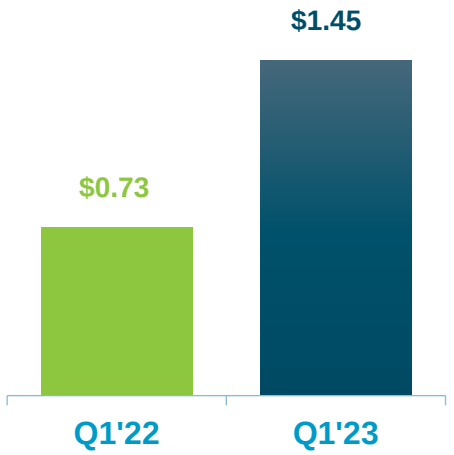
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First Quarter 2023 Financial Performance

Net Income



Adjusted Diluted EPS*



Net Income

- Q1 2023 net income of $24.3M increased $14.0M compared to the same period last year
- Interest expense, net of $3.7M in Q1 2023 compared to $0.3M in the prior-year quarter on higher debt levels and interest rates
- Adjusted effective tax rate of 24.5% in Q1 2023 compared to 29.4% in the prior-year quarter

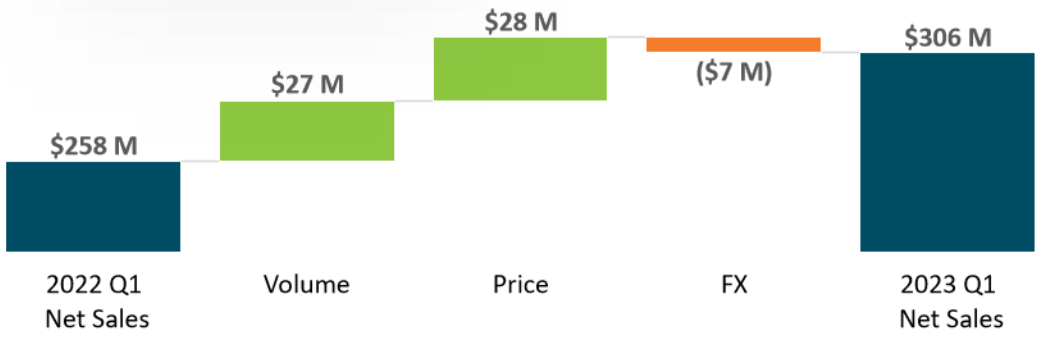
Adjusted Diluted EPS*

- Q1 2023 Adjusted EPS of $1.45 per diluted share compared to $0.73 per diluted share in the same period last year

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

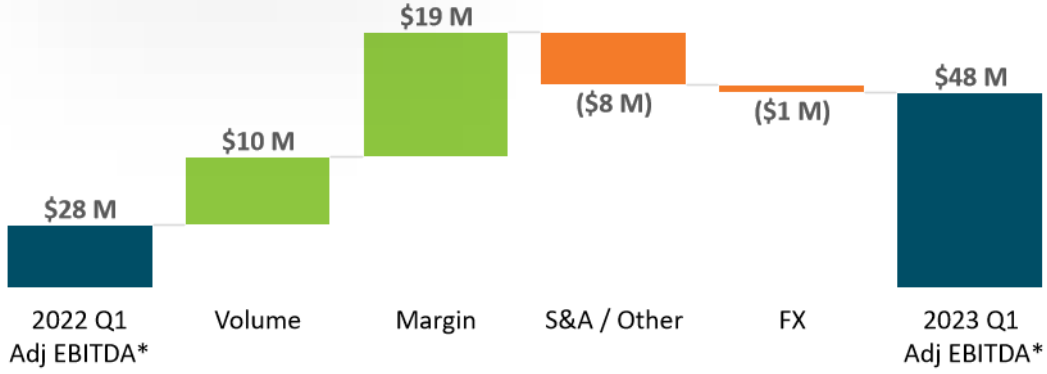
First Quarter 2023 Results

Net Sales



- Organic growth 21%
  - Americas 28%, EMEA 11%, APAC 7%
- Favorable **volume** impact of ~$27M
  - Volume increases in all major geographies
- Favorable **price** realization ~$28M
  - Recent pricing actions reading out across all geographies
- Unfavorable **foreign currency** impact of ~$7M, primarily EMEA

Adjusted EBITDA*



- **Volume** impact of ~$10M
- Improvement in **gross margin** contributed ~$19M of the increase in adjusted EBITDA primarily due to pricing actions more than offsetting labor and materials inflation
- **S&A & Other**: Increase due to higher variable costs including warranty and other employee costs
- Unfavorable **foreign currency** impact of ~$1M

