



Nasdaq: NTIC



Northern Technologies International Corporation

Second Quarter FY 2021 Investor Presentation

NTIC's environmentally friendly technologies deliver leading corrosion inhibiting products and services, as well as advanced bioplastic packaging solutions

Disclaimers

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Statements contained in this presentation that are not historical information are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include NTIC's belief that its near-term outlook remains cautious and that it continues to uncover new business opportunities and other statements that can be identified by words such as "believes," "continues," "expects," "anticipates," "intends," "potential," "outlook," "will," "may," "would," "should," "guidance" or words of similar meaning, the use of future dates and any other statements that are not historical facts. Such forward-looking statements are based upon the current beliefs and expectations of NTIC's management and are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected or implied. Such potential risks and uncertainties include, but are not limited to, in no particular order: the effects of the COVID-19 pandemic on NTIC's business and operating results; the ability of NTIC to pay dividends; the effect of economic uncertainty and trade disputes; NTIC's dependence on the success of its joint ventures and fees and dividend distributions that NTIC receives from them; NTIC's relationships with its joint ventures and its ability to maintain those relationships; NTIC's dependence on its joint venture in Germany in particular due to its significance and the effect of a termination of this or its other joint ventures on NTIC's business and operating results; the ability of NTIC China to achieve significant sales; costs and expenses incurred by NTIC in connection with its ongoing litigation against its former Chinese joint venture partner; the effect of the United Kingdom's proposed exit from the European Union, economic slowdown and political unrest; risks associated with NTIC's international operations; exposure to fluctuations in foreign currency exchange rates and tariffs, including in particular the Euro compared to the U.S. dollar; the health of the U.S. and worldwide economies, including in particular the U.S. automotive industry; the level of growth in NTIC's markets; NTIC's investments in research and development efforts; acceptance of existing and new products; timing of NTIC's receipt of purchase orders under supply contracts; variability in sales to customers in the oil and gas industry and the effect on NTIC's quarterly financial results; increased competition; the costs and effects of complying with changes in tax, fiscal, government and other regulatory policies, including the new tax reform law, which could result in a write-down of our deferred tax assets, and rules relating to environmental, health and safety matters; pending and potential litigation; and NTIC's reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others. More detailed information on these and additional factors which could affect NTIC's operating and financial results is described in the Company's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K for the fiscal year ended August 31, 2020 and subsequent quarterly reports on Form 10-Q. NTIC urges all interested parties to read these reports to gain a better understanding of the many business and other risks that the Company faces. Additionally, NTIC undertakes no obligation to publicly release the results of any revisions to these forward-looking statements, which may be made to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

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In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), NTIC uses certain non-GAAP financial measures in this presentation. NTIC uses non-GAAP financial measures as supplemental measures of performance and believes these measures facilitate operating performance comparisons from period to period and company to company by factoring out potential differences caused by non-recurring, unusual or infrequent charges not related to NTIC's regular, ongoing business, variations in capital structure, tax positions, depreciation, non-cash charges and certain large and unpredictable charges. NTIC believes that the presentation of certain non-GAAP financial measures provides useful information to investors in evaluating its operations, period over period. Non-GAAP measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of NTIC's results as reported under GAAP. When analyzing NTIC's operating performance, investors should not consider NTIC's net income, as adjusted, for example, as a substitute for NTIC's net income prepared in accordance with GAAP or any other non-GAAP financial measure as a substitute for the comparable GAAP financial measure. Investors should note that any non-GAAP financial measures used by NTIC may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies. Whenever NTIC uses non-GAAP financial measures, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure.

Industry Information

Information regarding market and industry statistics contained in this presentation is based on information available to NTIC that NTIC believes is accurate. It is generally based on publications that are not produced for these purposes or economic analysis.

Environmentally friendly corrosion inhibiting products and services and advanced bioplastic packaging solutions

ZERUST® EXCOR®

Zerust® OIL & GAS

Natur-Tec®
Sustainable Biobased Materials



Zerust®/Excor® offers a wide range of products and solutions to solve corrosion issues

Zerust® Oil and Gas technologies reduce facility downtime, increase service life, and produce less waste

