Nasdaq: NTIC

Northern Technologies International Corporation

First Quarter Fiscal Year 2024 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, 2023, 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.

About NTIC

Northern Technologies International Corporation

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

ZERUST® EXCOR®

ZERUST®/EXCOR® offers a wide range of products and solutions to solve corrosion issues

Zerust® OIL & GAS

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

Natur-Tec®
Sustainable Biobased Materials

Natur-Tec® provides biobased and compostable packaging solutions for a sustainable world

At a Glance

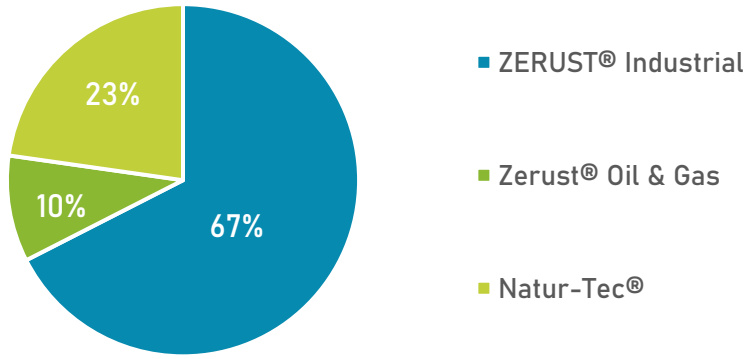
Northern Technologies International Corp.

- Converting environmentally beneficial technologies into value-added products and services for industrial and consumer applications
- Providing Volatile Corrosion Inhibitor (VCI) based solutions for over 50 years
  - Industrial applications
  - Oil & Gas applications
- Natur-Tec® market leading compostable bioplastic compounds and products
  - Zero-waste solutions
  - Sustainable packaging applications
- Flexible, asset-light business model, with 15 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 Growth Strategies

- Strategy focused on maximizing the potential of ZERUST® Oil and Gas and Natur-Tec® growth opportunities
  - Since FY 2018, ZERUST® Oil and Gas sales have increased 3x faster than ZERUST® Industrial sales, and Natur-Tec® sales have expanded 2x faster than ZERUST® Industrial
- Capital light business model supports growth-oriented capital allocation strategies and dividend policy

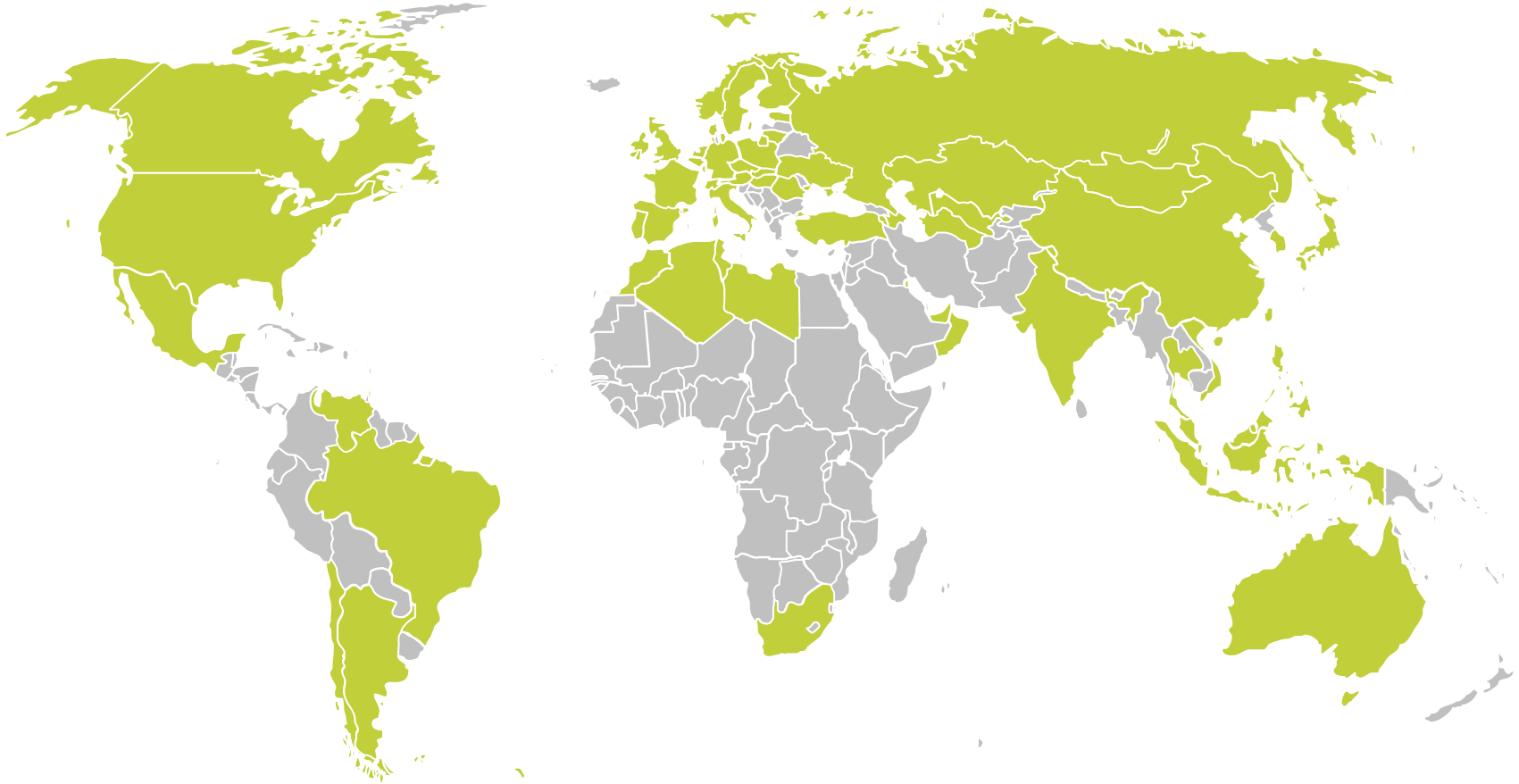
FY 2023 Sales Mix by Product Category



Growing Global Market Share

With 15 JVs and 11 operating subsidiaries, NTIC operates in over 70 countries and is the only VCI company that can supply and service customers globally