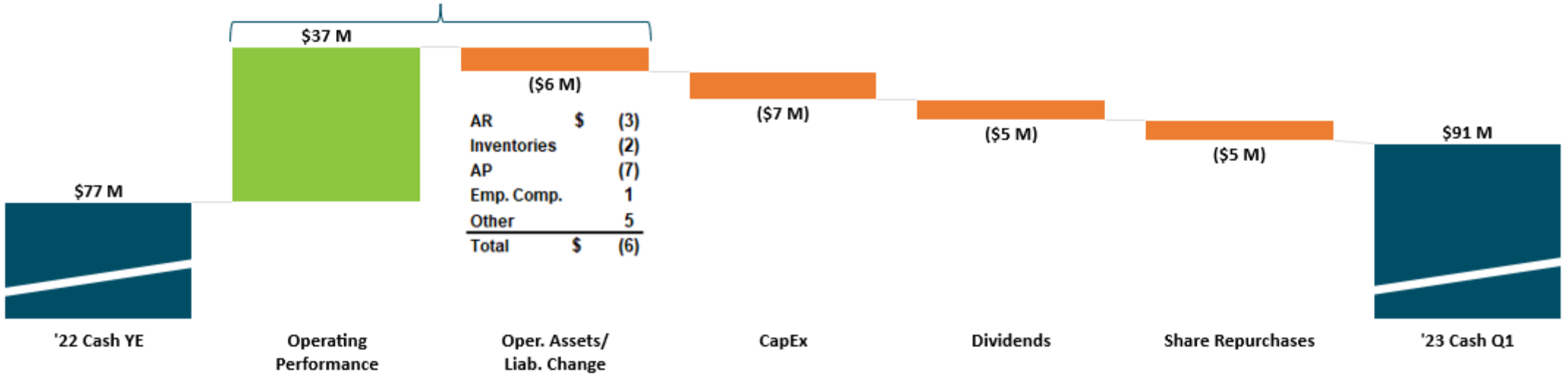
*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

Capital Deployment

	Q1 2023	YE 2022
Total Debt	$299M	$300M
Net Leverage*	1.38x	1.67x

Revolver Availability: $242M

Operating Cash Flow: $31M



- Net cash provided by operating activities of ~$31M was driven by improved operating performance and moderating investments in working capital
- Capital expenditures of ~$7M in line with guidance expectations
- Returned capital to shareholders via dividend and share repurchases

* Midpoint of full-year adjusted EBITDA guidance

Reaffirm 2023 Guidance

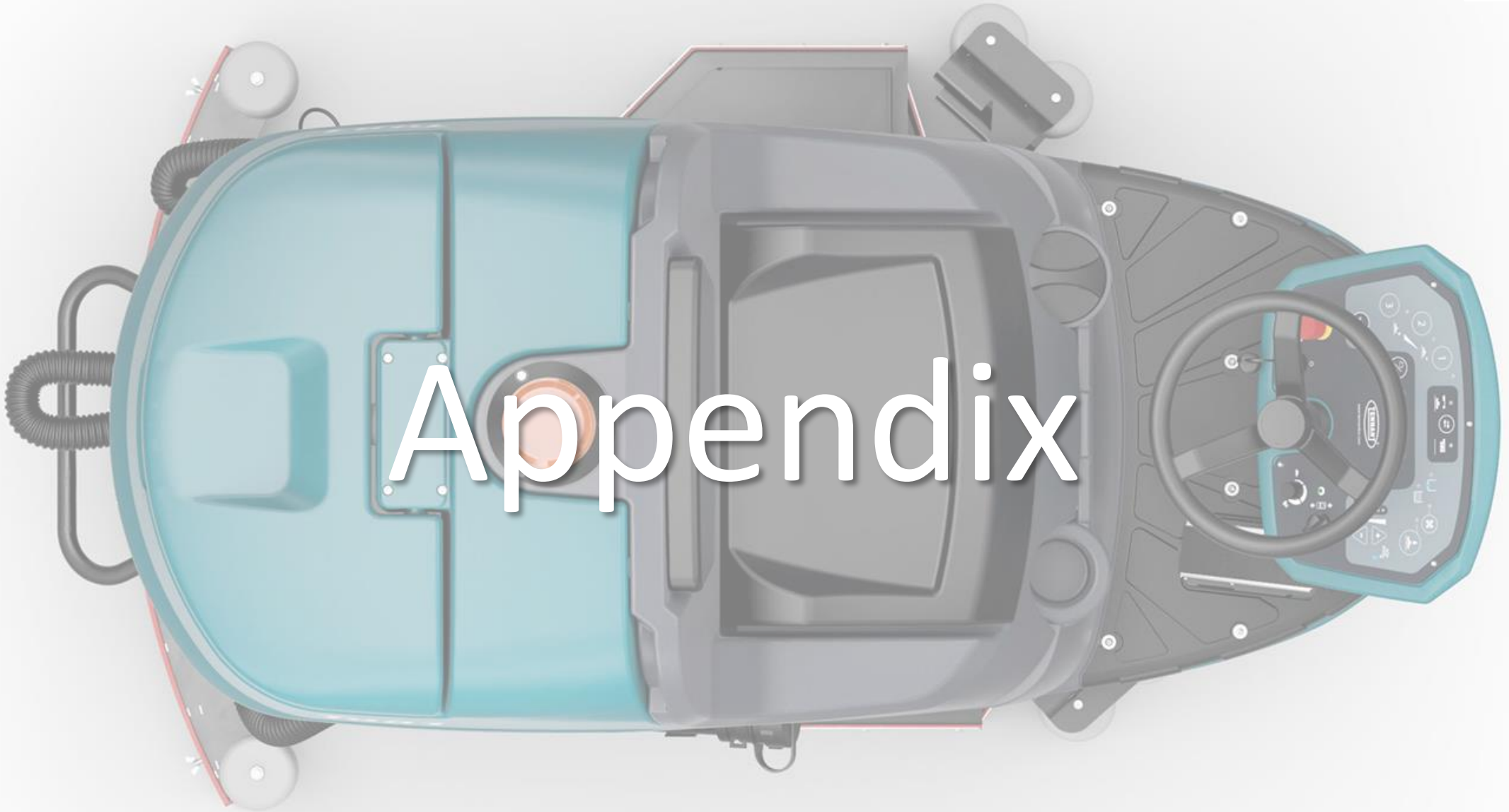
	2023 Guidance
Net Sales	$1.115B - $1.155B
Organic Net Sales Growth	3% - 7%
Diluted EPS	$3.10 - $3.90
Adjusted Diluted EPS[(1)]	$3.70 - $4.50
Adjusted EBITDA[(1)]	$140M - $160M
Adjusted EBITDA Margin	12.6% - 13.9%
Capital Expenditures	$20M - $25M
Adjusted Effective Tax Rate[(2)]	20% - 25%