Natur-Tec provides 100% compostable products for a sustainable world

At a Glance

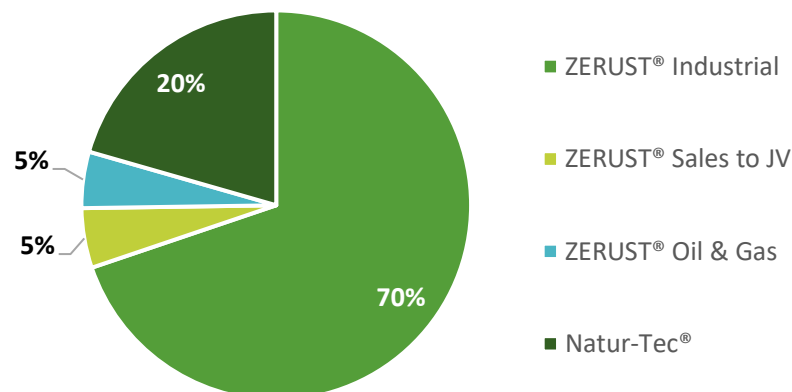
Northern Technologies International Corp.

- Converting environmentally beneficial technologies into value added products and services for industrial and consumer applications
- Providing Volatile Corrosion Inhibitor (VCI) based solutions for almost 50 years
 - Industrial applications
 - Oil & Gas applications
- Natur-Tec® market leading compostable bioplastics compounds and products
 - Zero-waste solutions
 - Sustainable packaging applications
- Flexible, asset-light business model, with 19 Joint Ventures (JVs) globally
 - Sales by JVs are not consolidated on the company's income statement
- Focused on creating long-term value for customers, employees, communities and shareholders

Key Statistics

TTM Total Net Sales	\$45.3 million
TTM Global Net Sales (includes JV Sales)	\$138.5 million
Annualized Dividend (yield)	\$0.26 (1.8%)
Market Cap (at April 16, 2021)	\$133.7 million
Enterprise Value (at April 16, 2021)	\$121.0 million

TTM Sales Mix by Product Category



Unique JV operating strategy duplicates Zerust production and distribution model, while providing significant contribution to profitability



Comprehensive Corrosion Management

- Environmentally responsible corrosion protection products & services
- Worldwide on-site technical service for corrosion prevention
- Repeatable, consumables sales model
- Most economical method for short term corrosion protection of metal parts during shipment & storage



Market Size and Characteristics

- Annual global market potential \$520 million and estimated to grow annually at 5-10%
- NTIC has a strong market position
- In FY 2020, auto sector represented approximately 45% of NTIC's Zerust Industrial sales in North America and 60% of JV sales
- Demand supported by complex long-distance global supply chains



Competitive Advantages and Growth Opportunities

- Only company with a truly global scope and scale through established JV network
- Technical expertise creates a value-added relationship
- Primarily subcontracts production for virtually unlimited scalability and low capital structure
- Industry, product, and geographic expansion opportunities



Financial Overview

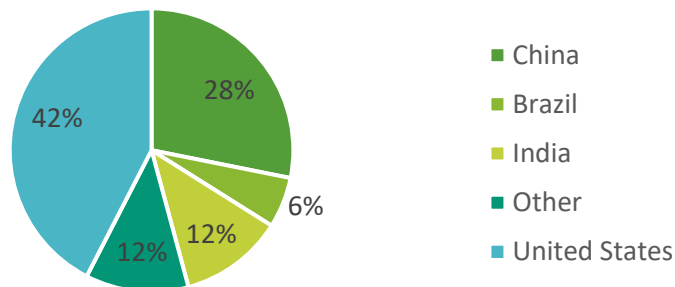
- JV operating income contribution to NTIC has averaged ~11% of total JV sales over the past four fiscal years
- From FY 2015 to FY 2020, net sales have increased at a CAGR of 7%
- Gross margin profile in the mid 30% range

Growing Global Market Share

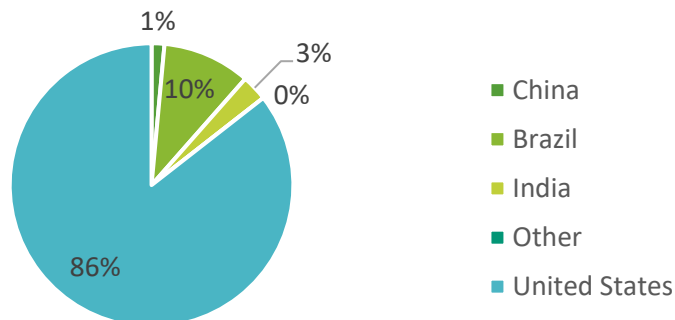


With 19 JVs and 9 operating subsidiaries, NTIC operates in over 60 countries and is the only VCI company that can supply and service customers globally

