

Nasdaq: NTIC



Northern Technologies International Corporation

Third Quarter FY 2019 Investor Presentation

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



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Statements contained in this presentation that are not historical information are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about NTIC’s future financial performance and targets; future estimated market sizes, growth rates, demand for and sales of NTIC’s products, and such other statements which can be identified by words such as “expect,” “anticipate,” “estimate,” “will,” “would,” “could,” “targets,” words of similar meaning, and the use of future dates. Such forward-looking statements are based upon 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 ability of NTIC to achieve its annual financial guidance and continue 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; the ability of NTIC China to achieve significant sales; the effect of the United Kingdom’s 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; 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; 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, 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 results is described in NTIC’s filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K 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

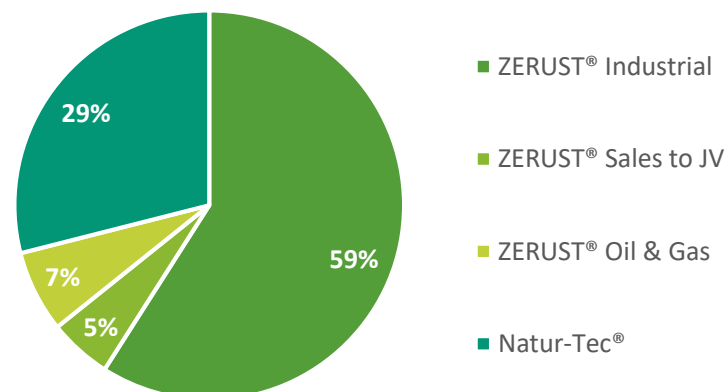
Northern Technologies International Corp.

- Converting environmentally beneficial technologies into value added products and services for industrial and consumer applications
- Providing Volatile Corrosion Inhibitor (VCI) based solutions for over 40 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 20 Joint Ventures (JV's) globally
 - Sales by JV's are not consolidated on the company's income statement
- Focused on creating long-term value for customers, employees, communities and shareholders

Key Statistics

TTM Sales	\$ 57.0 million
FY 2018 Global Net Sales (includes JVs and NTIC Sales)	\$ 171.5 million
TTM EPS Per Diluted Share	\$ 0.69
Market Cap (at May 31, 2019)	\$ 113.3 million
Enterprise Value (at May 31, 2019)	\$ 107.2 million
Dividend (Yield)	\$ 0.24 (1.92%)

TTM Sales Mix by Segment



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 with over \$151 million of global VCI sales
- Auto sector represents approximately 40% of NTIC's Zerust Industrial sales in North America and 60% of JV sales
- Demand increasing as a result of 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 years
- Sales have increased at a three-year CAGR of 18%
- Gross margin profile in the mid 30% range

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 process 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

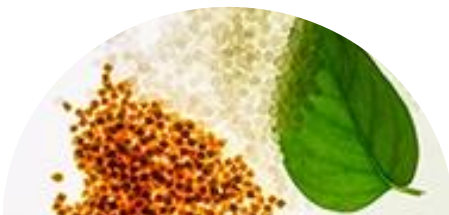
- Significantly cheaper and more efficient than competing corrosion prevention technologies
- Partnering with large Oil & Gas service companies to expand customer reach and contacts
- Successful test installations resulting in repeat orders
- Confidence in VCI technology growing across industry



Financial Overview

- Sales have increased at a three-year CAGR of 18%
- High gross margin sales
- Long sales cycle, high customer retention rate

Strong sales growth as a result of 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 products and chemistries
- Strategic alliance with key suppliers
- Dedicated product development
- Unique global position
- Direct sales or subsidiaries in North America, China and India



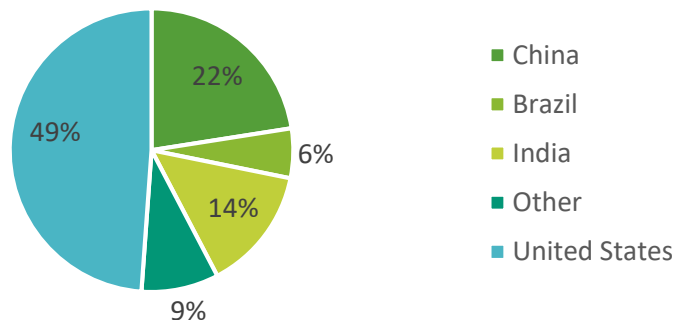
Financial Overview

- Sales have increased at a three-year CAGR of 33%
- Natur-Tec currently represents about 30% of NTIC's total sales, compared to 16% for the fiscal year ended August 31, 2016
- Natur-Tec started contributing to operating profits in the fiscal 2017 third quarter
- Gross margins are over 25%