Geographic Coverage via NTIC's Network of Global JVs and Subsidiaries

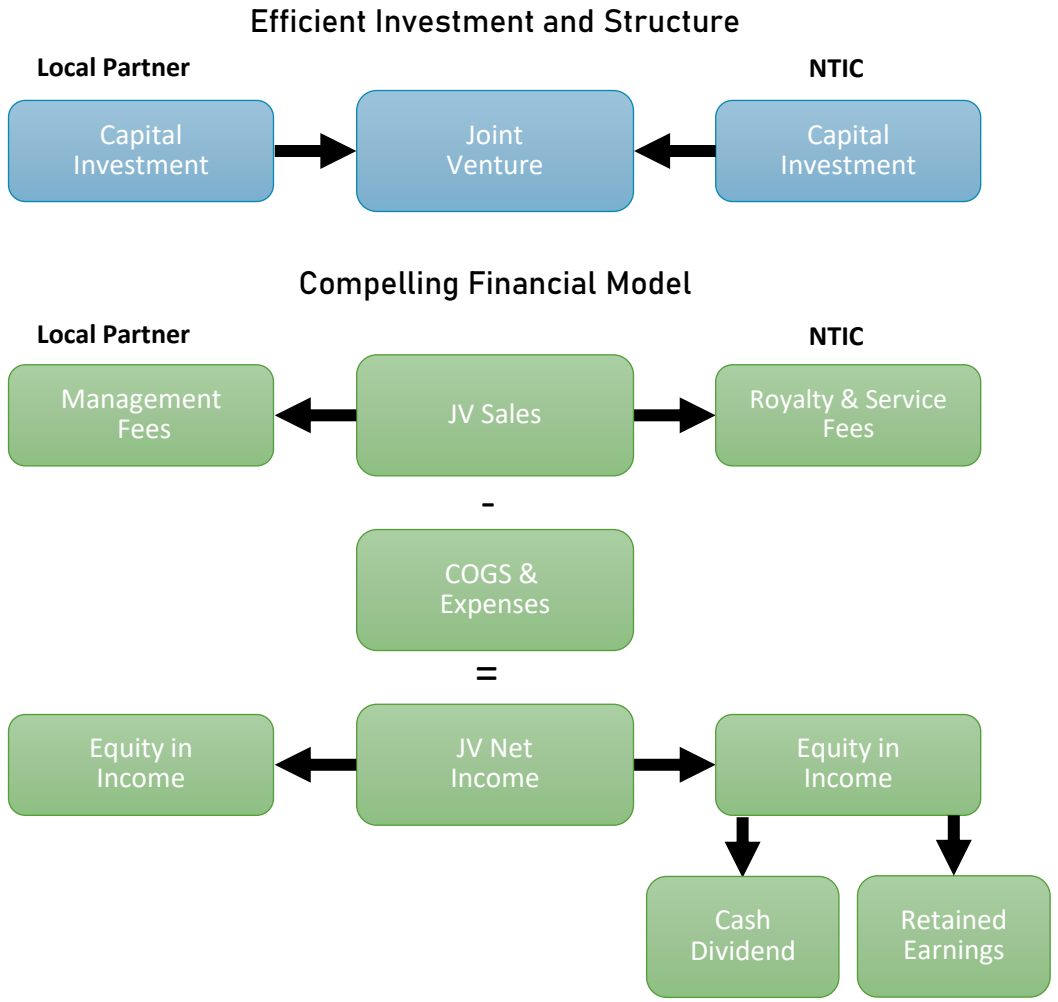


Compelling Joint Venture Model

Overview

- 15 international joint ventures
  - JVs have allowed rapid global expansion with little capital investment. Most JV's 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's 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 consolidated into NTIC's net sales but are disclosed in notes to consolidated financials
- JV operating income contribution to NTIC has averaged ~11% of total JV sales over the past five fiscal years.
- 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
  - Local manufacturing oversight

