



Nasdaq: NTIC



# Northern Technologies International Corporation

*Fourth 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

## Forward-Looking Statements

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, 2021 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 biobased and compostable packaging solutions for a sustainable world**

# At a Glance

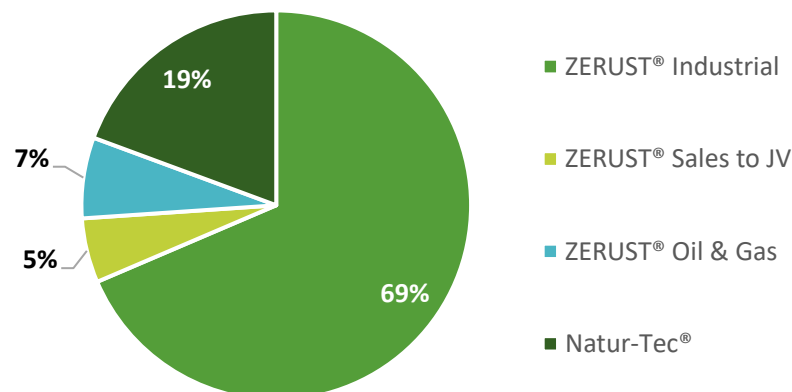
## Northern Technologies International Corp.

- 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 18 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

FY21 Total Net Sales	\$56.5 million
FY21 Global Net Sales (includes JV Sales)	\$177.4 million
Annualized Dividend per Share (Yield)	\$0.28 (1.84%)
Market Cap (at Oct. 31, 2021)	\$139.5 million
Enterprise Value (at Oct. 31, 2021)	\$131.8 million

## FY21 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 \$600 million and estimated to grow annually at 5-10%
- NTIC has a strong market position
- In FY 2021, auto sector represented approximately 54% 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 VCI 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

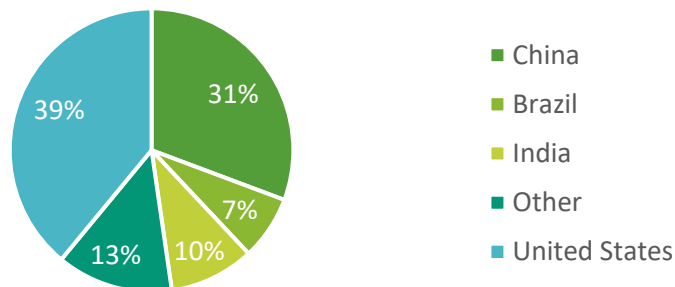
- JV operating income contribution to NTIC has averaged ~11% of total JV sales over the past four fiscal years
- From FY 2016 to FY 2021, net sales have increased at a CAGR of 11%
- Gross margin profile in the mid 30% range

# Growing Global Market Share

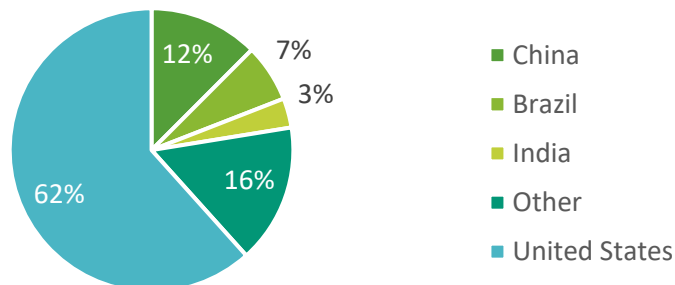


**With 18 JVs and 10 operating subsidiaries, NTIC operates in over 60 countries and is the only VCI company that can supply and service customers globally**

