



Nasdaq: NTIC



Northern Technologies International Corporation

Second Quarter FY 2020 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 third quarter sales and operating expenses will decrease due to the COVID-19 pandemic, NTIC's ability to continue to provide uninterrupted order fulfillment, while also safeguarding and supporting both its employees and customers, NTIC's belief that it will successfully navigate the COVID-19 pandemic; 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 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; 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, 2019 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.

The COVID-19 pandemic continues to have a material impact on the global economy and, therefore, on NTIC as well. Fortunately, we entered this period of uncertainty from a position of strength as a result of our asset-light and highly profitable business model, experienced leadership team and excellent capital structure. We are focused on safeguarding our employees, business partners, and customers, while providing uninterrupted order fulfillment across our global end markets.

Operational Update

- Across our global footprint, NTIC and our JVs are considered essential businesses
- Most of our employees are working remotely
- We continue to receive and deliver on customer orders
- We have not furloughed any employees
- Our long-standing leadership team has successfully navigated prior crises, including the 2008-2009 great recession
- We are better positioned today than in 2008-2009, because of our geographic, end-market and product expansion and diversity that has occurred over the past 12 years

Financial Update

- Ended the FY20 Q2 with a strong balance sheet, which included no debt, \$12.1 million in cash, cash equivalents and short-term investments, as well as \$10.4+ million of cash at our JVs
- Asset-light business model – less than \$1 million invested in PP&E in FY 2019, and only \$0.3 million invested year-to-date
- Operating expenses expected to decline as a result of COVID-19 pandemic
- NTIC temporarily suspended its quarterly cash dividend pending clarity on the COVID-19 crisis

Fiscal 2020 Second Quarter COVID-19 Commentary

- Our FY20 Q2 financial results were significantly influenced by the economic and business impacts of the COVID-19 pandemic.
- We anticipate sales for FY20 Q3 to be down significantly as a result of the material decline in global economic activity.
- We withdrew and suspended full-year fiscal 2020 guidance, as the negative impact on our business operations cannot be reasonably estimated at this time

ZERUST Industrial	Zerust Oil and Gas	Natur-Tec
<ul style="list-style-type: none">• FY20 Q2 demand for ZERUST industrial products slowed substantially in North America, China and across our joint venture network.• Many global customers are currently running at a fraction of their regular capacity or are locked down altogether.• Anticipate FY20 Q3 sales to be down considerably compared to the prior fiscal year quarter.	<ul style="list-style-type: none">• FY20 Q2 Zerust Oil & Gas sales increased significantly as several delayed projects from our first quarter were installed during the second quarter.• The COVID-19 pandemic has impeded our ability to travel to customer sites and install our solutions.• We expect that oil and gas sales will be materially impacted for the duration of the COVID-19 crisis.	<ul style="list-style-type: none">• FY20 Q2 demand remained comparable to the prior fiscal year quarter despite headwinds including Chinese tariffs, the Chinese New Year shutdown and the impact the COVID-19 pandemic.• Strong demand continues, but will be offset temporarily by the COVID-19 pandemic and the impact on large bioplastic users, including sports arenas, college campuses, and the apparel industry.

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

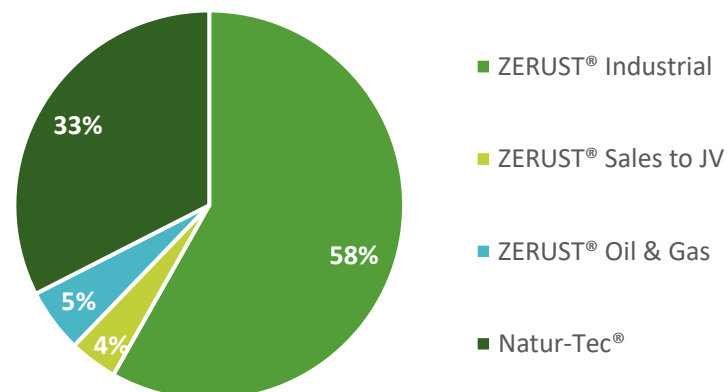
Northern Technologies International Corp.