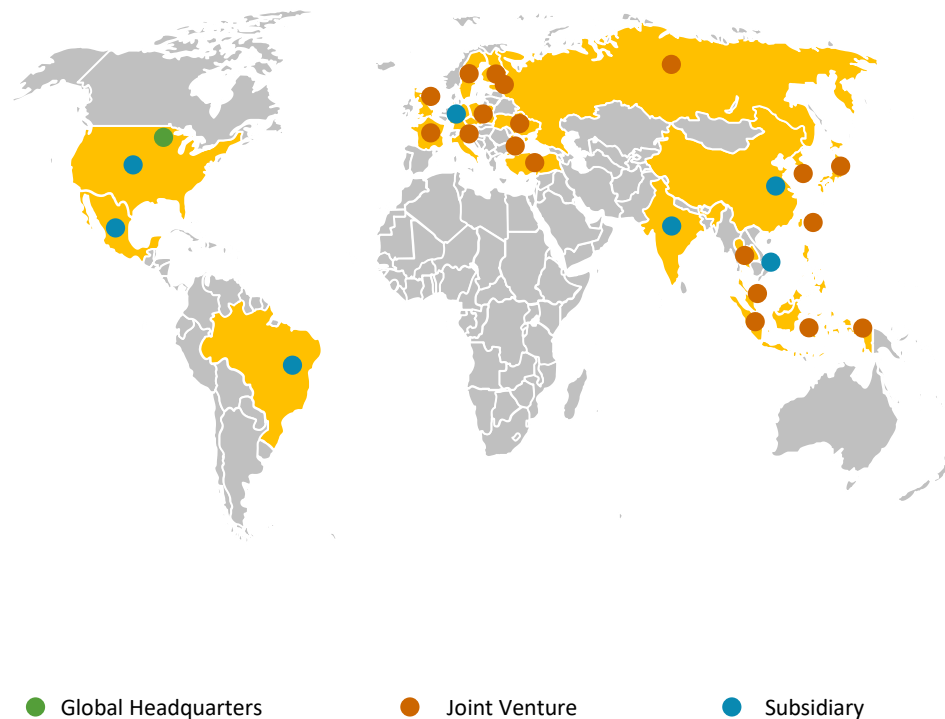
Fiscal 2020 Net Sales by Geography



Fiscal 2015 Net Sales by Geography



NTIC's Global JVs and Subsidiaries



Compelling Joint Venture Model

Overview

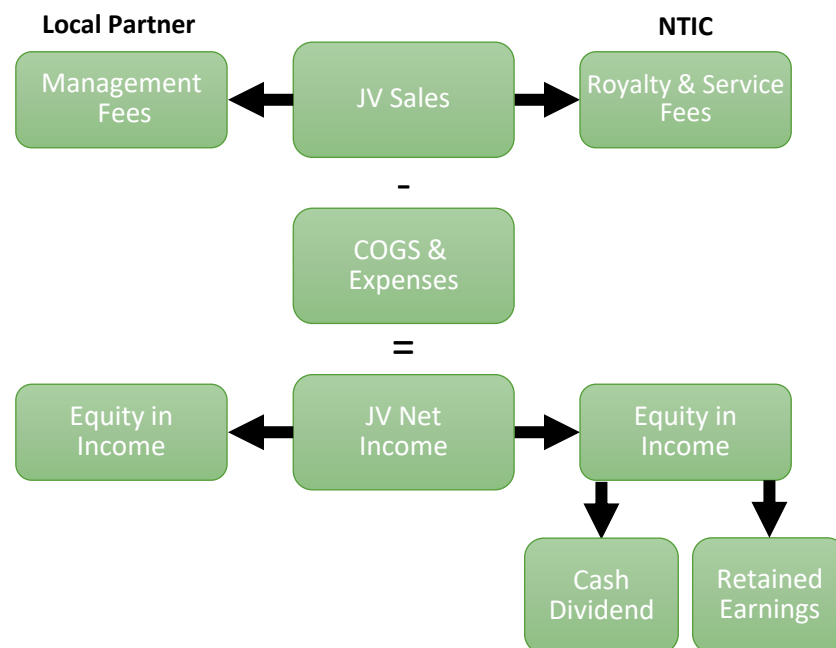
- 19 international joint ventures
 - JVs provided rapid global expansion with little capital investment for all JVs, most established in 80's & 90's
 - Generally 50/50 ownership with local JV partner
 - NTIC receives ~7% fee based on JV sales and 50% of JV dividend distributions after year end (varies by country based on tax treatment), local partner receives the same
- Equity method accounting on GAAP financial statements
 - Equity in income is reported on GAAP income statement
 - Gross JV sales not included in NTIC's net sales but disclosed in notes to consolidated financial statements
- Direct expenses to support JVs are relatively fixed, representing significant operating leverage on incremental JV sales
- Local partners provide:
 - Direct sales
 - Product support
 - Local contacts and local marketing expertise