Financial Model

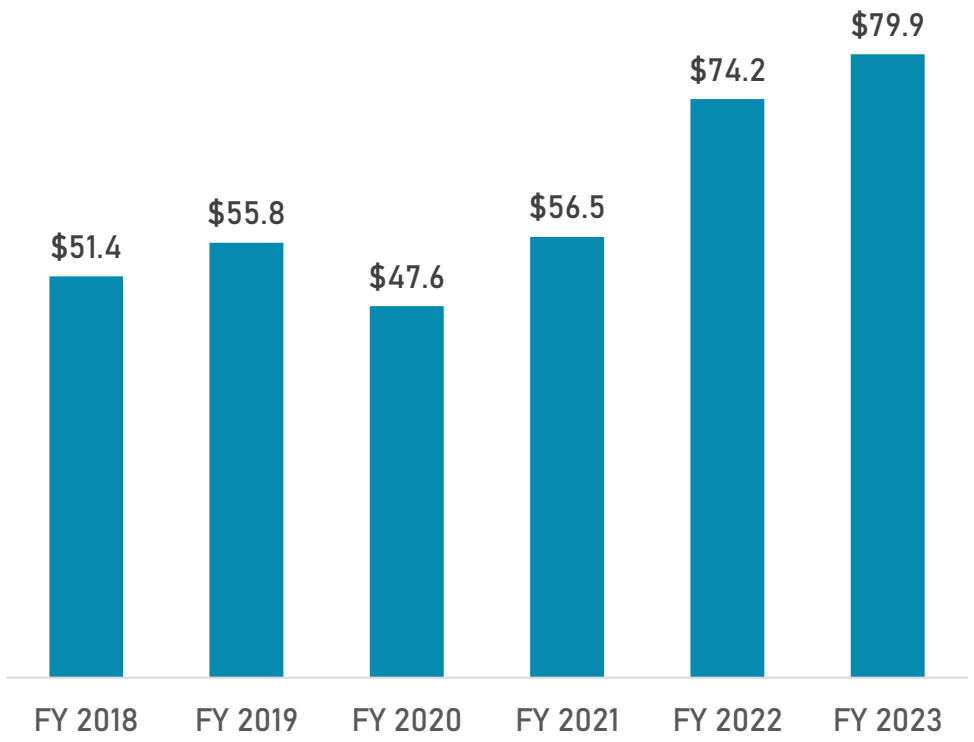


Creating Value for Shareholders Through a Proven, Multi-Year Growth Strategy

NTIC | Investor Presentation Q1 FY 2024

Strategic Plan Focused on Creating Long-Term Shareholder Value

Total Net Sales (in millions)

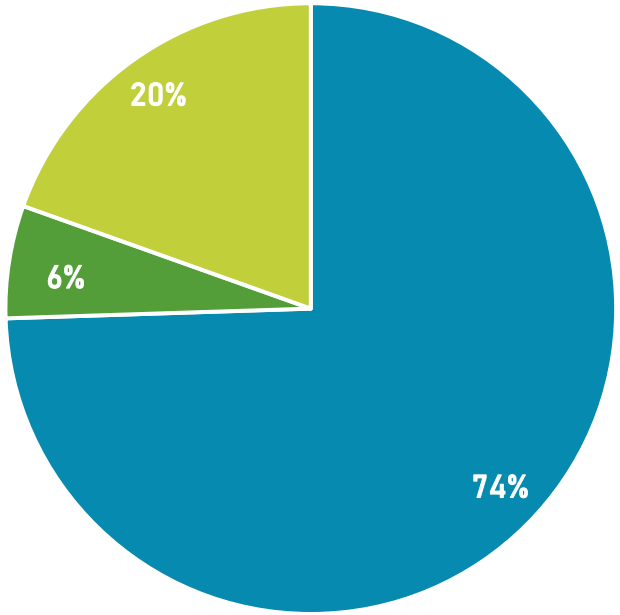


- Increase topline ZERUST® Industrial, ZERUST® Oil and Gas and Natur-Tec® revenues globally
- Diversify revenues by product categories and geographies
- Maximize potential of ZERUST® Oil and Gas and Natur-Tec® growth opportunities
- Control operating expenses domestically and at subsidiaries
- Generate free cash flow and maintain strong balance sheet
- Grow dividend in line with earnings growth

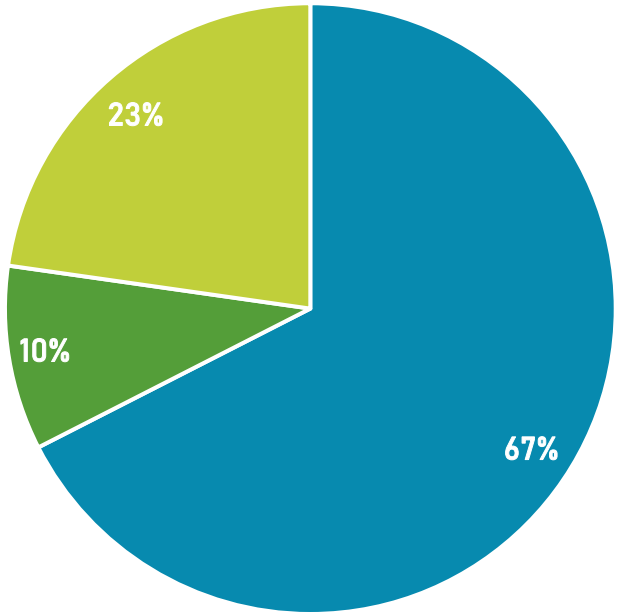
Strategic Objective: ~15-20%+ top line revenue growth w/ SG&A expense growth < ~10%

Diversifying Revenue by Product Category

Fiscal 2018 Net Sales by Product Category



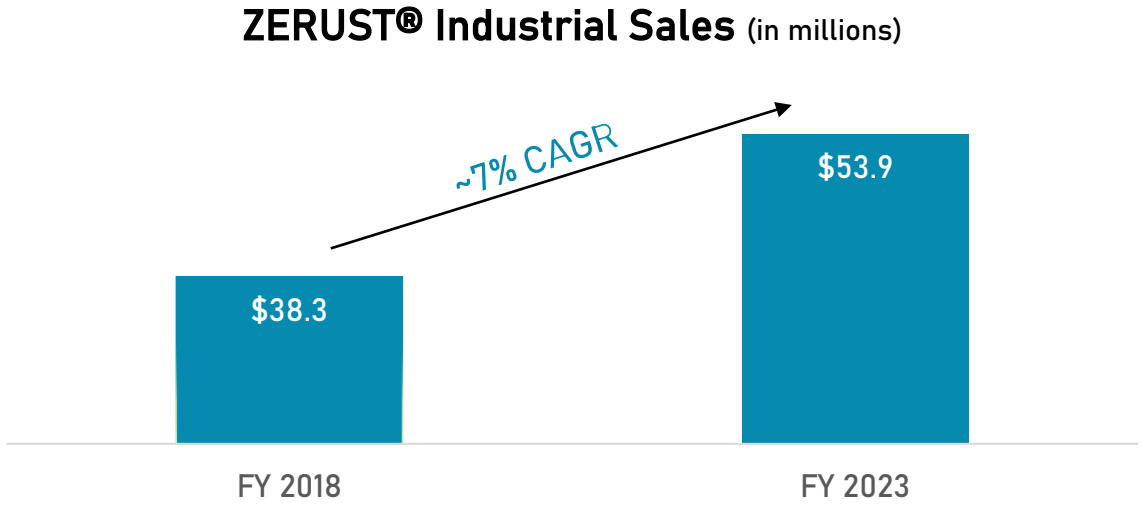
Fiscal 2023 Net Sales by Product Category