- 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	\$56.2 million
TTM Global Net Sales (includes JV Sales)	\$162.4 million
TTM EPS Per Diluted Share	\$0.40
Market Cap (at Mar. 31, 2020)	\$67.3 million
Enterprise Value (at Mar. 31, 2020)	\$55.2 million
Dividend (Yield) (currently suspended)	\$0.26 (3.51%)

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 had a strong market position in FY 2019 with ~\$145 million of global VCI sales
- In FY 2019, auto sector represented approximately 40% of NTIC's Zerust Industrial sales in North America and 60% of JV sales
- Prior to COVID-19, demand trend was 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 fiscal years
- From FY 2015 to FY 2019, net sales have increased at a CAGR of 11%
- 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 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

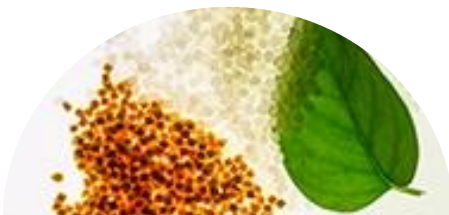
- Significantly cheaper and more efficient than competing corrosion prevention technologies
- Partnering with large oil & gas service companies to expand customer reach and contacts
- Successful test installations resulting in repeat orders
- Confidence in VCI technology growing across industry



Financial Overview

- From FY 2015 to FY 2019, net sales increased at a CAGR of 10%
- High gross margin sales
- Long sales cycle, but 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 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

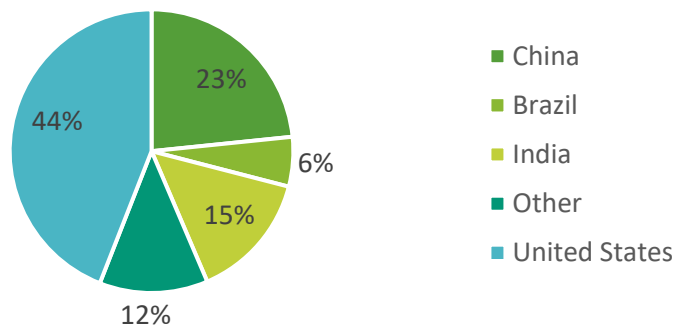
- From FY 2015 to FY 2019, net sales increased at a CAGR of 42%
- Natur-Tec currently represents about 32% of NTIC's total net sales, compared to 14% for the fiscal year ended August 31, 2015
- Natur-Tec started contributing to operating profits in the fiscal 2017 third quarter
- Gross margins are over 25%

Growing Global Market Share

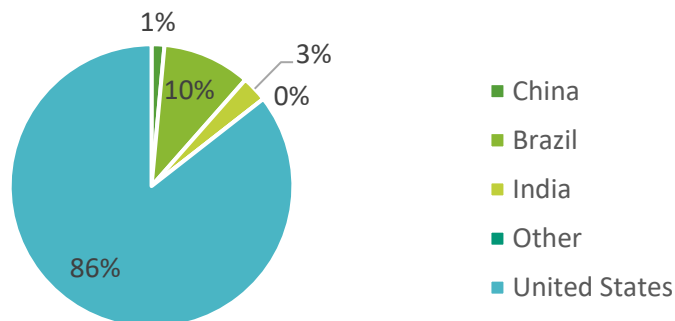


With 19 JVs and 7 operating subsidiaries, NTIC operates in over 60 countries and is the only VCI company that can supply and service customers globally