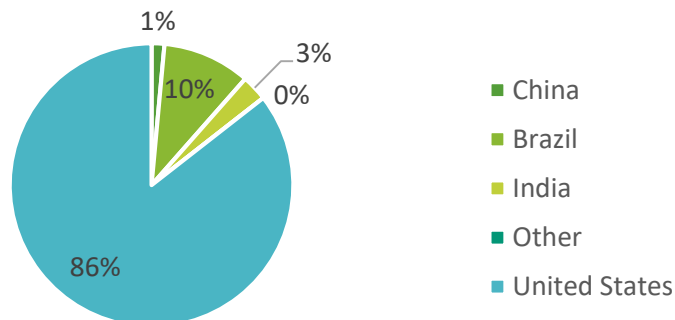
Growing Global Market Share

With 20 JVs and 7 operating subsidiaries, NTIC operates in over 60 countries and is the only VCI company that can supply and service customers globally

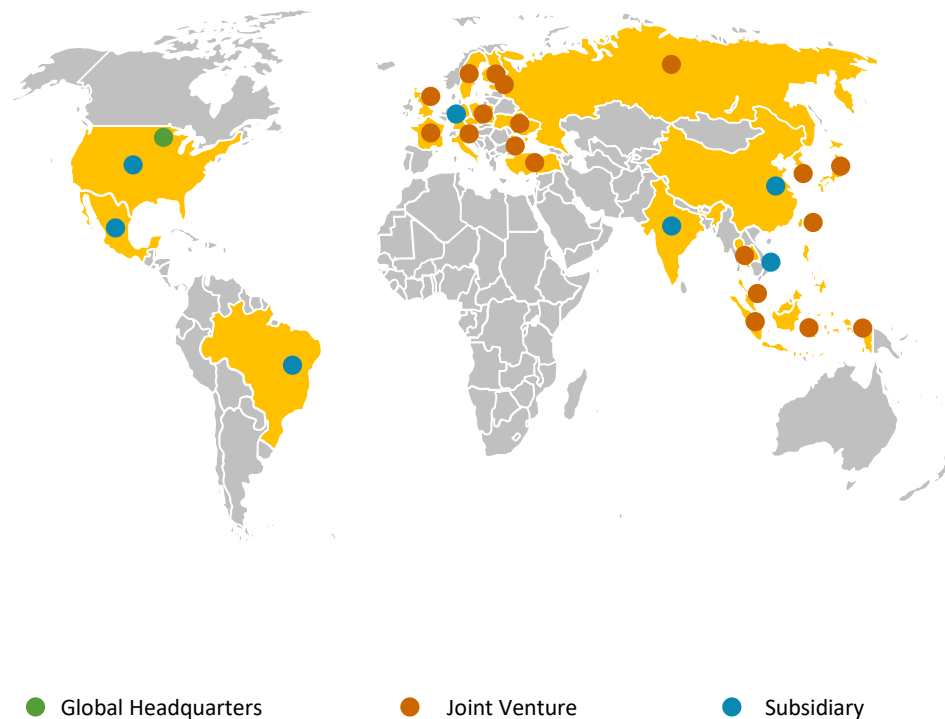
Fiscal 2019 YTD Net Sales by Geography



Fiscal 2015 YTD Net Sales by Geography



NTIC's Global JV's and Subsidiaries



Compelling Joint Venture Model

Overview

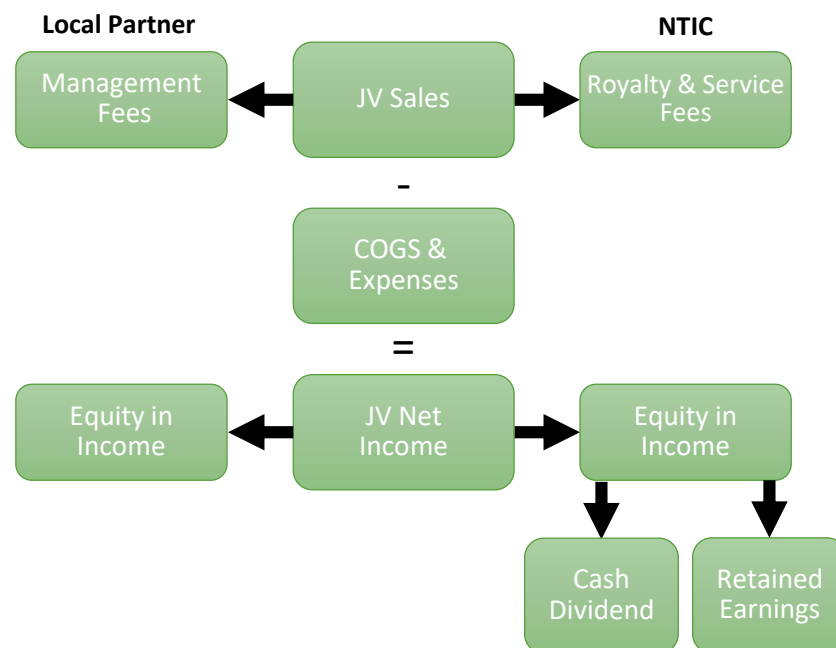
- 20 international joint ventures
 - JVs provided rapid global expansion with little capital investment for all JVs, most established in 80's & 90's