ZERUST® Industrial | ZERUST® Oil & Gas | Natur-Tec®

Over the past several years, NTIC has successfully identified opportunities across large, rapidly growing, global markets that leverage the Company's corrosion prevention technologies and bio-based and compostable plastic solutions

ZERUST® Industrial Growth



Growth Highlights

- Annual global market potential $600 million and estimated to grow annually at 5-10%
- Expanding product line increases opportunities to sell more products to new and existing customers

Value Proposition

- Environmentally responsible corrosion protection products & services
- Only VCI company with a truly global scope and scale through subsidiaries and network of JVs
- Primarily subcontracts production for virtually unlimited scalability and low capital structure
- Revenue generated from sales of consumable products

Key Applications

Packaging Films

Packaging Paper

Emitters & Diffusers

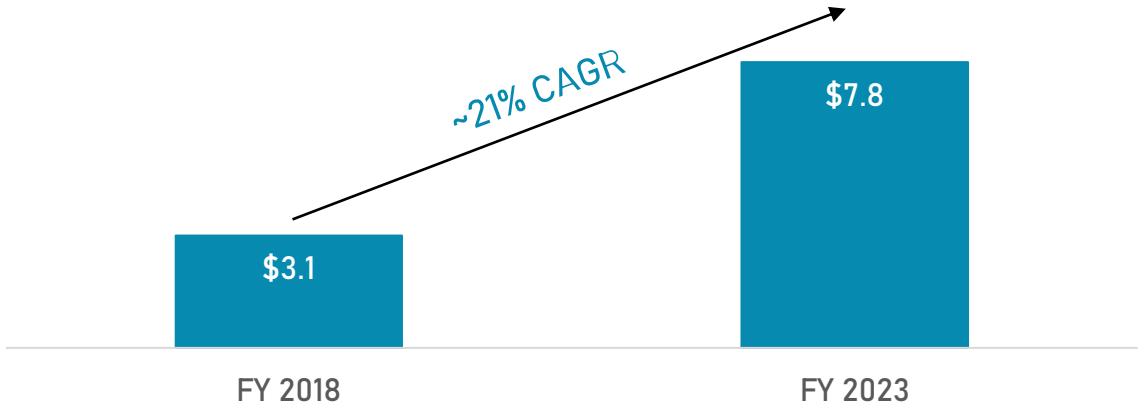
Cleaners & Degreasers

Rust Removers

Tapes

ZERUST® Oil and Gas Growth

ZERUST® Oil and Gas Sales (in millions)



Growth Highlights

- Annual market potential is $2.5 billion and estimated to grow at an annual rate of 10%
- Partnering with large oil and gas service companies to expand customer reach and contacts
- Oil and gas industry increasingly focused on product performance and cost containment, which supports broad conversion to VCI solutions
- Oil and gas infrastructure is typically constructed using metals that are highly susceptible to corrosion.

Value Proposition

- Patented VCI processes and solutions provide significantly lower maintenance costs and downtime on critical oil and gas industry infrastructure
- VCI technologies provide new solutions that are BOTH cheaper and more efficient than legacy cathodic protection systems and coatings technologies

Key Applications

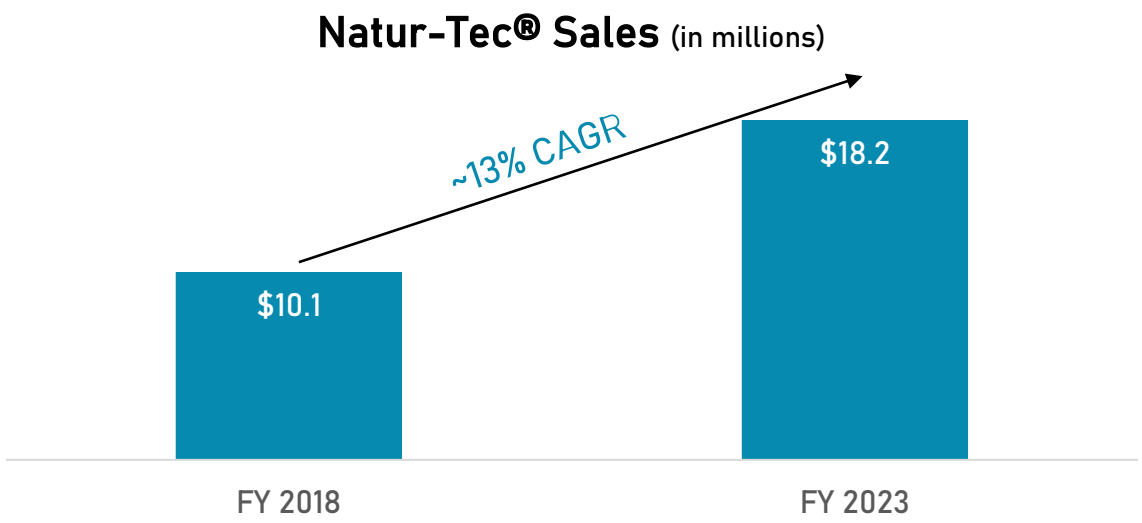
Pipeline Protection & Preservation

Corrosion inhibitors and gels that are injected into the annular pipe casing space.

Above Ground Storage Tank Protection

VCIs, can be used for the protection of aboveground storage tank bottoms from soil-side corrosion.

Natur-Tec® Growth



Growth Highlights

- Annual market potential of $1 billion and an estimated annual growth rate over 25%
- Market growth is spurred on by global organic waste diversion mandates and a growing industrial composting infrastructure
- Natur-Tec® sales rebounded after COVID-19 related softness as large users of compostable plastics such as colleges, corporate campuses, airports, and stadiums returned to pre-pandemic usage levels.

