



Tennant Company (TNC)

Updated March 3rd, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$86	5 Year CAGR Estimate:	11.6%	Market Cap:	\$1.6B
Fair Value Price:	\$101	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	03/29/25 ¹
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.3%	Dividend Payment Date:	04/16/25 ²
Dividend Yield:	1.4%	5 Year Price Target	\$142	Years Of Dividend Growth:	54
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Tennant Company is a machinery company that produces cleaning products and that offers cleaning solutions to its customers. In the US, the company holds the market leadership position in its industry, but the company also sells its products in more than 100 additional countries around the globe. Tennant was founded in 1870.

Tennant Company reported its fourth quarter earnings results on February 19. The company announced that it generated revenues of \$328 million during the quarter, which was 6% more than the top line number from the previous year's quarter. This was slightly better than the recent trend, as revenue had grown less on a year-over-year basis during the previous quarter. Revenues were higher compared to what the analyst community had forecasted.

Tennant Company generated adjusted earnings-per-share of \$1.52 during the fourth quarter, which was less than what the analyst community had forecasted, and which was down compared to the previous year. Management is forecasting that adjusted earnings-per-share will fall into a range of \$5.70 to \$6.20 in 2025, which means that earnings will decline this year. At the midpoint of the guidance range, \$5.95, Tennant's earnings-per-share would be down around 10% compared to the \$6.57 the company earned in both fiscal 2023 and fiscal 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.49	\$2.59	\$1.54	\$2.17	\$3.78	\$2.91	\$4.39	\$4.10	\$6.57	\$6.57	\$5.95	\$8.35
DPS	\$0.80	\$0.81	\$0.84	\$0.85	\$0.88	\$0.92	\$0.94	\$1.00	\$1.08	\$1.14	\$1.18	\$1.51
Shares³	17.7	17.7	17.9	18.3	18.6	18.6	18.8	18.7	18.5	18.8	19.0	19.5

Tennant Company's earnings-per-share were quite lumpy over the last decade. Overall, the trend pointed upwards, but there were a lot of ups and downs with several pullbacks; the company has not been able to grow its earnings very consistently. During the Great Recession, Tennant Company's earnings-per-share were roughly cut in half, from \$1.35 in 2008 to \$0.65 in 2009. The company was able to recover quickly from the impact of the last financial crisis, however. Overall, despite the inconsistent year-over-year growth, Tennant Company recorded an average annual earnings-per-share growth rate of close to 10% between 2014 and 2024.

Tennant Company has plans to grow its sales inorganically, especially in the Asia/Pacific region, where it benefits from above-average market growth rates. The takeover of Chinese cleaning equipment company Gaomei improved Tennant's sales outlook in the Chinese market, as well as in other Asian markets. Investments in the business in Asia will increasingly pay off and should deliver solid earnings growth for Tennant in the coming years, we believe. Tennant Company felt a considerable impact from the pandemic, but recovered in a timely manner. While earnings-per-share growth could remain lumpy and uneven in the future, we believe that there will be solid profitability improvements in the long run. For now, our earnings-per-share growth estimate over the coming years is 7%, which is slightly lower than the growth rate over the last decade, when Tennant was smaller and growth was easier to come by.

¹ Estimated date

² Estimated date

³ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	25.1	22.7	44.9	24.0	22.1	24.1	18.5	15.1	14.0	12.3	14.5	17.0
Avg. Yld.	1.3%	1.4%	1.2%	1.7%	1.1%	1.3%	1.2%	1.6%	1.2%	1.4%	1.4%	1.1%

Tennant Company has been valued at high multiples throughout much of the last decade. This is somewhat surprising, as Tennant Company is not an ultra-high-quality company. Its growth has been solid, but not outstanding. We believe that an earnings multiple of more than 20 is not justified. Based on our earnings-per-share estimate, shares are currently trading below what we deem a fair valuation for the company.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	32.1%	31.3%	45.5%	39.2%	23.3%	31.6%	21.4%	24.4%	16.4%	17.4%	19.8%	18.0%

