



# Fourth Quarter and FY 2023 Business Review

**KĀDANT**

February 15, 2024

# Forward-Looking Statements

The following constitutes a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent our expectations as of February 15, 2024. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant's annual report on Form 10-K for the fiscal year ended December 31, 2022 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics and pandemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; supply chain constraints, inflationary pressure, price increases and shortages in raw materials; competition; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; loss of key personnel and effective succession planning; protection of intellectual property; climate change; adequacy of our insurance coverage; global operations; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; currency fluctuations; changes to government regulations and policies around the world; compliance with government regulations and policies and compliance with laws; environmental laws and regulations; environmental, health and safety laws and regulations impacting the mining industry; our debt obligations; restrictions in our credit agreement and note purchase agreement; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

# Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including increases or decreases in revenue excluding the effect of acquisitions and foreign currency translation (organic revenue), adjusted EPS, adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, adjusted operating income, and free cash flow. All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.

Specific non-GAAP financial measures have been marked with an \* (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our fourth quarter and fiscal year 2023 earnings press release issued February 14, 2024, which is available in the Investors section of our website at [investor.kadant.com](https://investor.kadant.com) under the heading News Releases.

We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business, operating results, or future outlook. We believe the inclusion of such measures helps investors gain an understanding of our underlying operating performance and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. Such measures are also used by us in our financial and operating decision-making and for compensation purposes. We also believe this information is responsive to investors' requests and gives them an additional measure of our performance.

The non-GAAP financial measures included in this presentation are not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation have limitations associated with their use as compared to the most directly comparable GAAP measures, in that they may be different from, and therefore not comparable to, similar measures used by other companies.



# BUSINESS REVIEW

Jeffrey L. Powell, President & CEO



# Operational Highlights

- Excellent execution by our businesses led to strong financial performance in Q4
- Solid demand for aftermarket parts continued while capital activity softened in the quarter
- Named by Newsweek as one of America's Most Responsible Companies for the fourth consecutive year

# Q4 2023 Performance

(\$ in millions, except per share amounts)	Q4 23	Q4 22	Change
Revenue	\$238.7	\$232.1	+2.8%
Net Income	\$27.4	\$26.1	+5.1%
Adjusted EBITDA*	\$48.5	\$49.5	-2.0%
Adjusted EBITDA Margin*	20.3%	21.3%	-100 bps
EPS	\$2.33	\$2.23	+4.5%
Adjusted EPS*	\$2.41	\$2.33	+3.4%
Operating Cash Flow	\$59.2	\$35.2	+68.5%
Free Cash Flow*	\$49.5	\$23.2	+113.7%
Bookings	\$218.0	\$215.3	+1.2%

## HIGHLIGHTS

- Solid revenue performance driven largely by aftermarket parts business
- Excellent operating execution led to strong adjusted EPS\* and adjusted EBITDA\*
- Second highest operating cash flow achieved in the fourth quarter
- Strong finish to a record-setting year

# FY 2023 Performance

(\$ in millions, except per share amounts)	FY 23	FY 22	Change
Revenue	\$957.7	\$904.7	+5.9%
Net Income	\$116.1	\$120.9	-4.0%
Adjusted EBITDA*	\$201.3	\$189.1	+6.4%
Adjusted EBITDA Margin*	21.0%	20.9%	+10 bps
EPS	\$9.90	\$10.35	-4.3%
Adjusted EPS*	\$10.04	\$9.24	+8.7%
Operating Cash Flow	\$165.5	\$102.6	+61.3%
Free Cash Flow*	\$133.7	\$74.4	+79.6%
Bookings	\$917.4	\$958.2	-4.3%

## HIGHLIGHTS

- Record revenue achieved across all operating segments
- Strong operating performance led to record adjusted EPS\* and adjusted EBITDA\*
- Internal initiatives continue to deliver meaningful margin improvements

# Flow Control

(\$ in millions)	Q4 23	Q4 22	Change
Revenue	\$87.4	\$91.2	-4.1%
Bookings	\$85.4	\$78.8	+8.4%
Adjusted EBITDA*	\$23.6	\$26.2	-10.0%
Adjusted EBITDA Margin*	27.0%	28.7%	-170 bps

## BOOKINGS



## HIGHLIGHTS

- Strong demand for capital and aftermarket parts led to bookings increase of 8%
- Product mix negatively affected gross margin
- End markets remain healthy despite persistent economic headwinds



# Industrial Processing

(\$ in millions)	Q4 23	Q4 22	Change
Revenue	\$87.0	\$90.1	-3.5%
Bookings	\$84.1	\$84.1	+0.1%
Adjusted EBITDA*	\$20.7	\$22.4	-7.8%
Adjusted EBITDA Margin*	23.8%	24.9%	-110 bps

## BOOKINGS



## HIGHLIGHTS

- Strong aftermarket parts revenue offset by decline in capital revenue
- Aftermarket parts revenue represented 64% of total revenue
- Project activity remains healthy