Value Proposition

- Global provider of certified 100% compostable alternatives to conventional plastics for the Circular Economy with an 18+ year track record..
- Patented processes allow the more efficient manufacture of finished products at a lower cost, and with a greater mechanical strength
- Market-leading, patented resin compounds and a broad product portfolio provides one-stop for bioplastic solutions

Key Applications

3000 Series

- Compostable single-use cutlery and packaging alternatives
- Garment industry packaging accessories

5000 Series

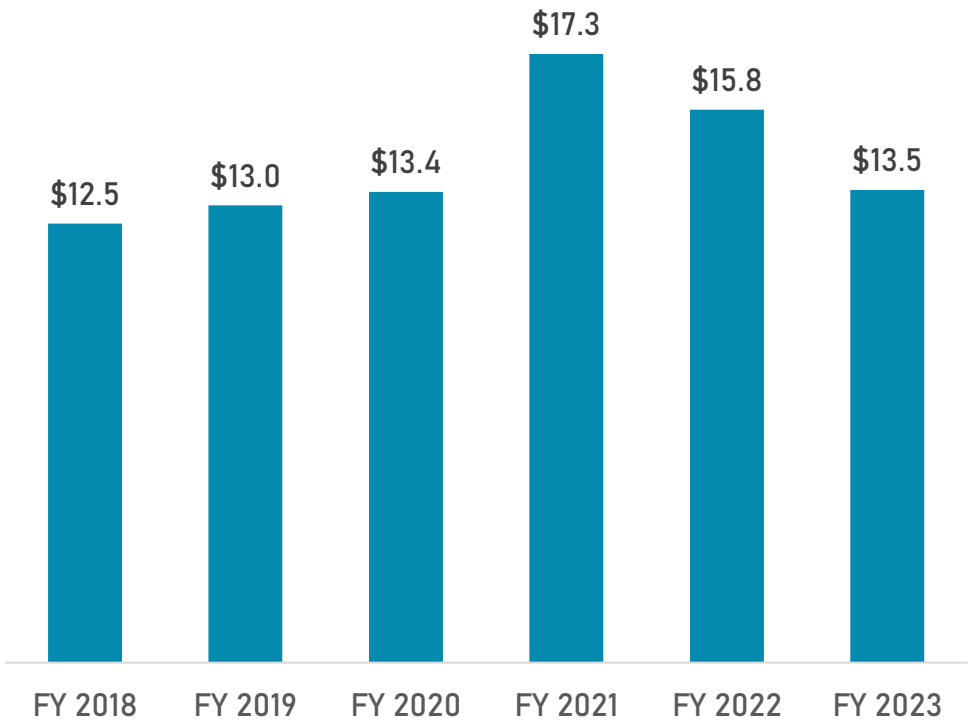
- Compostable straws and thermoformed lids
- Food-service containers

7000 Series

- Compostable bags and liners
- Carry-out and shopper bags
- Produce bags

NTIC China Opportunity and Strategy

Annual NTIC China Sales (in millions)



NTIC has operated in China since 2003 following many of its global manufacturing customers

In FY 2021, NTIC purchased a new facility in Shanghai, China, to support its R&D, production, sales and marketing, and training efforts for the region

Sales in FY 2022 – FY 2023 were impacted by the extended aftereffects of the COVID-19 pandemic, resulting in a small net loss in FY 2023

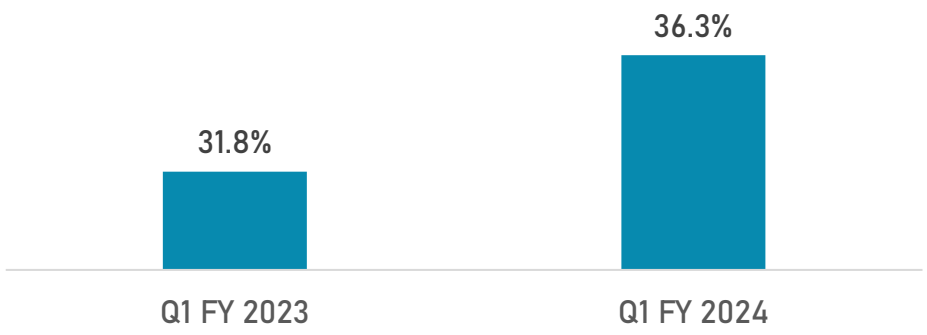
As of Q1 FY 2024, NTIC China has reported four consecutive quarters of higher sales, reflecting stabilizing trends

As the largest global steel producer, China supports a significant market for NTIC's corrosion prevention technologies

When market dynamics improve in China, NTIC is well positioned to take advantage of a meaningful long-term growth opportunity