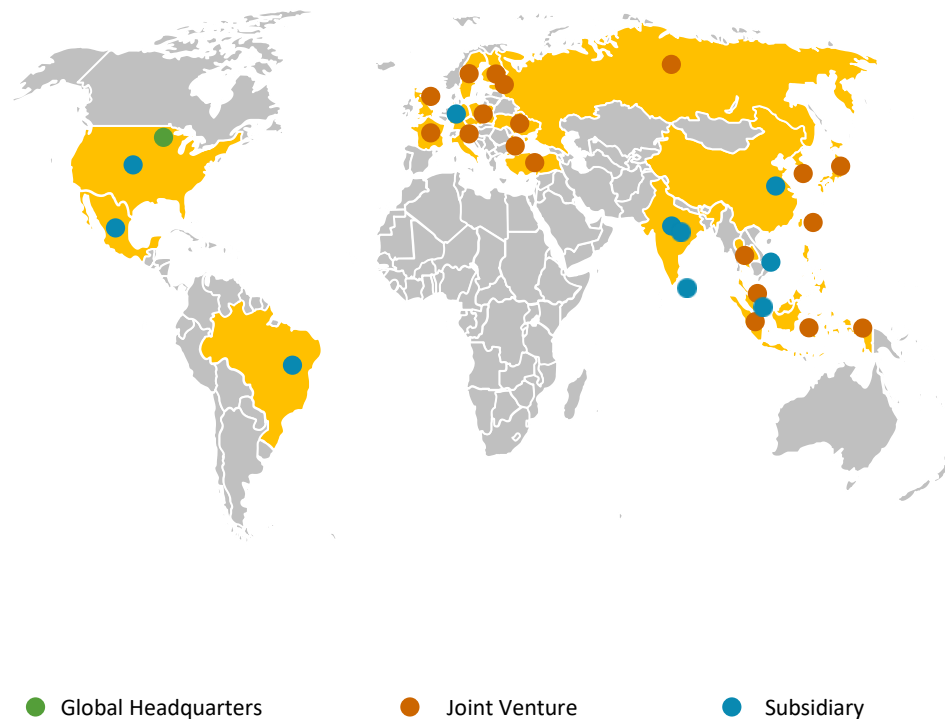
Fiscal 2021 Net Sales by Geography



Fiscal 2016 Net Sales by Geography



NTIC's Global JVs and Subsidiaries



# Compelling Joint Venture Model

## Overview

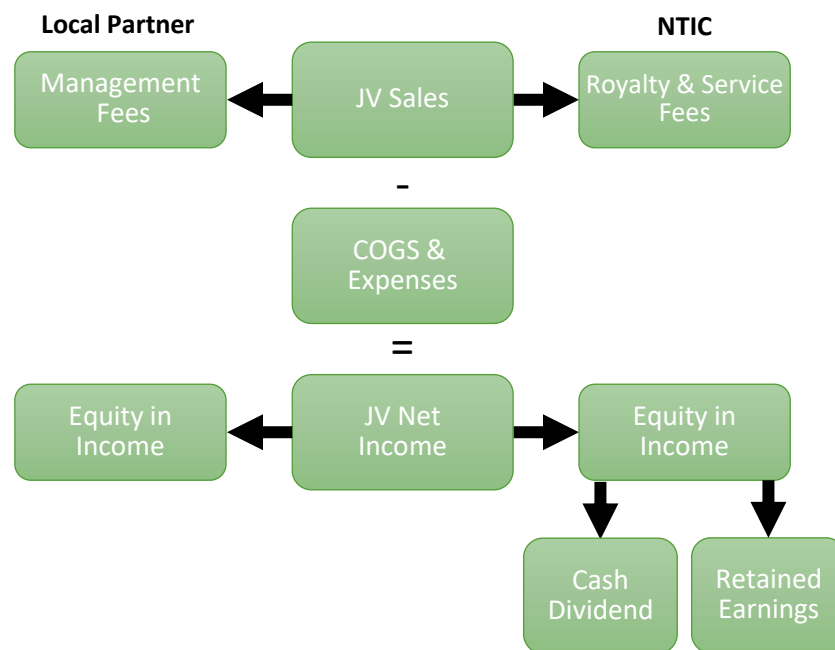
- 18 international joint ventures
  - JVs provided rapid global expansion with little capital investment for all JVs, most established in 80's & 90's
  - Generally 50/50 ownership with local JV partner
  - NTIC receives ~7% fee based on JV sales and 50% of JV dividend distributions after year end (varies 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 VCI processes and solutions produce meaningful cost savings by minimizing maintenance costs and downtime on critical oil and gas industry infrastructure
- Large and growing addressable market
- In mid-2021, the American Petroleum Institute (API) validated VCI solutions as effective corrosion protection for the bottoms of above ground storage tanks