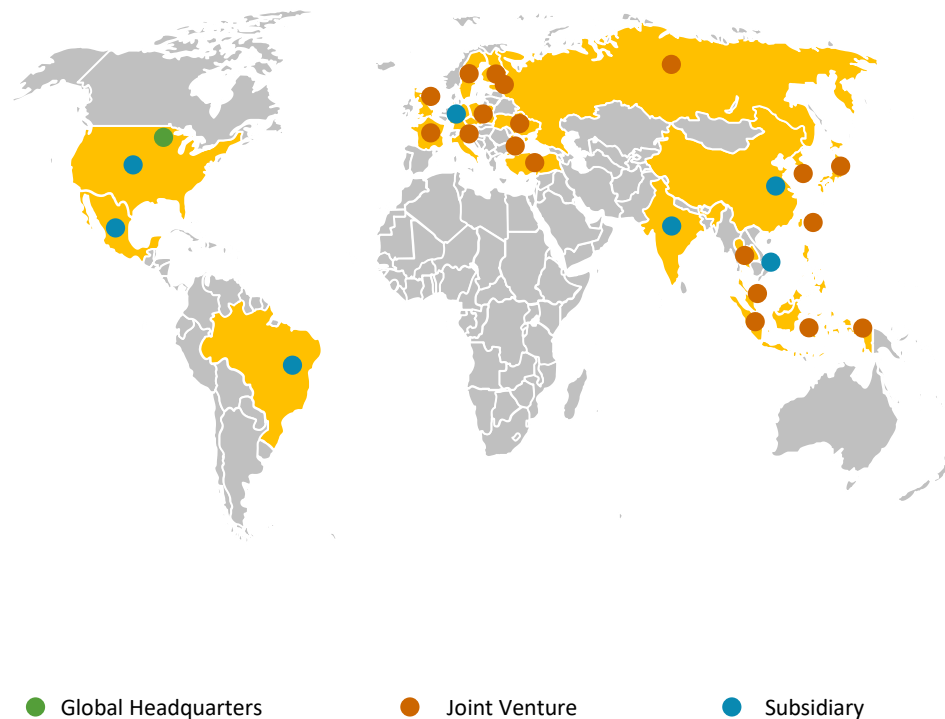
Fiscal 2019 Net Sales by Geography



Fiscal 2015 Net Sales by Geography



NTIC's Global JVs and Subsidiaries



Compelling Joint Venture Model

Overview

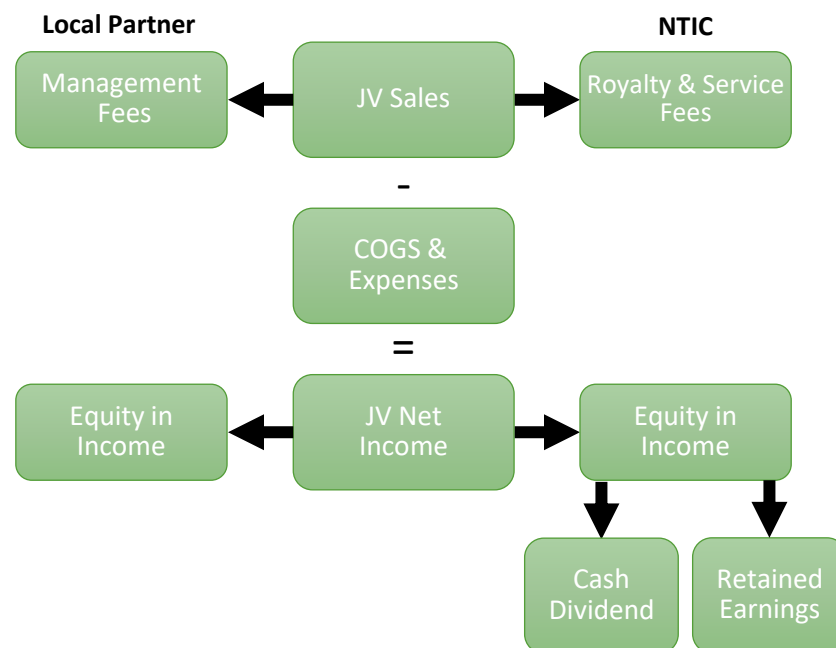
- 19 international joint ventures
 - JVs provided rapid global expansion with little capital investment for all JVs, most established in 80's & 90's
 - Generally 50/50 ownership with local JV partner
 - NTIC receives ~7% fee based on JV sales and 50% of JV dividend distributions after year end (varies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