Enhance Gross Margins

YoY Q1 Gross Margin Growth



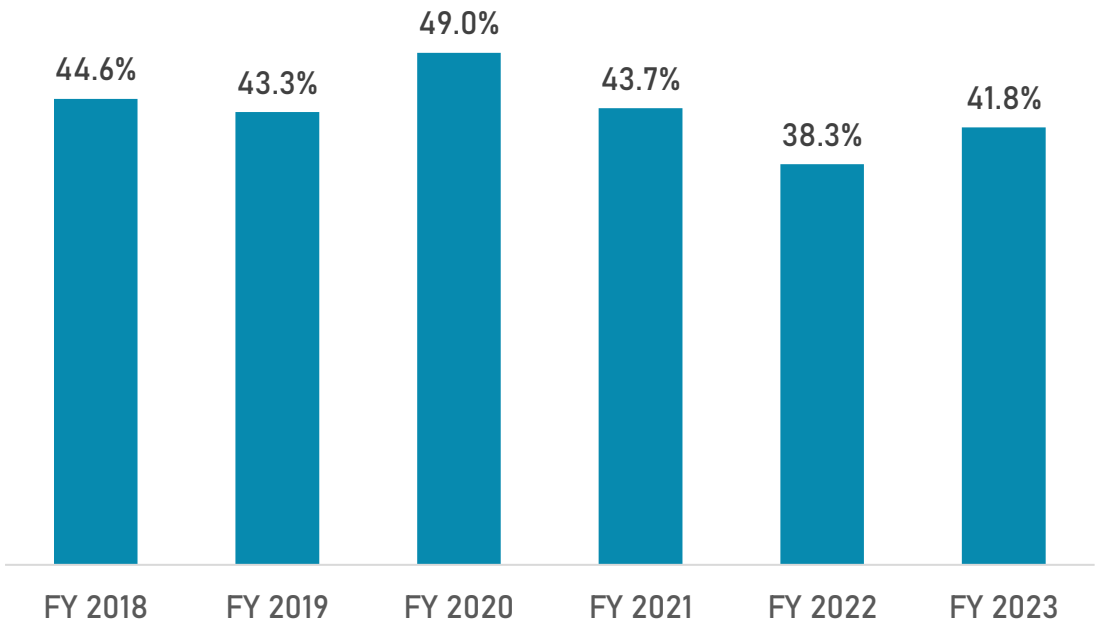
- Over the past year, NTIC has pursued several initiatives aimed at improving profitability
- The 450-basis point improvement in the Company's first quarter gross margin, was primarily a result of successful actions taken by the Company to address inflationary pressures that occurred over the past 12+ months

Annual Gross Margin Growth

- NTIC has focused on maintaining 30+% gross margins through strategies aimed at driving efficiencies, and optimizing pricing and purchasing actions
- Longer-term, NTIC expects to benefit from higher sales of ZERUST® Oil & Gas, which have higher gross margins than the Company's average

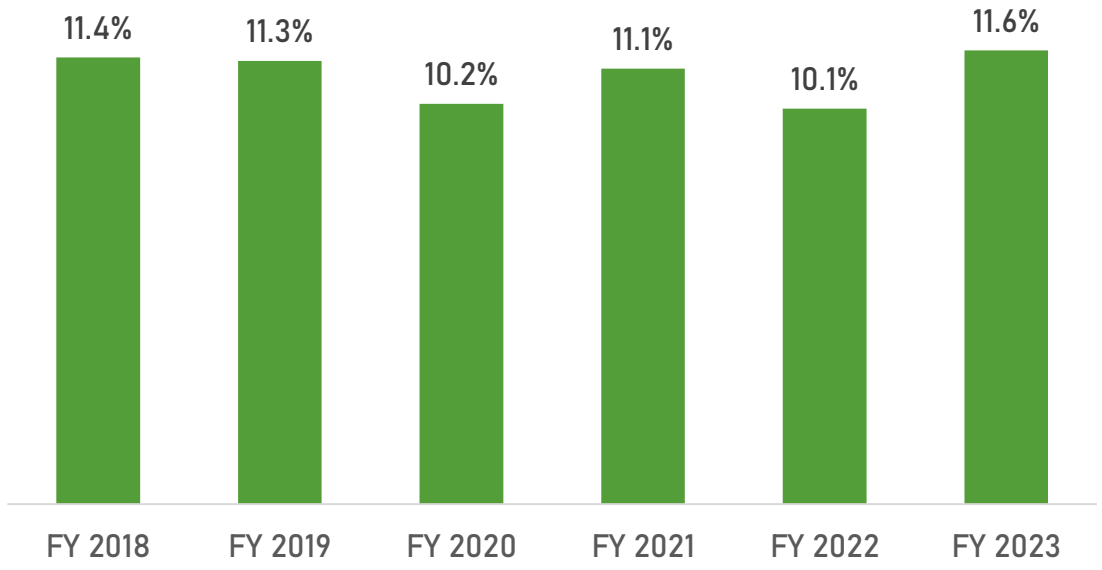
Focused On Expanding Profitability

Total Operating Expense to Sales



- From FY 2018 to FY 2023, SG&A expenses have increased at an 8.0% CAGR
  - R&D expenses have increased at a 7.1% CAGR
- In FY 2024, NTIC will make strategic investments to bolster its infrastructure to support the Company's long-term expansion needs

JV Operating Income to JV Sales



- JV operating income contribution to NTIC has averaged ~11% of total JV sales over the past five fiscal years.
- Enhancing the profitability at the Company's JVs is a near-term strategic priority