(1) Excludes certain nonoperational items and amortization expense.
(2) Excludes certain nonoperational items and the amortization expense adjustment.

Questions?

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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.

We believe 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. We use these as one measure to monitor and evaluate operating performance. The Non-GAAP measures are financial measures that do not reflect United States Generally Accepted Accounting Principles (GAAP). We calculate the Non-GAAP measures by adjusting for restructuring-related charges and amortization expense. We calculate income tax expense – as adjusted by adjusting for the tax effect of these Non-GAAP measures. We calculate 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. We calculate EBITDA margin – as adjusted by dividing EBITDA – as adjusted by net sales.

TENNANT COMPANY
SUPPLEMENTAL NON-GAAP FINANCIAL TABLES

(In millions, except per share data)	Three Months Ended March 31,	
	2023	2022
Net income - as reported	$ 24.3	$ 10.3
Adjustments:		
Amortization expense	2.8	3.2
Restructuring-related charge (S&A expense)	—	0.2
Net income - as adjusted	$ 27.1	$ 13.7
Net income per share - as reported		
Diluted	$ 1.30	$ 0.55
Adjustments:		
Amortization expense	0.15	0.17
Restructuring-related charge (S&A expense)	—	0.01
Net income per diluted share - as adjusted	$ 1.45	$ 0.73

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

(In millions)	Three Months Ended March 31,	
	2023	2022
Net income - as reported	$ 24.3	$ 10.3
Less:		
Interest expense, net	3.7	0.3
Income tax expense	7.7	4.4
Depreciation expense	8.3	8.2
Amortization expense	3.9	4.5
EBITDA	47.9	27.7
Adjustments:		
Restructuring-related charge (S&A expense)	—	0.2
EBITDA - as adjusted	$ 47.9	$ 27.9
EBITDA margin - as adjusted	*15.7 %*	*10.8 %*

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 March 31,	
	2023	**2022**
S&A expense - as reported	$ 81.7	$ 76.6
S&A expense as a percent of net sales - as reported	*26.7 %*	*29.7 %*
Adjustments:		
Restructuring-related charge (S&A expense)	—	(0.2)
S&A expense - as adjusted	$ 81.7	$ 76.4
S&A expense as a percent of net sales - as adjusted	*26.7 %*	*29.6 %*
Operating income - as reported	$ 35.9	$ 14.6
Operating margin - as reported	*11.7 %*	*5.7 %*
Adjustments:		
Restructuring-related charge (S&A expense)	—	0.2
Operating income - as adjusted	$ 35.9	$ 14.8
Operating margin - as adjusted	*11.7 %*	*5.7 %*

Reported to Adjusted Income Before Income Taxes and Income Tax Expense

(In millions)	Three Months Ended March 31,	
	2023	**2022**
Income before income taxes - as reported	$ 32.0	$ 14.7
Adjustments:		
Amortization expense	3.9	4.5
Restructuring-related charge (S&A expense)	—	0.2
Income before income taxes - as adjusted	$ 35.9	$ 19.4
Income tax expense - as reported	$ 7.7	$ 4.4
Effective tax rate - as reported	*24.1 %*	*29.9 %*
Adjustments[(1)]:		
Amortization expense	1.1	1.3
Income tax expense - as adjusted	$ 8.8	$ 5.7
Effective tax rate - as adjusted	*24.5 %*	*29.4 %*

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