



Northern Technologies International Corporation Reports Financial Results for Third Quarter Fiscal 2020

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MINNEAPOLIS, July 08, 2020 (GLOBE NEWSWIRE) -- Northern Technologies International Corporation (NASDAQ: NTIC), a leading developer of corrosion inhibiting products and services, as well as bio-based and biodegradable polymer resin compounds, today reported its financial results for the third quarter of fiscal 2020.

Third quarter fiscal 2020 financial and operating results include (with growth rates compared to third quarter fiscal 2019 results):

- Consolidated net sales decreased 34.6% to \$9,745,000
- ZERUST[®] industrial product net sales decreased 24.1% to \$6,258,000
- ZERUST[®] oil and gas net sales decreased 51.9% to \$425,000
- NTIC China product net sales decreased 16.3% to \$3,089,000
- Natur-Tec[®] product net sales decreased 50.4% to \$2,388,000
- Joint venture operating income decreased 49.0% to \$1,688,000
- Operating expenses declined 10.2% to \$5,651,000
- NTIC reported a net loss attributable to NTIC of \$(965,000), or \$(0.11) per share
- Consolidated balance sheet at May 31, 2020 was strong with no debt, total cash and cash equivalents of \$5,051,000 and available for sale securities of \$5,451,000, and working capital of \$28,135,000

"Although our operations were deemed essential and remained open throughout, the COVID-19 pandemic had an unprecedented impact on our worldwide business during the third quarter, as the majority of our global customers operated at significantly lower capacities or were locked down altogether. Furthermore, our joint venture network experienced challenging market conditions, as joint venture net sales for the third quarter declined 32.4% and we experienced a 49.0% decrease in joint venture operating income, in each case compared to the same period last fiscal year. During the quarter, we focused on providing uninterrupted order fulfillment, while simultaneously safeguarding and supporting both our employees and our customers, and proactively managing expenses," said G. Patrick Lynch, President and Chief Executive Officer of NTIC.

"As global economies have been re-opening, business trends have started to improve. We currently believe our fourth quarter financial results will regain ground from third quarter levels, but sales and earnings will likely be lower than they were during the same period in 2019. We continued to benefit from our product and end-market diversification strategies in the third quarter, and intend to continue to partially offset market weakness by gaining new customers, developing new applications of our corrosion prevention solutions, and expanding into new market segments. While the timing and pace of the global economic recovery remain uncertain, we intend to proceed on course, maintain a strong balance sheet, and invest in our technologies, people, and global platform," concluded Mr. Lynch.

NTIC's consolidated net sales decreased 34.6% to \$9,745,000 during the three months ended May 31, 2020, compared to \$14,893,000 for the three months ended May 31, 2019. The global economic slowdown as a result of the COVID-19 crisis significantly reduced demand across the Company's global customer base. For the nine months ended May 31, 2020, consolidated net sales decreased 11.1% to \$37,610,000, compared to \$42,303,000 for the same period last fiscal year.

The following tables set forth NTIC's net sales by product category for the three and nine months ended May 31, 2020 and May 31, 2019, by segment:

| | Three Months Ended | | | | |
|--|--------------------|----------------|---------------|----------------|----------|
| | May 31, 2020 | % of Net Sales | May 31, 2019 | % of Net Sales | % Change |
| ZERUST [®] industrial net sales..... | \$ 6,258,348 | 64.2% | \$ 8,244,759 | 55.4% | -24.1% |
| ZERUST [®] joint venture net sales..... | 673,752 | 6.9% | 950,414 | 6.4% | -29.1% |
| ZERUST [®] oil & gas net sales..... | 424,681 | 4.4% | 882,030 | 5.9% | -51.9% |
| Total ZERUST [®] net sales..... | \$ 7,356,781 | 75.5% | \$ 10,077,203 | 67.7% | -27.0% |
| Total Natur-Tec [®] net sales..... | 2,388,042 | 24.5% | 4,815,914 | 32.3% | -50.4% |
| Total net sales..... | \$ 9,744,823 | 100.0% | \$ 14,893,117 | 100.0% | -34.6% |