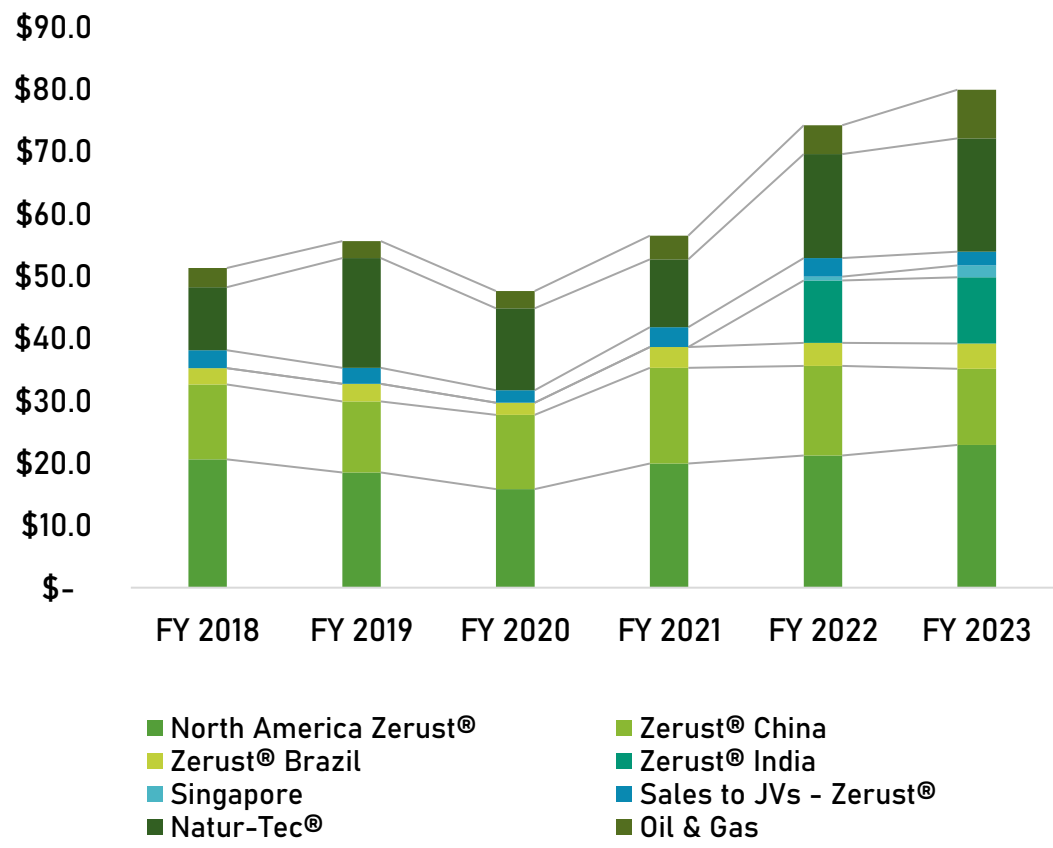
Financial Performance and Capital Allocation Priorities

Sales Composition

	Actual ($ in millions)		
	FY 2021	FY 2022	FY 2023
North America	19.9	21.2	22.9
NTI China	15.4	14.4	12.2
India	-	10.0	10.6
Singapore	-	0.6	1.9
Brazil	3.3	3.7	4.1
Sales to JVs	3.2	3.0	2.2
ZERUST® INDUSTRIAL SALES	**41.8**	**52.9**	**53.9**
OIL & GAS - North America	3.0	3.1	5.9
OIL & GAS - Brazil	0.8	1.5	1.9
OIL & GAS SALES	**3.8**	**4.6**	**7.8**
Natur-Tec® North America	3.5	6.7	7.6
NTI China – Natur-Tec®	1.9	1.4	1.2
Natur -Tec® India	5.5	8.6	9.3
NATUR-TEC® SALES	**10.9**	**16.7**	**18.2**
NTIC SALES (GAAP)	**56.5**	**74.2**	**79.9**
Joint Venture Sales	**121.0**	**104.0**	**100.7**
WORLDWIDE SALES	**177.5**	**178.2**	**180.6**