### 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 and gas service companies to expand customer reach and contacts
- Successful test installations resulting in repeat orders
- Confidence in VCI technology growing across industry

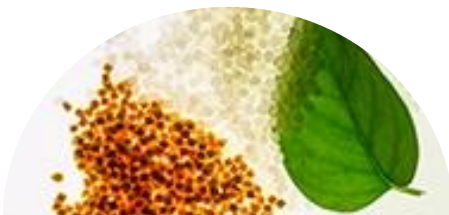


### Financial Overview

- From FY 2016 to FY 2021, net sales increased at a CAGR of 17%
- 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 2016 to FY 2021, net sales increased at a CAGR of 15%
- Natur-Tec® currently represents about 19% of NTIC's FY21 total net sales, compared to 16% for the fiscal year ended August 31, 2016
- Gross margins are over 29%

# 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 and Gas and Natur-Tec® revenues**

**Control operating expenses domestically and at subsidiaries**

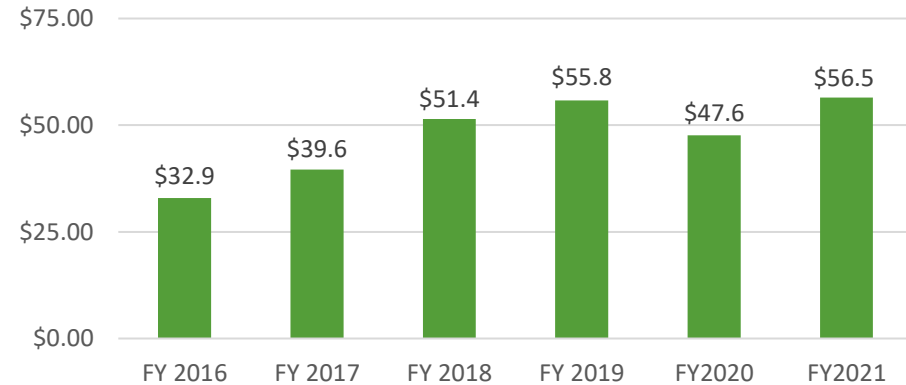
**Realize potential of oil and gas opportunity**

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

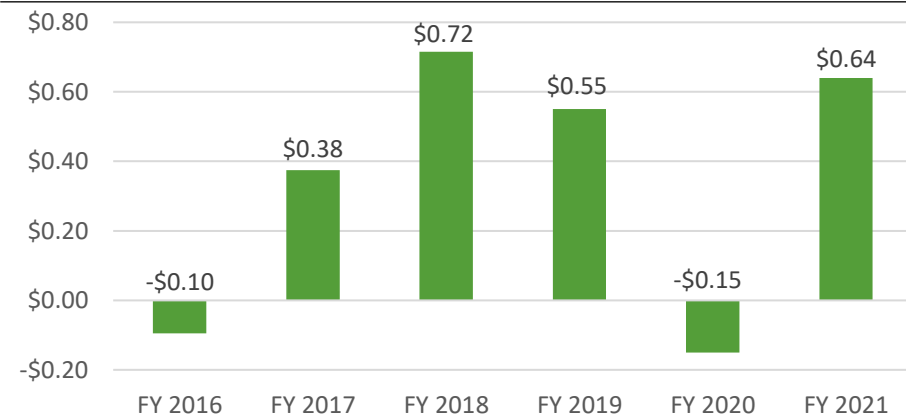
**Generate free cash flow and maintain strong balance sheet**