Financial Model

Efficient Investment and Structure



Compelling Financial Model



Large market opportunity and supports high margin sales



Emerging Oil & Gas Applications

- NTIC's patented solutions produce meaningful cost savings by minimizing maintenance costs and downtime on critical oil and gas industry infrastructure
- Large and growing addressable market
- Patented VCI processes and solutions



Market Size and Characteristics

- Annual market potential \$2.5 billion and estimated to grow at an annual rate of 10%
- Largest corrosion market
- VCI technologies provide a new solution as the market is reliant on more expensive and legacy cathodic and coatings technologies
- Increasing focus within the oil and gas industry on cost containment, which supports growth of VCI solutions



Competitive Advantages and Growth Opportunities

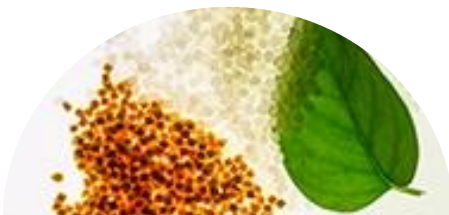
- Significantly cheaper and more efficient than competing corrosion prevention technologies
- Partnering with large oil & gas service companies to expand customer reach and contacts
- Successful test installations resulting in repeat orders
- Confidence in VCI technology growing across industry



Financial Overview

- From FY 2015 to FY 2020, net sales increased at a CAGR of 8%
- High gross margin sales
- Long sales cycle, but high customer retention rate

Leading technology and rapidly expanding market



Leading Bioplastic Technologies

- Natur-Tec's patented process makes it easier to manufacture finished products at a lower cost, and with better mechanical performance
- Broad product portfolio provides one-stop for bioplastic solutions
- Sustainable alternatives to conventional plastics for the Circular Economy
- Rapidly growing market



Market Size and Characteristics

- Annual market potential \$1 billion and estimated annual growth rate over 25%
- Social perceptions on single use plastics are creating compelling market opportunities globally for alternatives, including fully compostable bioplastics
- Market growth supported by global mandates for organics diversion and growing environmental trends for composting



Competitive Advantages and Growth Opportunities

- Market-leading, patented resin compounds
- Strategic alliances with key suppliers
- Dedicated product development
- Unique global position
- Direct sales or via subsidiaries in North America, China and India



Financial Overview

- From FY 2015 to FY 2020, net sales increased at a CAGR of 25%
- Natur-Tec currently represents about 24% of NTIC's TTM total net sales, compared to 14% for the fiscal year ended August 31, 2015
- Natur-Tec started contributing to operating profits in the fiscal 2017 third quarter
- Gross margins are over 25%

Strategic Plan Focused on Creating Long-Term Shareholder Value

Strategic Objective : ~15-20%+ top line revenue growth w/ SG&A expense growth < ~10%

Increase topline ZERUST Industrial, Zerust Oil & Gas and Natur-Tec revenues

Control operating expenses domestically and at subsidiaries

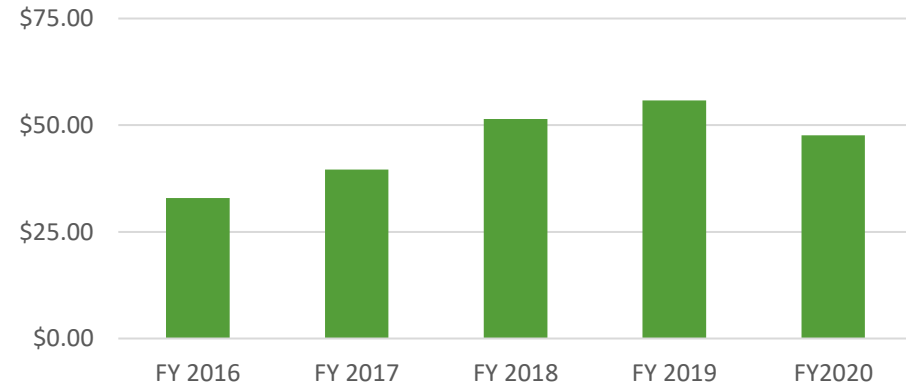
Realize potential of oil and gas opportunity

Pursue additional revenue generating opportunities by growing market share and vertical expansion