 - Generally 50/50 ownership with local JV partner
 - NTIC receives ~7% fee based on JV sales and 50% of JV dividend distributions after year end (varies 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



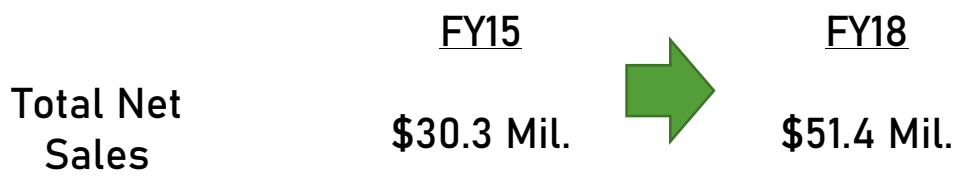


Executing Growth-Oriented Business Strategy

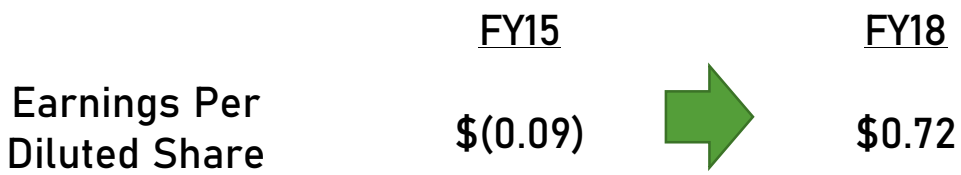


Successful Business Transition

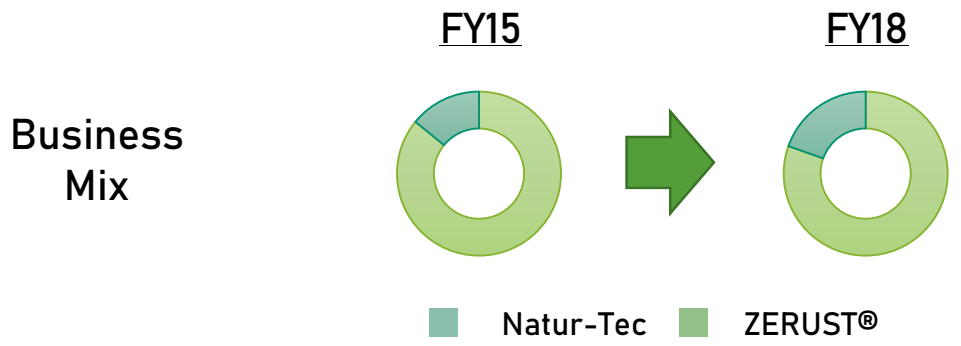
Business Drivers



- Higher core ZERUST industrial sales globally
- Chinese operation transition
- Natur-Tec expansion