**Grow dividend in line with earnings growth**

**Total Net Sales** (in millions)



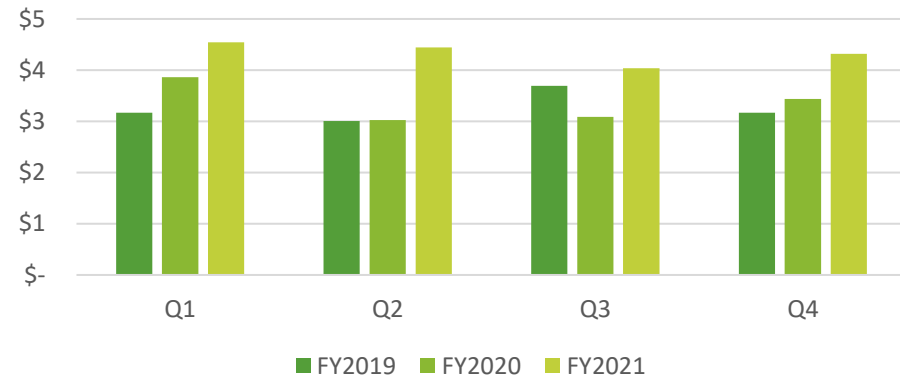
**GAAP Earnings Per Diluted Share**



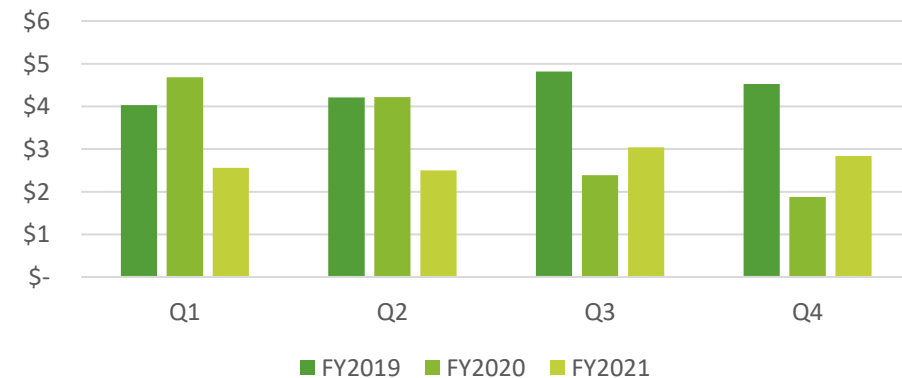
# Quarterly Sales Trends (in millions)

- Quarterly sales continue to recover from the COVID-19 crisis and NTIC reported record total sales for the fiscal 2021 fourth quarter.
- Sales opportunities supported by NTIC's compelling position within large, growing and global markets.
- Higher sales to new and existing customers for both our ZERUST® and Natur-Tec® product categories driving growth in China.
- On a sequential basis, fourth quarter sales at NTIC's JVs were up 3.8% 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.

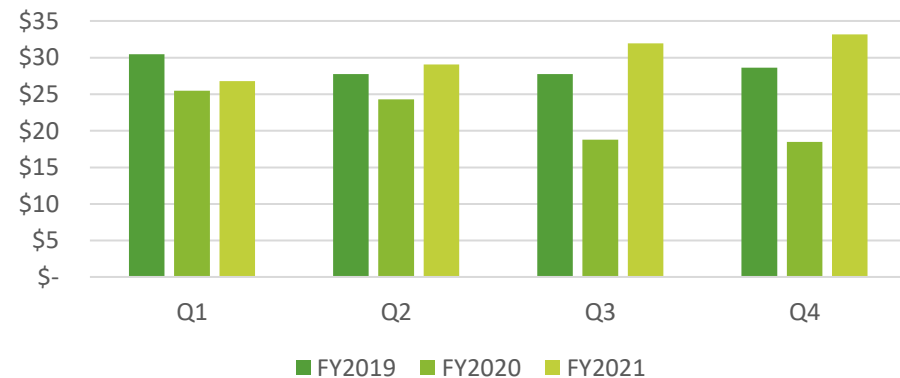
## NTIC China Sales Above Pre-Pandemic Levels



## Natur-Tec® Market Challenged From Covid-19



## JV Sales Improved to a Quarterly Record in FY21 Q4





On October 20, 2021 NTIC Board of Directors increased the quarterly cash dividend reflecting the Company's commitment to creating value for shareholders.