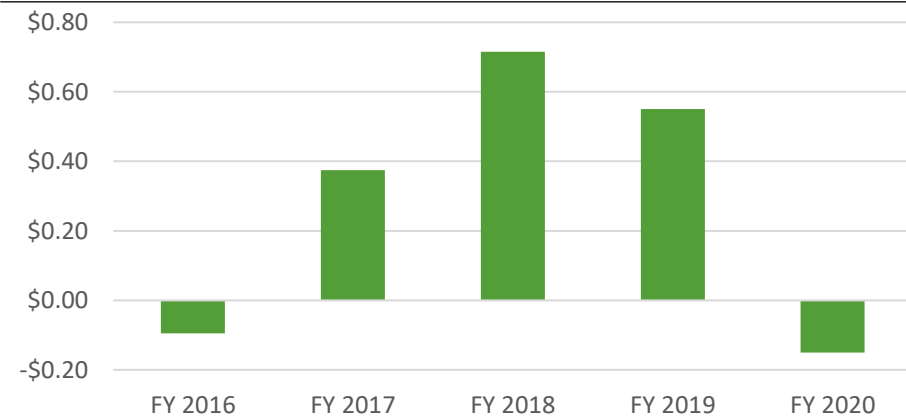
Generate free cash flow and maintain strong balance sheet

Grow dividend in line with earnings growth

Total Net Sales (in millions)



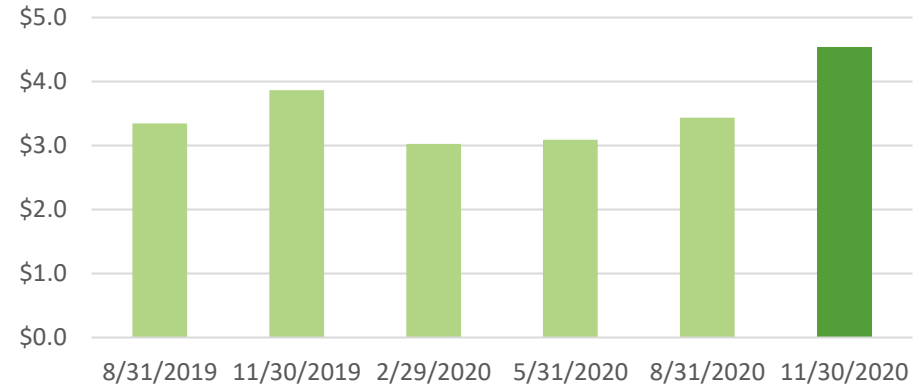
GAAP Earnings Per Diluted Share



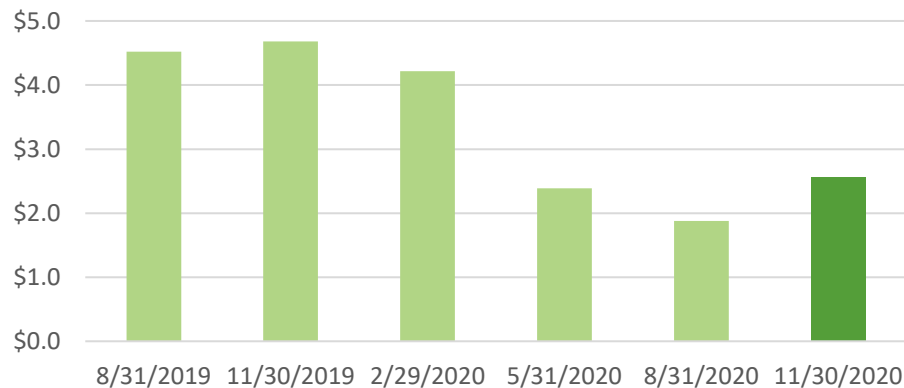
Recent Quarterly Sales Trends (in millions)

- Sales opportunities supported by NTIC's compelling position within large, growing and global markets.
- Fiscal 2021 first quarter NTIC China sales and aggregated JV sales are above pre-COVID-19 levels recorded during the fiscal 2020 first quarter.
- Higher sales to new and existing customers for both our ZERUST and Natur-Tec product categories driving growth in China.
- On a sequential basis, first quarter sales at NTIC's JVs were up 44.8% demonstrating improving global demand.
- The COVID-19 pandemic continues to have a material impact on demand for Natur-Tec products, however, Natur-Tec remains well positioned for long-term growth within the global bioplastic market