- Improving profitability at JVs
- China and Natur-Tec started contributing to operating profits in fiscal year 2017
- Legal and start-up expenses ended



- Natur-Tec has grown at a 3-year CAGR of 32.9% compared to total ZERUST sales of 16.7%
- Natur-Tec growth supported by strong global market demand

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

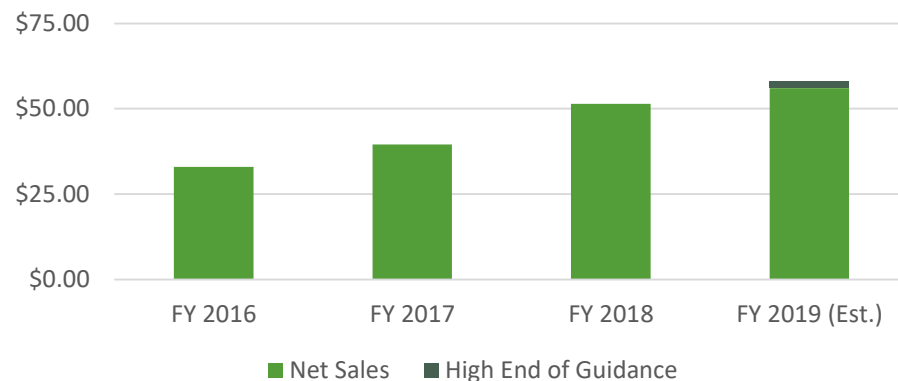
Realize potential of oil and gas opportunity

Pursue additional revenue opportunities by growing market share and vertical expansion

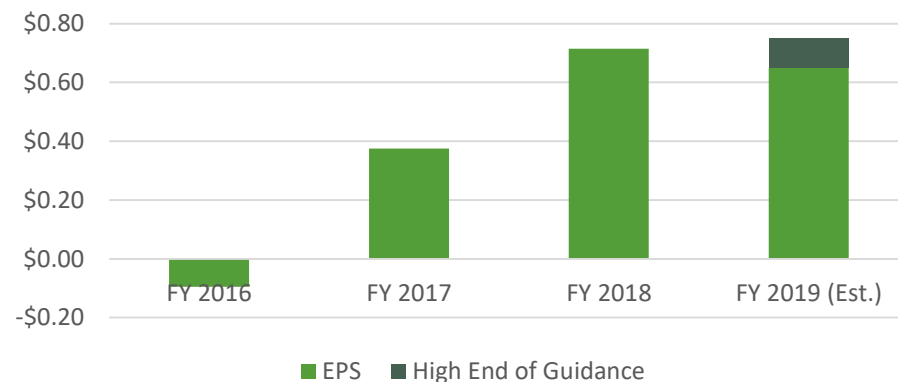
Generate free cash flow and maintain strong balance sheet

Grow dividend in line with earnings growth

Sales Growth (in millions)



Net Income Growth (in millions)