NTIC has \$2.6 million remaining under its stock repurchase program



Insiders aligned with shareholders and own 17.6% of the company's outstanding stock (according to Bloomberg)



NTIC has no debt, \$7.7 million in cash, cash equivalents and available for sale securities, and approximately \$15.9 million of cash at its joint ventures

# Sales Dashboard and Drivers

**33%**

5-Yr. CAGR for  
NTIC China

**11%**

5-Yr. CAGR for  
Core ZERUST®  
Sales

**FY2016**



**FY2021**

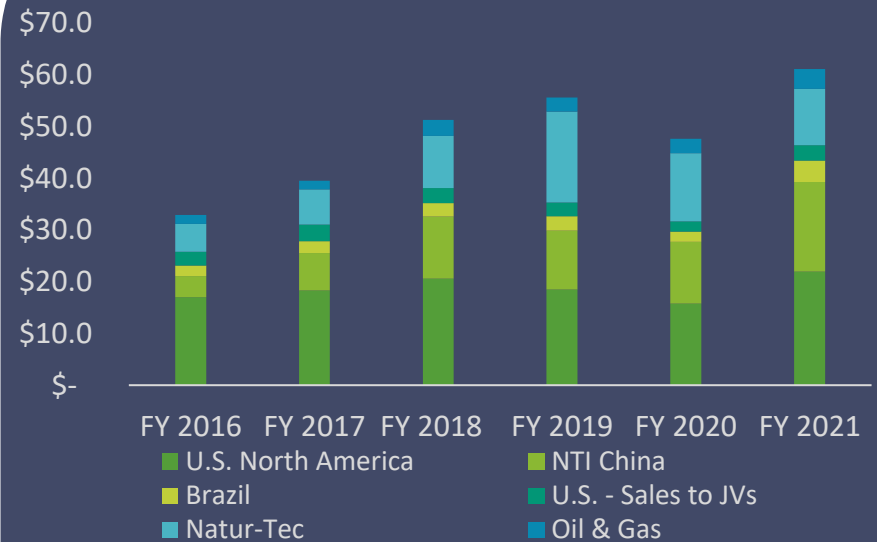


**49%**

Natur-Tec®  
5-Yr. CAGR

■ Natur-Tec® ■ ZERUST®

## Net Sales Growth (dollars in millions)



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

FY2021 – Net sales increased 18.6% compared to FY2020 and were primarily a result of increased demand globally as a result of the recovery from the COVID-19 pandemic.