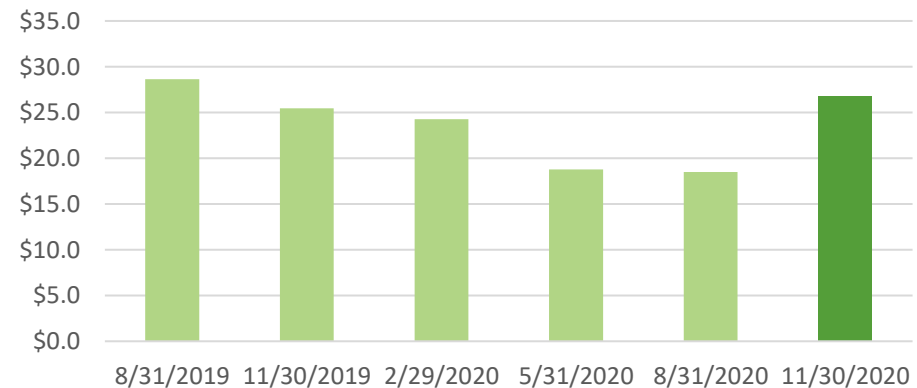
Reaccelerating NTIC China Sales



Natur-Tec Market Challenged From Covid-19



JV Sales Rebounding





On January 15, 2021 NTIC Board of Directors reinstated the Company's quarterly cash dividend reflecting the Company's commitment to creating value for shareholders



NTIC has \$2.7 million remaining under its stock repurchase program



Insiders aligned with shareholders and own 16.8% of the company's outstanding stock



NTIC has no debt, \$13.3 million in cash, cash equivalents and available for sale securities, and \$14.0 million of cash at its joint ventures

Sales Dashboard and Drivers

↑ 130%

5-Yr. CAGR for
NTIC China

↑ 7%

5-Yr. CAGR for
Core ZERUST
Sales

FY2015

FY2020

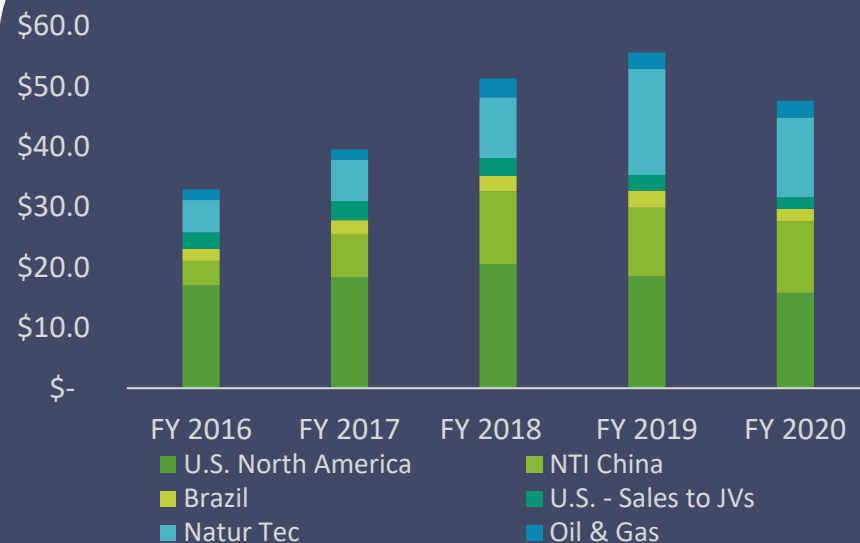


↑ 25%

**Natur-Tec
5-Yr. CAGR**

■ Natur-Tec ■ ZERUST®

Net Sales Growth (dollars in millions)