Totals have been adjusted for rounding

Net Sales Growth

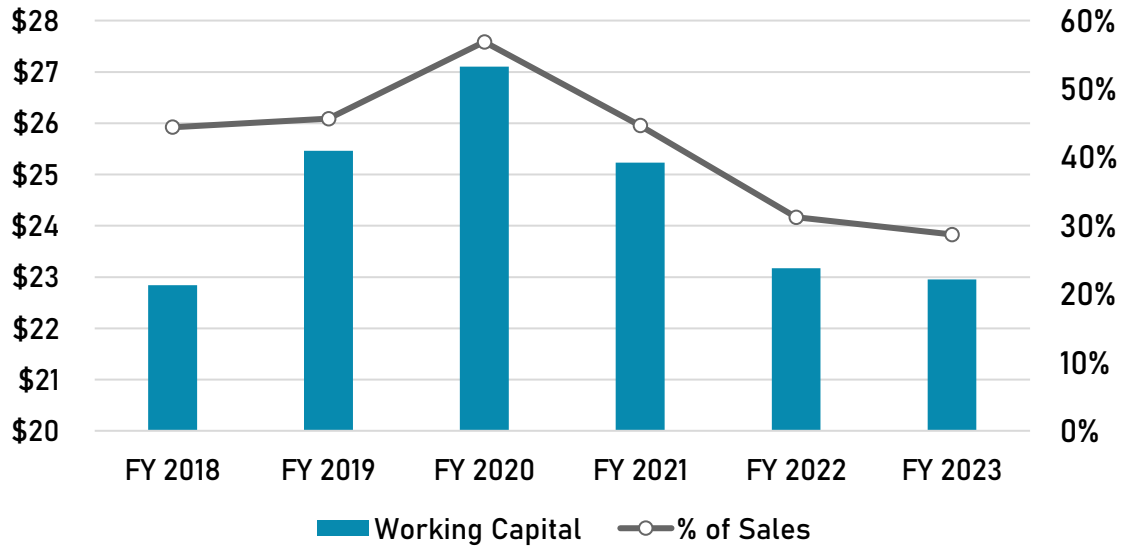


Notes: Dollars, in millions

Capital Light Business Model

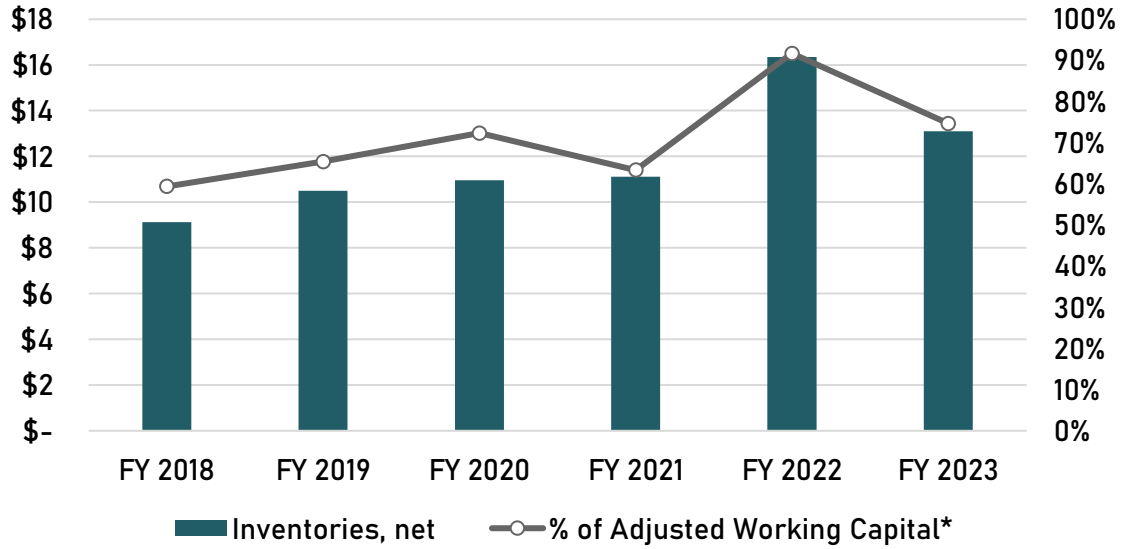
Limited Working Capital Requirements

(in millions)



Inventory Largest Component of Working Capital

(in millions)



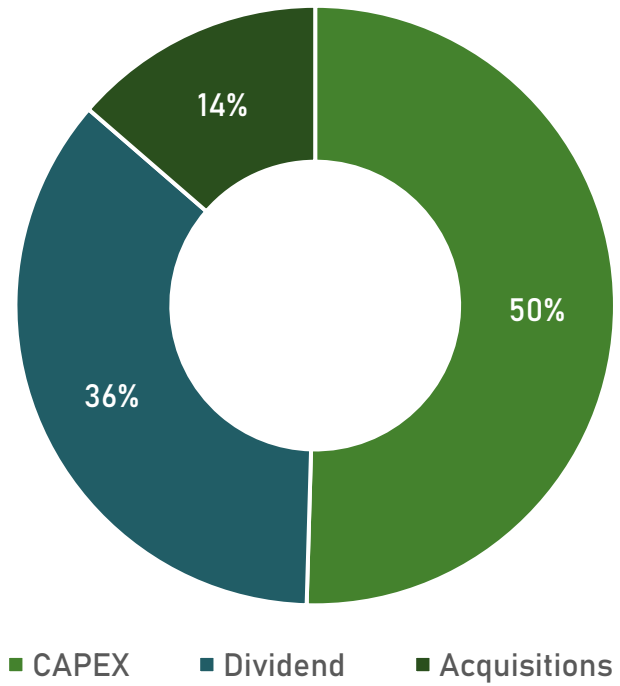
* Adjusted working capital removes cash and cash equivalents

- NTIC's operating structure and strategy support a capital light business model
- $88.8 million in total assets at November 30, 2023, which included $24.6 million in investments in joint ventures, $6.1 million in cash, and $10.2 million in goodwill and intangibles

- Inventory turnover has been approximately 3.5x over the past five years
- Inventory consist primarily of Finished Goods
- From FY 2018 to FY 2023, inventory increased 43.4%, compared to sales growth of 47.6%

Disciplined and Balance Capital Deployment

10-Year Average Capital Allocation



Capital Allocation Strategy

CAPEX

- Focus on value-add projects that improve efficiencies and capabilities
- In fiscal 2021, NTIC purchased a new facility in Shanghai, China, to support its R&D, production, sales and marketing, and training efforts throughout the region
- In fiscal 2023, added new facility in Circle Pines, Minnesota to expand its production and warehousing capabilities

Dividend and Share Repurchases

- Since 2017, NTIC has increased its annual dividend five times

Acquisitions

- In fiscal 2022, NTIC acquired the remaining 50% ownership interest in Harita-NTI, the Company's ZERUST® joint venture in India

Making a Difference: Commitment to Sustainability

At Northern Technologies International Corporation (NTIC), we are committed to creating a more sustainable future. We convert unique environmentally beneficial materials science into value-added products and services for industrial and consumer applications. Our research and development teams deliver innovative technologies and products that: address climate change, use renewable materials, and enable sustainable waste management. We do this while maintaining the highest performance and processability.

– G. Patrick Lynch, President & CEO

Our Environment

NTIC develops technologies that support green manufacturing processes and energy production through three divisions:

ZERUST ®: Solutions help reduce waste and the energy to make new items

ZERUST ® Oil & Gas: Solutions and applications help prevent spillage and leaks while dramatically extending metal asset service life

Natur-Tec ®: Applications enable users to reduce their carbon footprint by offering 100% compostable resins compounds and finished products

Our Employees

NTIC is committed to building a diverse and inclusive workforce and is committed to providing equal opportunity regarding all hiring decisions.

41% of US workforce is female

40% of US management is female

27% of US workforce is racially or ethnically diverse

23% of US management team is racially or ethnically diverse

6% of our US workforce are veterans

Our Health, Safety, Environment, & Security

NTIC is dedicated to investing in the future of our planet and our people. We pledge to:

- Ensure that the environment is a better place because of what we do
- Select and evaluate all service providers with NTIC's Quality Management Standard
- Ensure business activities are conducted to prevent harm and protect health and safety of all involved

Our Communities

NTIC believes that sustainability means being a responsible and ethical corporate citizen. To accomplish this, we:

- Support employees as they give back to the communities in which they work and live
- Strengthen community relationships
- Foster employee engagement
- Encourage fundraising and other events

For More Information Click Here

Track Record of Value Creation

Since 2017, NTIC has increased its annual dividend five times, reflecting the Company's commitment to creating value for shareholders

NTIC has $2.6 million remaining under its stock repurchase program as of August 31, 2023

Insiders aligned with shareholders and own approximately 17% of the company's outstanding stock (according to Bloomberg)

NTIC has $5.4 million in cash and cash equivalents, and approximately $13.8 million of cash at its joint ventures, compared to $6.4 million of short-term debt

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
  - 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 about 17% of the total outstanding shares