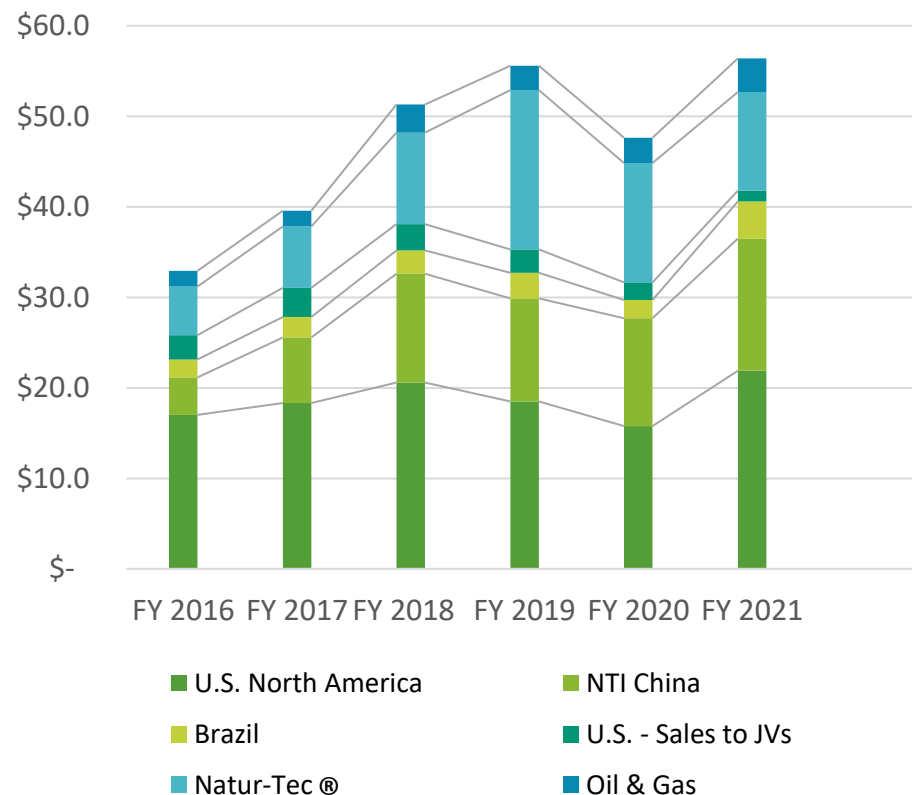


# Sales Composition

	Actual		
	FY 2019	FY 2020	FY2021
U.S. North America	18.7	15.8	20.0
NTI China	11.4	11.9	15.4
Brazil	2.8	2.0	3.4
US - Sales to JVs	2.6	2.0	3.0
<b>ZERUST® SALES</b>	<b>35.5</b>	<b>31.7</b>	<b>41.8</b>
Natur-Tec® North America	7.8	6.0	3.5
NTI China – Natur-Tec®	1.6	1.5	1.9
Natur -Tec® India	8.1	5.7	5.5
<b>NATUR-TEC® SALES</b>	<b>17.6</b>	<b>13.2</b>	<b>10.9</b>
OIL & GAS - North America	2.3	2.1	3.0
OIL & GAS - Brazil	0.4	0.7	0.8
<b>OIL &amp; GAS SALES</b>	<b>2.7</b>	<b>2.8</b>	<b>3.8</b>
<b>NTIC SALES (GAAP)</b>	<b>55.8</b>	<b>47.6</b>	<b>56.4</b>
Joint Venture Sales	114.8	87.0	121.0
<b>WORLDWIDE SALES</b>	<b>170.5</b>	<b>134.7</b>	<b>177.4</b>