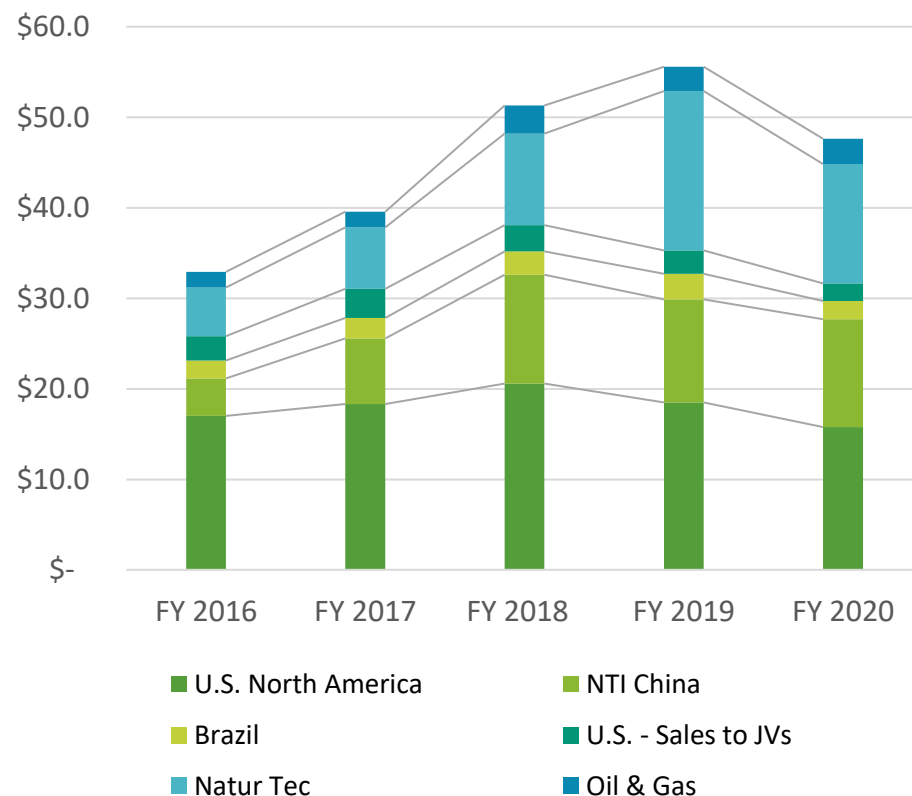
FY2019 – Core ZERUST® industrial sales impacted by a global manufacturing slowdown and uncertainty regarding global trade

FY2020 – Total sales impacted by the global COVID-19 pandemic

Sales Composition

	Actual		
	FY 2018	FY 2019	FY 2020
U.S. North America	20.6	18.5	15.8
	12.6%	-10.4%	-14.8%
NTI China	12.0	11.4	11.9
	65.7%	-4.7%	4.6%
Brazil	2.6	2.8	2.0
	14.7%	4.8%	-27.6%
US - Sales to JVs	2.9	2.6	2.0
	-9.3%	-4.1%	-24.3%
ZERUST SALES	38.1	35.3	31.7
	22.8%	-7.1%	-10.2%
Natur-Tec North America	6.7	7.8	6.0
NTI China - Natur Tec	0.5	1.6	1.5
Natur -Tec India	2.9	8.1	5.7
NATUR TEC SALES	10.1	17.6	13.2
	48.1%	74.9%	-25.2%
OIL & GAS - North America	2.6	2.3	2.1
OIL & GAS - Brazil	0.5	0.4	0.7
OIL & GAS SALES	3.1	2.7	2.8
	78.3%	-11.1%	3.1%
NTIC SALES (GAAP)	51.3	55.8	47.6
	29.5%	8.8%	-14.6%
Joint Venture Sales	120.2	114.8	87.0
	18.7%	-4.6%	-24.2%
WORLDWIDE SALES	171.5	170.5	134.7
	21.8%	-0.6%	-21.0%