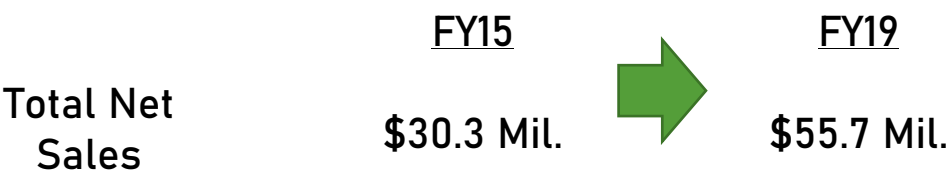


Executing Growth-Oriented Business Strategy

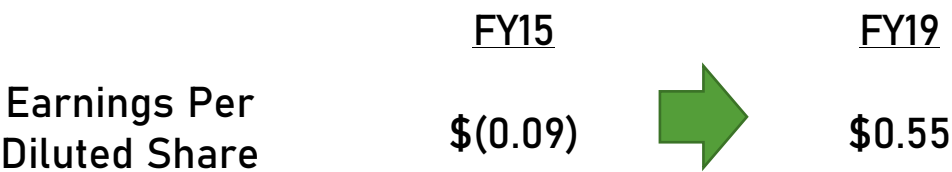


Successful Business Transition

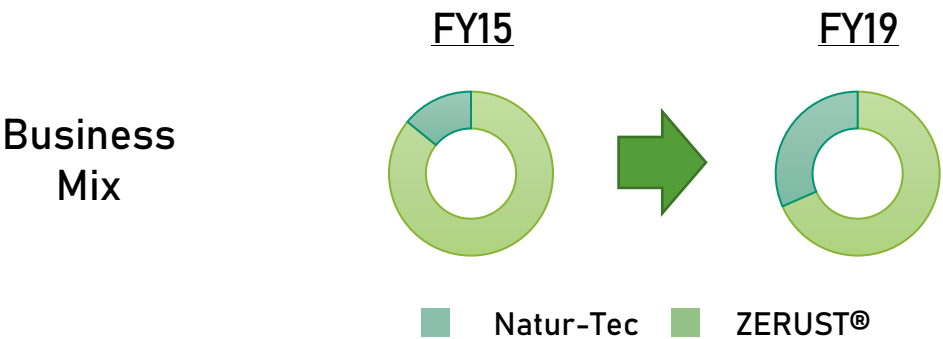
Business Drivers



- Higher core ZERUST industrial sales globally
- Transition to direct Chinese operations
- Natur-Tec expansion



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



- Natur-Tec has grown at a 4-year CAGR of 42.4% compared to total ZERUST sales of 10.0%
- 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

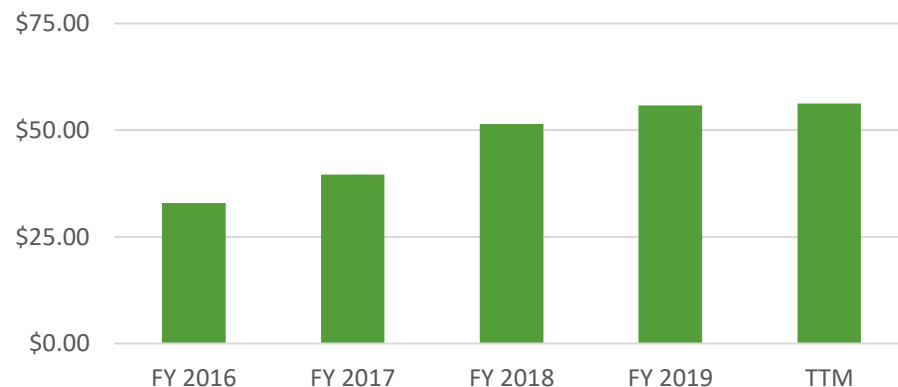
Realize potential of oil and gas opportunity

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

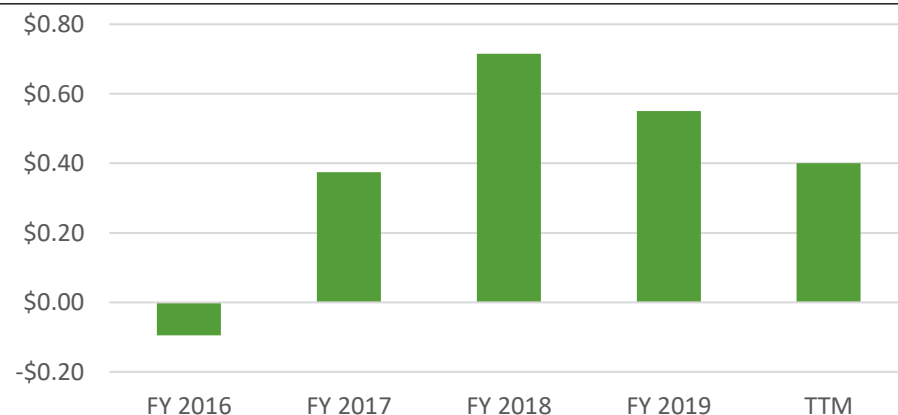
Generate free cash flow and maintain strong balance sheet