| | Nine Months Ended | | | | |
|--|-------------------|----------------|---------------|----------------|----------|
| | May 31, 2020 | % of Net Sales | May 31, 2019 | % of Net Sales | % Change |
| ZERUST [®] industrial net sales..... | \$ 22,804,975 | 60.6% | \$ 24,882,727 | 58.8% | -8.4% |
| ZERUST [®] joint venture net sales..... | 1,504,997 | 4.0% | 2,142,555 | 5.1% | -29.8% |

| | | | | | |
|--|---------------|--------|---------------|--------|--------|
| ZERUST [®] oil & gas net sales..... | 2,012,543 | 5.4% | 2,225,490 | 5.3% | -9.6% |
| Total ZERUST [®] net sales..... | \$ 26,322,515 | 70.0% | \$ 29,250,772 | 69.1% | -10.0% |
| Total Natur-Tec [®] net sales..... | 11,287,491 | 30.0% | 13,051,801 | 30.9% | -13.5% |
| Total net sales..... | \$ 37,610,006 | 100.0% | \$ 42,302,573 | 100.0% | -11.1% |

NTIC's joint venture operating income decreased 49.0% to \$1,688,000 during the three months ended May 31, 2020, compared to joint venture operating income of \$3,311,000 during the three months ended May 31, 2019. This decrease was attributable to a corresponding reduction in total net sales of the joint ventures, as fees for services provided to joint ventures are primarily a function of the net sales of NTIC's joint ventures, which decreased 32.4% to \$18,782,000 during the three months ended May 31, 2020, compared to \$27,774,000 for the three months ended May 31, 2019. Year-to-date, NTIC's joint venture operating income decreased 29.7% to \$6,958,000, compared to joint venture operating income of \$9,896,000 during the nine months ended May 31, 2019. Net sales of NTIC's joint ventures decreased 20.3% to \$68,532,000 during the nine months ended May 31, 2020, compared to \$86,004,000 for the nine months ended May 31, 2019.

Operating expenses, as a percent of net sales, for the third quarter of fiscal 2020 were 58.0%, compared to 42.3% for the same period last fiscal year due to the reduction in third quarter net sales. On a dollar basis, third quarter operating expenses declined 10.2% because of reduced selling, general and administrative, and research and development expenses. Year-to-date, operating expenses, as a percent of net sales, were 47.9%, compared to 42.2% for the same period last fiscal year.

The company reported a net loss attributable to NTIC for the third quarter of fiscal 2020 of \$965,000, or a loss of \$0.11 per diluted share, compared to net income of \$1,482,000, or \$0.16 per diluted share for the same period last fiscal year. For the nine months ended May 31, 2020, net income attributable to NTIC was \$427,000, or \$0.05 per diluted share, from \$4,381,000, or \$0.46 per diluted share for the same period last fiscal year.

NTIC's balance sheet remains strong, with no debt, and working capital of \$28,135,000 at May 31, 2020, including \$5,051,000 in cash and cash equivalents and \$5,451,000 in available for sale securities, compared to \$25,461,000 of working capital at August 31, 2019, including \$5,857,000 in cash and cash equivalents and \$3,565,000 in available for sale securities.

At May 31, 2020, the company had \$21,942,000 of investments in joint ventures, of which over \$10,800,000 or 50%, is cash, with the remaining balance primarily invested in other working capital.

Conference Call and Webcast

NTIC will host a conference call today at 8:00 a.m. Central Time to review its results of operations for the third quarter of fiscal 2020 and its outlook, followed by a question and answer session. The conference call will be available to interested parties through a live audio webcast available through NTIC's website at www.ntic.com or <https://ntic.gcs-web.com/events-presentations> where the webcast will be archived and accessible for at least 12 months. The dial-in number for the conference call is (877) 670-9776 and the confirmation code is 9542688.