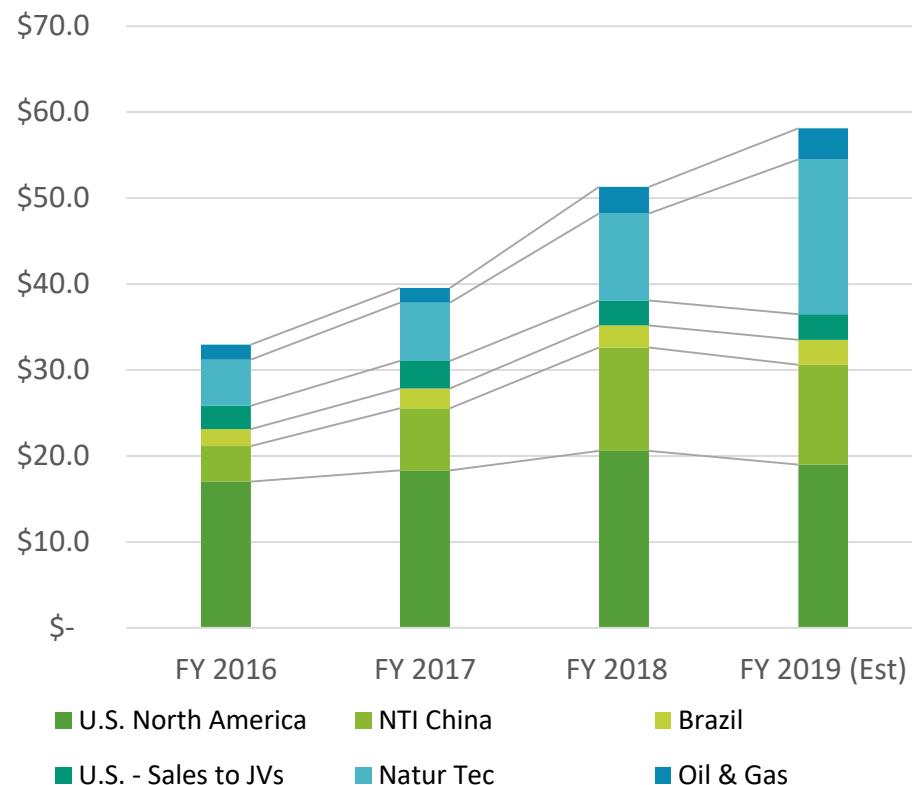


* Annual guidance communicated on July 9, 2019. The fact that NTIC includes this guidance in this presentation should not be taken to confirm its guidance as of any subsequent date.

Sales Composition

	FY 2016	FY 2017	FY 2018	Est FY 2019
U.S. North America	\$ 17.0	\$ 18.3 7.7%	\$ 20.6 12.6%	\$ 19.0 -7.9%
NTI China	4.1	7.2 75.6%	12.0 65.7%	11.6 -3.1%
Zerust Brazil	2.0	2.3	2.6	2.9
U.S. - Sales to JVs	2.7	3.2	2.9	3.0
ZERUST SALES	25.8	31.1 20.2%	38.1 22.8%	36.5 -4.3%
Natur-Tec North America	4.3	5.4	6.7	7.8
Natur-Tec – NTI China	-	-	0.5	1.8
Natur-Tec India	1.1	1.4	2.9	8.4
NATUR TEC SALES	5.4	6.8 26.7%	10.1 48.1%	18.0 79.1%
OIL & GAS SALES	1.7	1.7 -1.5%	3.1 78.3%	3.6 17.3%
NTIC SALES (GAAP)	32.9	39.6 20.1%	51.3 29.5%	58.1 13.3%
Joint Venture Sales	90.7	101.3 11.7%	120.2 18.7%	114.0 -5.2%
WORLDWIDE SALES	\$ 123.6	\$ 140.8 14.0%	171.5 21.8%	172.1 0.4%