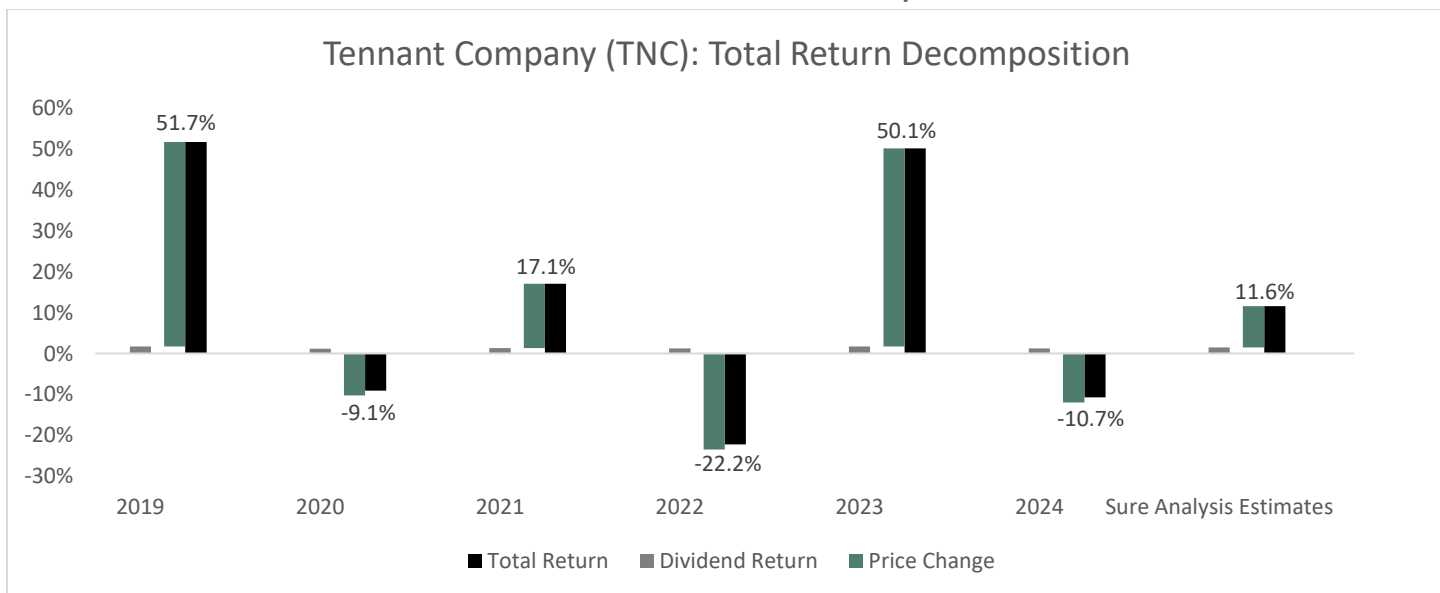
Tennant Company's dividend payout ratio was quite high during the Great Recession, due to the company's below-average profitability during that time. Since then, the payout ratio has declined to a very sustainable level, however. It seems unlikely that Tennant Company could be forced to cut its dividend, but due to its relatively low dividend yield Tennant nevertheless does not look like an attractive income stock, it is more of a capital appreciation play.

Tennant Company is the leader in the US cleaning machines market. This serves as a competitive advantage, as Tennant Company's market leadership allows for better economics of scale and a superior sales network compared to its peers. During the last financial crisis, Tennant remained profitable, but its earnings still suffered considerably. Tennant therefore has exposure to economic downturns, which was also visible in 2020's results, as the coronavirus impact resulted in lower sales and profits. In future major downturns, earnings would likely decline temporarily as well.

Final Thoughts & Recommendation

Tennant Company is the leader in the niche market that the company serves. Organic growth in China could allow for a solid growth performance over the coming years, which is why we forecast a meaningful earnings-per-share growth rate going forward. 2023 and 2024 were record years for the company, and while profits are expected to dip this year, Tennant's shares promise compelling total returns, which is why we rate them a buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	812	809	1,003	1,124	1,138	1,001	1,091	1,092	1,244	1,287
Gross Profit	349	352	400	445	462	408	438	421	528	550
Gross Margin	43.0%	43.5%	39.9%	39.6%	40.6%	40.7%	40.2%	38.5%	42.4%	42.7%
SG&A Exp.	252	249	335	356	357	314	322	306	353	392
D&A Exp.	18	18	43	54	54	53	53	49	51	55
Operating Profit	64	68	33	58	72	64	84	84	139	114
Operating Margin	7.9%	8.4%	3.3%	5.2%	6.3%	6.4%	7.7%	7.6%	11.1%	8.9%
Net Profit	32	47	(6)	33	46	34	65	66	110	84
Net Margin	4.0%	5.8%	-0.6%	3.0%	4.0%	3.4%	5.9%	6.1%	8.8%	6.5%
Free Cash Flow	20	31	31	58	33	104	46	(54)	164	68
Income Tax	18	20	5	2	8	7	9	13	14	21

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	432	470	994	993	1,063	1,083	1,062	1,085	1,113	1,190
Cash & Equivalents	51	58	58	86	74	140	123	77	117	100
Accounts Receivable	136	145	203	208	217	200	211	252	248	259
Inventories	77	79	128	135	150	128	161	207	176	184
Goodwill & Int. Ass.	20	28	358	329	333	334	291	258	251	244
Total Liabilities	180	191	696	676	702	677	627	613	535	568
Accounts Payable	50	47	96	98	94	106	122	126	111	127
Long-Term Debt	25	36	377	355	339	308	268	300	200	198
Shareholder's Equity	252	279	297	314	360	405	434	471	577	621
LTD/E Ratio	0.10	0.13	1.27	1.13	0.94	0.76	0.62	0.64	0.35	0.32

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.0%	10.3%	-0.8%	3.4%	4.5%	3.1%	6.1%	6.2%	10.0%	7.3%
Return on Equity	12.0%	17.6%	-2.1%	10.9%	13.5%	8.8%	15.4%	14.6%	20.8%	13.9%
ROIC	11.0%	15.8%	-1.3%	5.0%	6.7%	4.8%	9.2%	9.0%	14.1%	10.5%
Shares Out.	17.7	17.7	17.9	18.3	18.6	18.6	18.8	18.7	18.5	18.8
Revenue/Share	43.90	44.98	56.69	61.26	61.65	53.72	57.87	58.42	66.21	67.38
FCF/Share	1.11	1.74	1.77	3.18	1.79	5.57	2.46	(2.91)	8.75	3.58

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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