About Northern Technologies International Corporation

Northern Technologies International Corporation develops and markets proprietary environmentally beneficial products and services in over 60 countries either directly or via a network of subsidiaries, joint ventures, independent distributors and agents. NTIC's primary business is corrosion prevention marketed primarily under the ZERUST[®] brand. NTIC has been selling its proprietary ZERUST[®] rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 40 years and in recent years has targeted and expanded into the oil and gas industry. NTIC offers worldwide on-site technical consulting for rust and corrosion prevention issues. NTIC's technical service consultants work directly with the end users of NTIC's products to analyze their specific needs and develop systems to meet their technical requirements. NTIC also markets and sells a portfolio of bio-based and biodegradable polymer resins and finished products marketed under the Natur-Tec[®] brand.

Forward-Looking Statements

Statements contained in this release 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 while fourth quarter results will continue to be adversely affected by the COVID-19 pandemic, they will regain ground from third quarter levels, but sales and earnings will likely be lower than they were during the same period in 2019 and NTIC's intent to partially offset market weakness by gaining new customers, developing new applications of its corrosion prevention solutions, and expanding into new market segments and its intent to proceed on course, maintain a strong balance sheet, and invest in its technologies, people, and global platform, 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, 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.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2020 (UNAUDITED)
AND AUGUST 31, 2019 (AUDITED)

| | <u>May 31, 2020</u> | <u>August 31, 2019</u> |
|--|----------------------|------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 5,050,722 | \$ 5,856,758 |
| Available for sale securities | 5,450,693 | 3,565,258 |
| Receivables: | | |
| Trade excluding joint ventures, less allowance for doubtful accounts of \$65,000 at May 31, 2020 and August 31, 2019 | 7,544,886 | 9,779,518 |
| Trade joint ventures | 857,377 | 824,473 |
| Fees for services provided to joint ventures | 876,120 | 1,268,000 |
| Income taxes | 48,861 | 457,018 |
| Inventories | 12,080,765 | 10,488,728 |
| Prepaid expenses | 696,010 | 1,062,609 |
| Total current assets | <u>32,605,434</u> | <u>33,302,362</u> |
| PROPERTY AND EQUIPMENT, NET | <u>6,963,968</u> | <u>7,358,159</u> |
| OTHER ASSETS: | | |
| Investments in joint ventures | 21,942,063 | 24,207,339 |
| Deferred income taxes | 1,728,946 | 1,634,258 |
| Patents and trademarks, net | 839,535 | 1,008,969 |
| Operating lease right of use asset | 451,188 | — |
| Total other assets | <u>24,961,732</u> | <u>26,850,566</u> |
| Total assets | <u>\$ 64,531,134</u> | <u>\$ 67,511,087</u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 2,348,016 | \$ 4,505,531 |
| Income taxes payable | 43,580 | 6,759 |
| Accrued liabilities: | | |
| Payroll and related benefits | 1,132,918 | 1,857,971 |
| Other | 809,028 | 1,471,532 |
| Current portion of operating lease | 136,714 | — |
| Total current liabilities | <u>4,470,256</u> | <u>7,841,793</u> |
| LONG-TERM LIABILITIES: | | |
| Operating lease, less current portion | <u>314,474</u> | — |
| Total long-term liabilities | <u>314,474</u> | — |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Preferred stock, no par value; authorized 10,000 shares; none issued and outstanding | — | — |
| Common stock, \$0.02 par value per share; authorized 15,000,000 shares as of May 31, 2020 and August 31, 2019; issued and outstanding 9,099,990 and 9,086,816, respectively | 182,000 | 181,736 |
| Additional paid-in capital | 17,075,391 | 16,013,338 |
| Retained earnings | 44,237,682 | 44,992,719 |
| Accumulated other comprehensive loss | <u>(4,829,337)</u> | <u>(4,593,178)</u> |
| Stockholders' equity | 56,665,736 | 56,594,615 |
| Non-controlling interests | <u>3,080,668</u> | <u>3,074,679</u> |
| Total equity | <u>59,746,404</u> | <u>59,669,294</u> |
| Total liabilities and equity | <u>\$ 64,531,134</u> | <u>\$ 67,511,087</u> |