Net Sales Growth

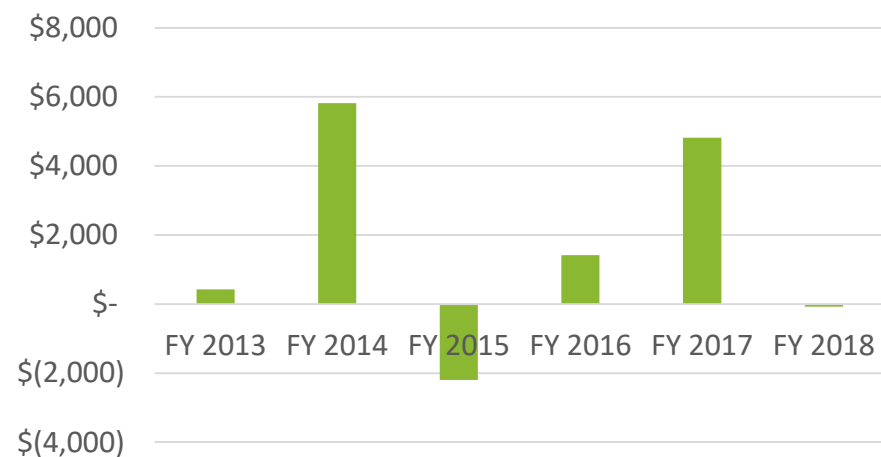


Notes: Dollars, in millions

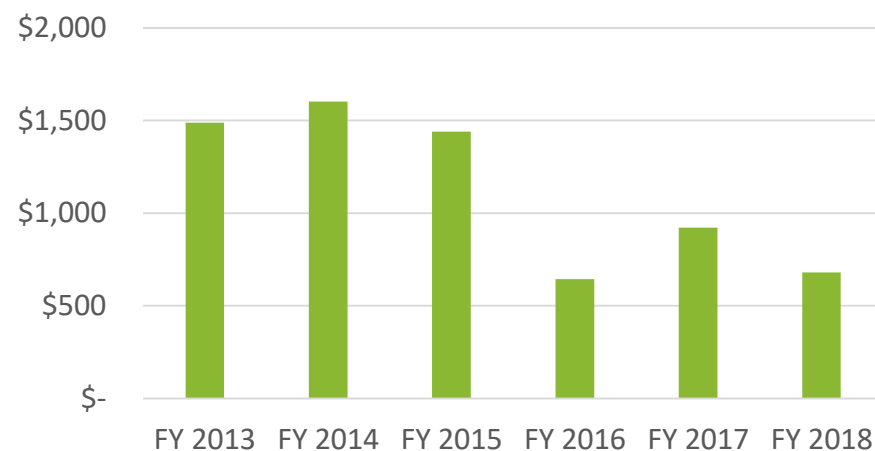
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Limited Capital Requirements

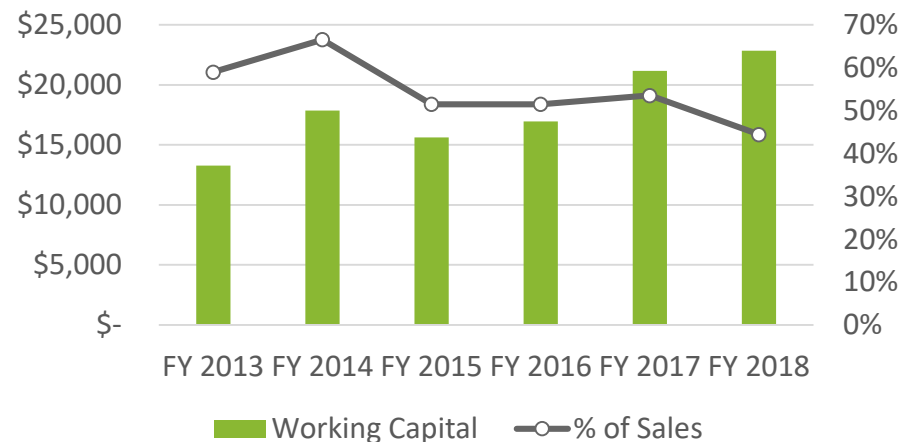
Free Cash Flow*



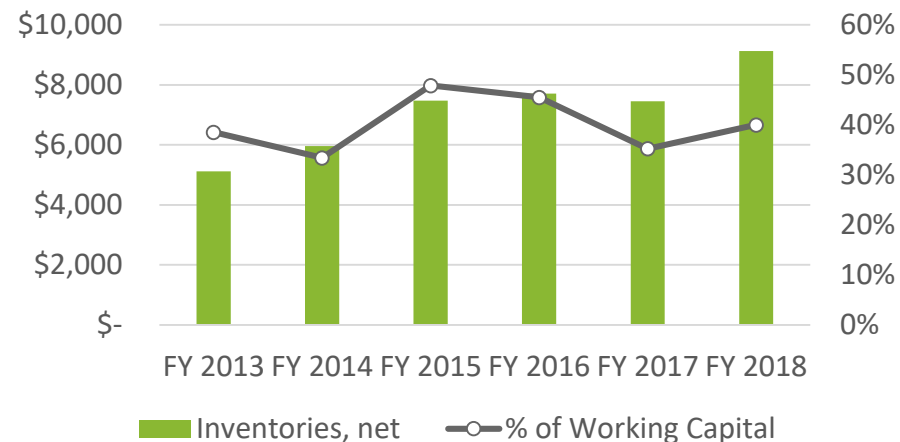
Investments in Property & Equipment



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 trends
 - Significant improvement in earnings
 - Disciplined capital management
 - Returning capital to shareholders
- Strong, experienced, and motivated management team
 - Management aligned with shareholders and insiders own almost 17% of the total outstanding shares