Grow dividend in line with earnings growth

Total Net Sales (in millions)

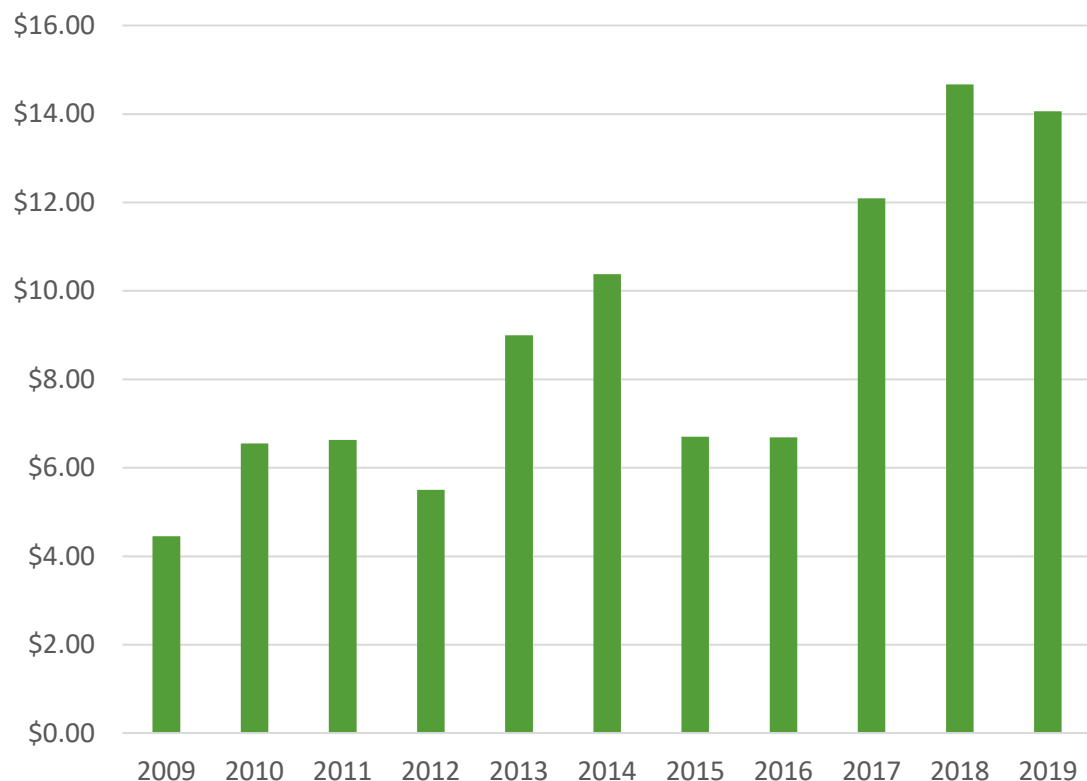


Earnings Per Diluted Share



Track Record of Value Creation

From 2009 to 2019 NTIC's stock price is up over 215%



Creating Long-Term Value

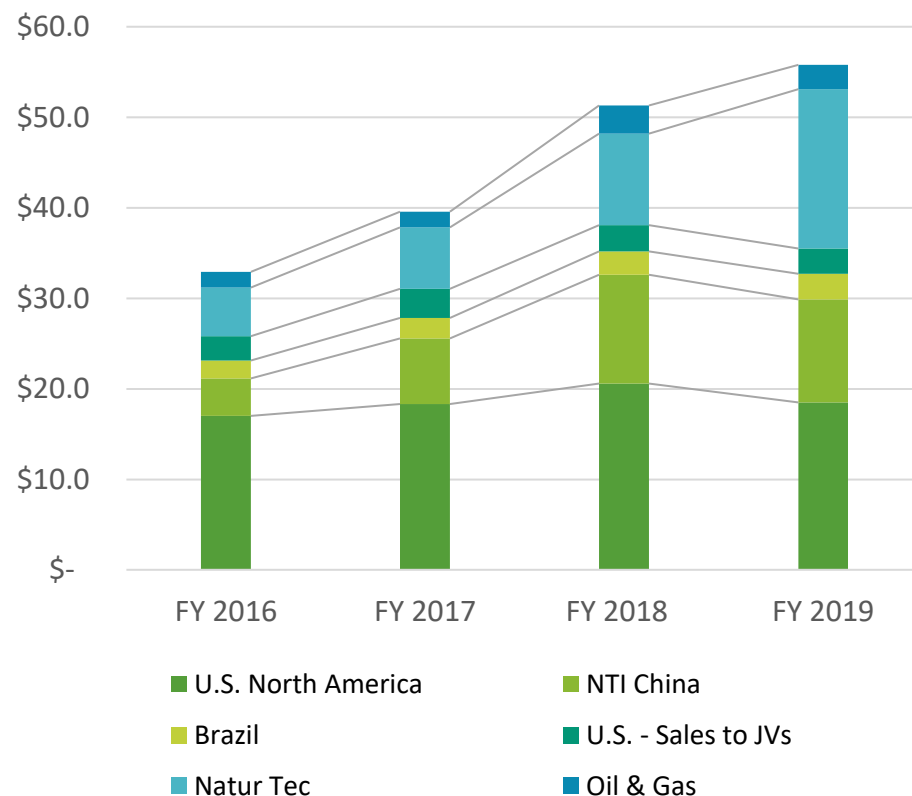
- Initiated a quarterly dividend in December 2017
 - Prior to COVID-19 suspension, annual cash dividend was \$0.26 per share
- NTIC has \$2.7 million remaining under its January 15, 2015 stock repurchase program
- Insiders aligned with shareholders and own 16.8% of the company's outstanding stock
- Conservative capital management
 - No debt
 - \$12.1 million in cash, cash equivalents and available for sale securities