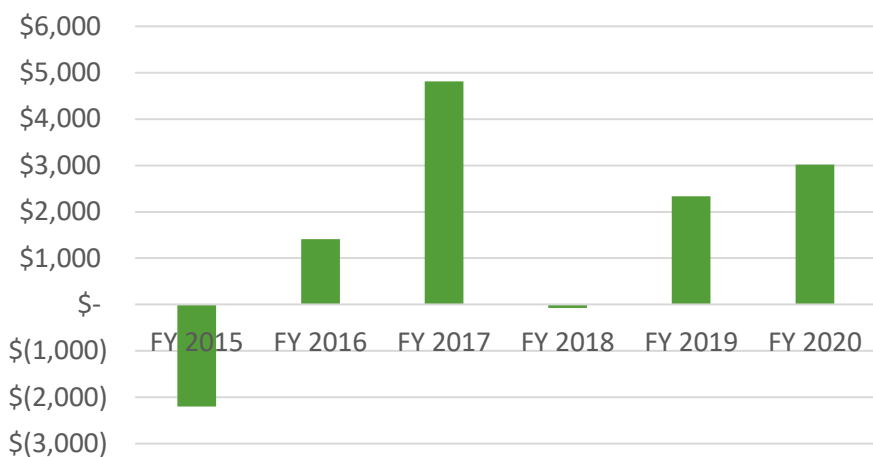
Net Sales Growth



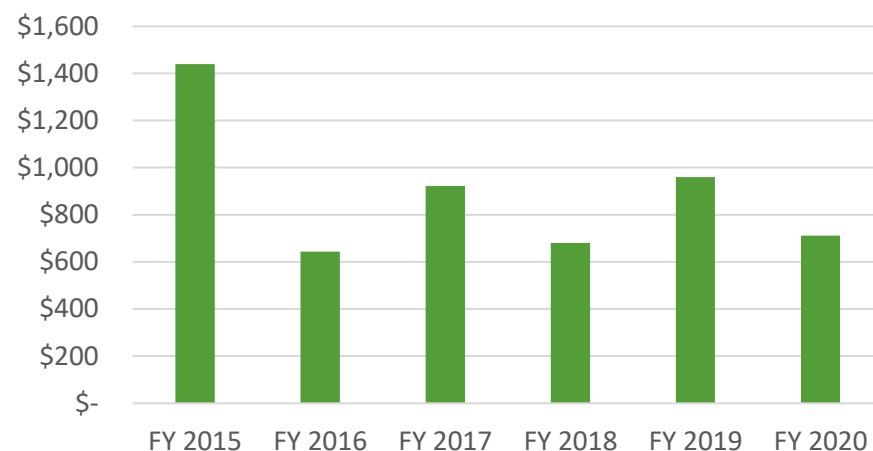
Notes: Dollars, in millions

Limited Capital Requirements (graphs in thousands except for percentages)

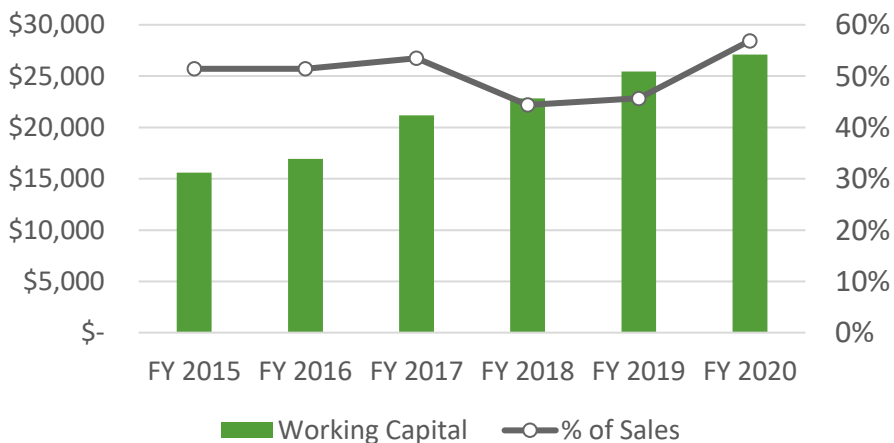
Free Cash Flow*



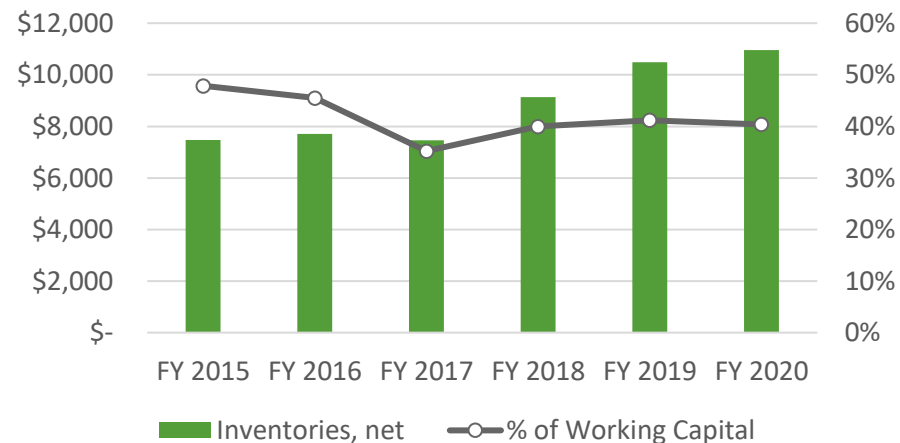
Investments in Property & Equipment



Working Capital



Inventories



* This is a non-GAAP financial measure and is defined as net cash from operations minus capital expenditures and dividends.

Why NTIC



- Creating a diverse portfolio of environmentally beneficial materials
- Operating in large, dynamic, and global markets, with favorable long-term trends
- Global footprint and service focus, as well as 12 patents and 50 trademarks create competitive advantages and barriers to entry
- Commitment to creating long-term shareholder value
 - Compelling organic growth opportunities
 - Significant improvement in earnings
 - Disciplined capital management
 - History of returning capital to shareholders
- Strong, experienced, and motivated management team
 - Management aligned with shareholders and insiders own almost 17% of the total outstanding shares