*Share and per share data have been adjusted for all periods presented to reflect the two-for-one stock split effective June 28, 2019.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2020 AND 2019

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------------|-------------------|---------------|
| | May 31, 2020 | May 31, 2019 | May 31, 2020 | May 31, 2019 |
| NET SALES: | | | | |
| Net sales, excluding joint ventures | \$ 9,071,072 | \$ 13,780,804 | \$ 36,105,009 | \$ 39,998,118 |
| Net sales, to joint ventures | 673,751 | 1,112,313 | 1,504,997 | 2,304,455 |
| Total net sales | 9,744,823 | 14,893,117 | 37,610,006 | 42,302,573 |
| Cost of goods sold | 6,499,102 | 10,138,353 | 24,991,487 | 28,883,589 |
| Gross profit | 3,245,721 | 4,754,764 | 12,618,519 | 13,418,984 |
| JOINT VENTURE OPERATIONS: | | | | |
| Equity in income from joint ventures | 811,787 | 1,877,410 | 3,466,581 | 5,596,788 |
| Fees for services provided to joint ventures | 876,706 | 1,433,823 | 3,491,244 | 4,299,032 |
| Total joint venture operations | 1,688,493 | 3,311,233 | 6,957,825 | 9,895,820 |
| OPERATING EXPENSES: | | | | |
| Selling expenses | 2,487,396 | 2,761,488 | 8,484,928 | 8,077,663 |
| General and administrative expenses | 2,213,552 | 2,527,192 | 6,608,352 | 6,986,526 |
| Research and development expenses | 950,127 | 1,005,045 | 2,918,163 | 2,804,739 |
| Total operating expenses | 5,651,075 | 6,293,725 | 18,011,443 | 17,868,928 |
| OPERATING (LOSS) INCOME | (716,861) | 1,772,272 | 1,564,901 | 5,445,876 |
| INTEREST INCOME (EXPENSE) | (73,738) | 18,949 | 15,881 | 40,666 |
| (LOSS) INCOME BEFORE INCOME TAX EXPENSE | (790,239) | 1,791,221 | 1,580,782 | 5,486,542 |
| INCOME TAX EXPENSE | 142,285 | 150,257 | 869,945 | 652,331 |
| NET (LOSS) INCOME | (932,524) | 1,640,964 | 710,837 | 4,834,211 |
| NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 32,697 | 158,815 | 283,674 | 453,435 |
| NET (LOSS) INCOME ATTRIBUTABLE TO NTIC | \$ (965,221) | \$ 1,482,149 | \$ 427,163 | \$ 4,380,776 |
| NET (LOSS) INCOME ATTRIBUTABLE TO NTIC PER COMMON SHARE: | | | | |
| Basic | \$ (0.11) | \$ 0.16 | \$ 0.05 | \$ 0.48 |
| Diluted | \$ (0.11) | \$ 0.16 | \$ 0.05 | \$ 0.46 |
| WEIGHTED AVERAGE COMMON SHARES | | | | |
| ASSUMED OUTSTANDING: | | | | |
| Basic | 9,099,990 | 9,084,354 | 9,096,981 | 9,085,584 |
| Diluted | 9,099,990 | 9,392,444 | 9,312,914 | 9,440,858 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.00 | \$ 0.06 | \$ 0.13 | \$ 0.18 |

*Share and per share data have been adjusted for all periods presented to reflect the two-for-one stock split effective June 28, 2019.

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