 - Total cash does not include \$21.3 million of investments in joint ventures, of which approximately 48.7% or \$10.4 million is cash, with the remaining balance invested in working capital

Sales Composition



	Actual		
	FY 2017	FY 2018	FY 2019
U.S. North America	18.3	20.6	18.5
	7.7%	12.6%	-10.4%
NTI China	7.2	12	11.4
	75.6%	65.7%	-4.7%
Brazil	2.3	2.6	2.8
	15.4%	14.7%	4.8%
US - Sales to JVs	3.2	2.9	2.8
	18.5%	-9.3%	-4.1%
ZERUST SALES	31.1	38.1	35.5
	20.2%	22.8%	-7.1%
Natur-Tec North America	5.4	6.7	7.8
NTI China - Natur Tec	-	0.5	1.6
Natur -Tec India	1.4	2.9	8.1
NATUR TEC SALES	6.8	10.1	17.6
	26.7%	48.1%	74.9%
OIL & GAS - North America	1.6	2.6	2.3
OIL & GAS - Brazil	0.1	0.5	0.4
OIL & GAS SALES	1.7	3.1	2.7
	-1.5%	78.3%	-11.1%
NTIC SALES (GAAP)	39.6	51.3	55.8
	20.1%	29.5%	8.8%
Joint Venture Sales	101.3	120.2	114.8
	11.7%	18.7%	-4.6%
WORLDWIDE SALES	140.8	171.5	170.5
	14.0%	21.8%	-0.6%