Totals have been adjusted for rounding

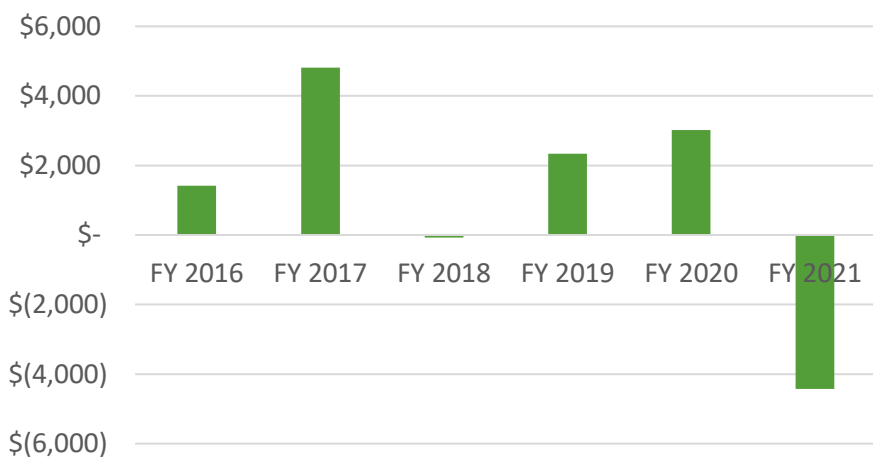
## Net Sales Growth



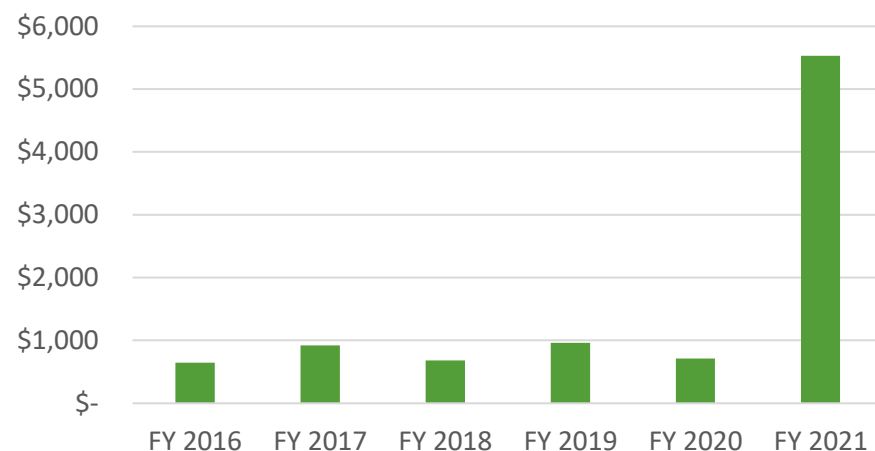
Notes: Dollars, in millions

# Limited Capital Requirements (graphs in thousands except for percentages)

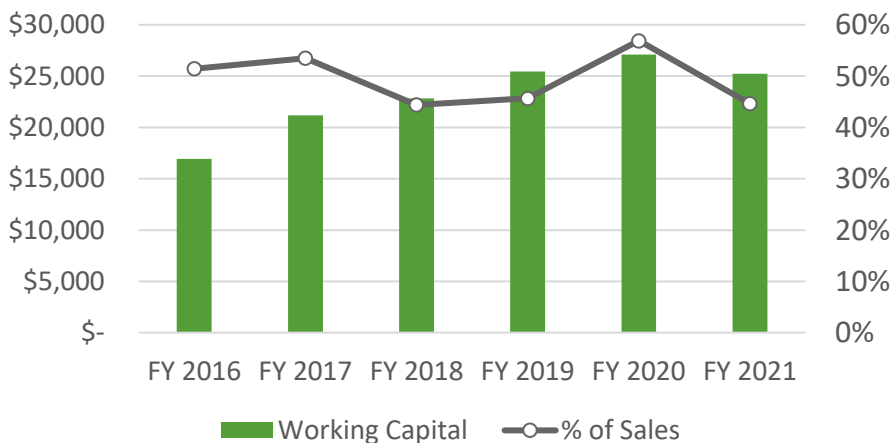
## Free Cash Flow\*



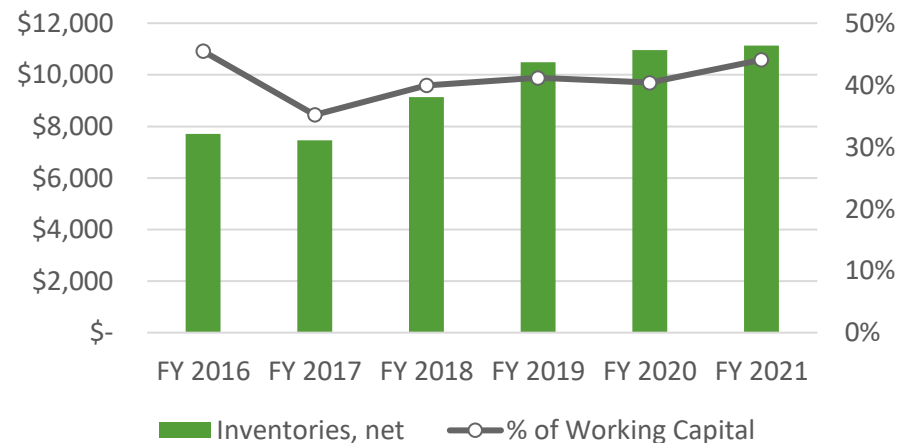
## Investments in Property & Equipment



## 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
- Investing to Support Growth
  - Announced expansion in China into a new NTIC owned facility
  - Purchased remaining 50% ownership interest in Indian JV
  - Continued strategic investments in Natur-Tec® and Zerust® Oil & Gas
- 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