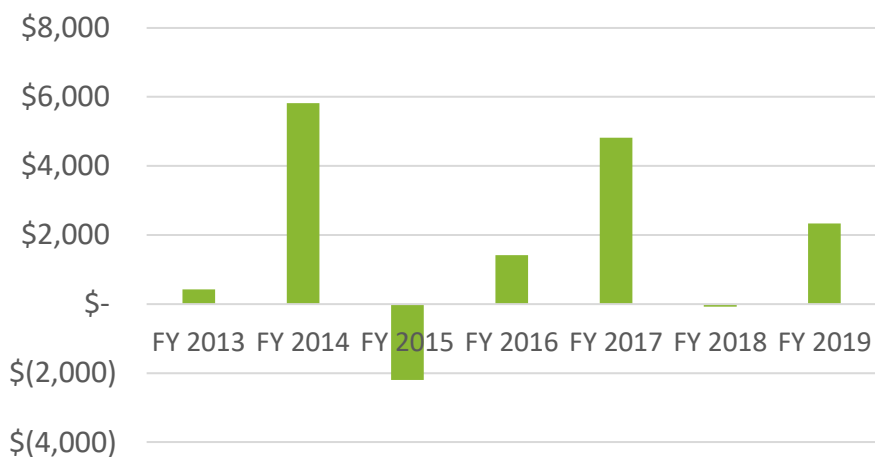
Net Sales Growth



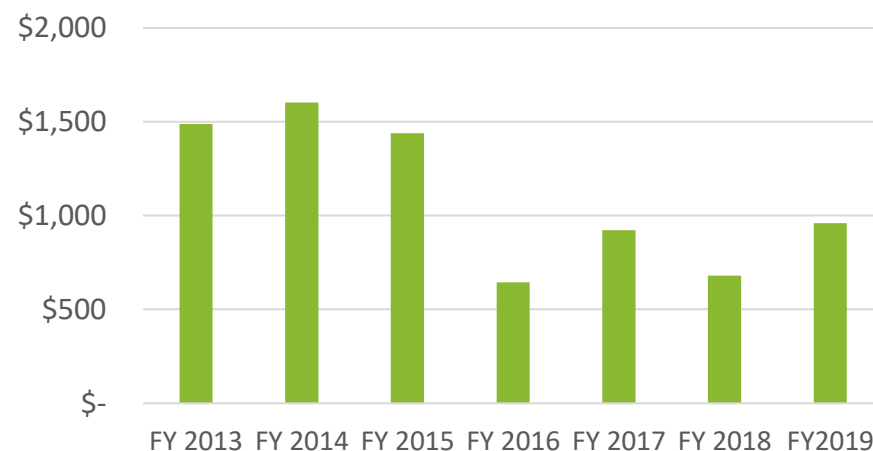
Notes: Dollars, in millions

Limited Capital Requirements (graphs in millions except for percentages)

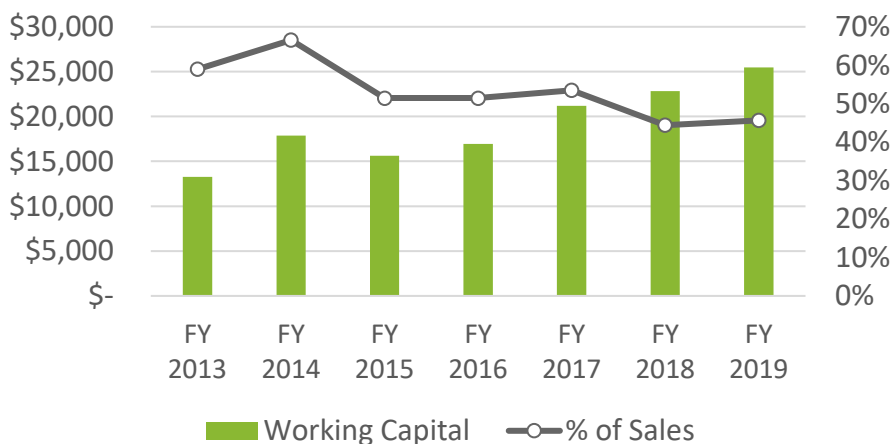
Free Cash Flow*



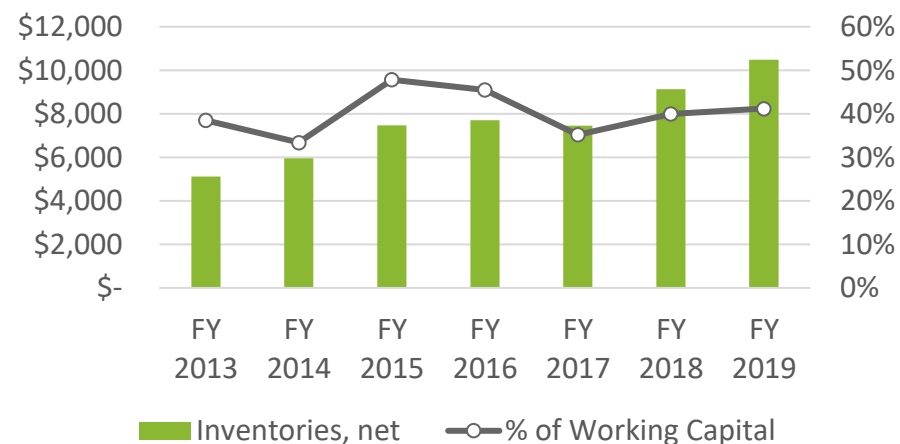
Investments in Property & Equipment



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 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