# Material Handling

(\$ in millions)	Q4 23	Q4 22	Change
Revenue	\$64.3	\$50.8	+26.6%
Bookings	\$48.5	\$52.5	-7.6%
Adjusted EBITDA*	\$14.2	\$9.5	+50.0%
Adjusted EBITDA Margin*	22.1%	18.6%	+350 bps

## BOOKINGS



## HIGHLIGHTS

- Record revenue performance led by our conveying product line
- Capital equipment represented 55% of total Q4 revenue
- Excellent operating leverage led to record adjusted EBITDA\*
- Growth trends in recycling and infrastructure investments expected to continue in 2024

# Business Outlook

- Industrial demand expected to stabilize around current levels
- Macroeconomic headwinds create uncertainty with capital project timing
- Our healthy balance sheet positions us well for new opportunities and growth
- Expecting to generate solid financial results in 2024



# FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

# Q4 2023 Financial Performance

## HIGHLIGHTS

- Adjusted EBITDA margin\* of 20.3%
- Operating cash flow of \$59.2 million
- Free cash flow\* of \$49.5 million
- Net debt of \$4.4 million; leverage ratio<sup>1</sup> of 0.27

(\$ in millions, except per share amounts)	Q4 23	Q4 22
Gross Margin	42.7%	43.1%
SG&A % of Revenue	25.1%	24.5%
Operating Income	\$39.0	\$39.0
Net Income	\$27.4	\$26.1
Adjusted EBITDA*	\$48.5	\$49.5
EPS	\$2.33	\$2.23
Adjusted EPS*	\$2.41	\$2.33



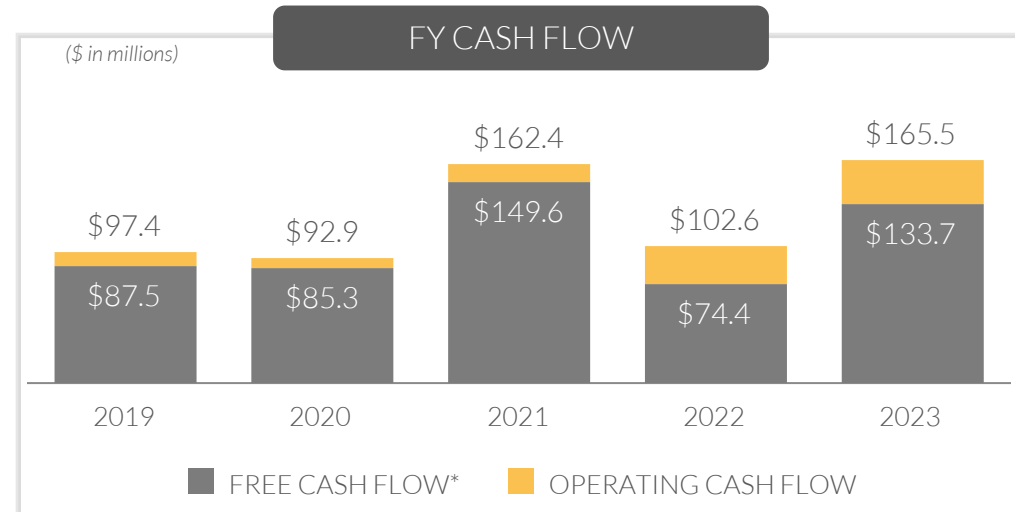
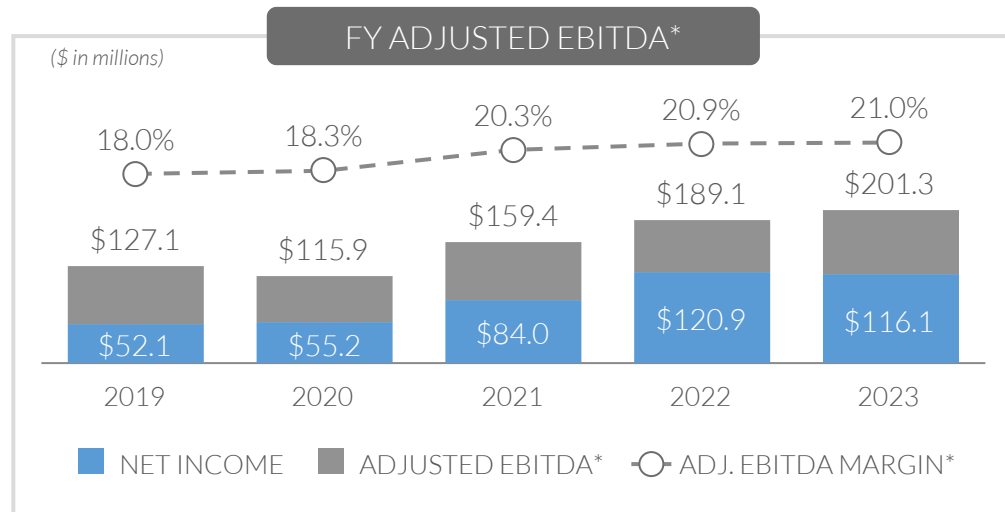
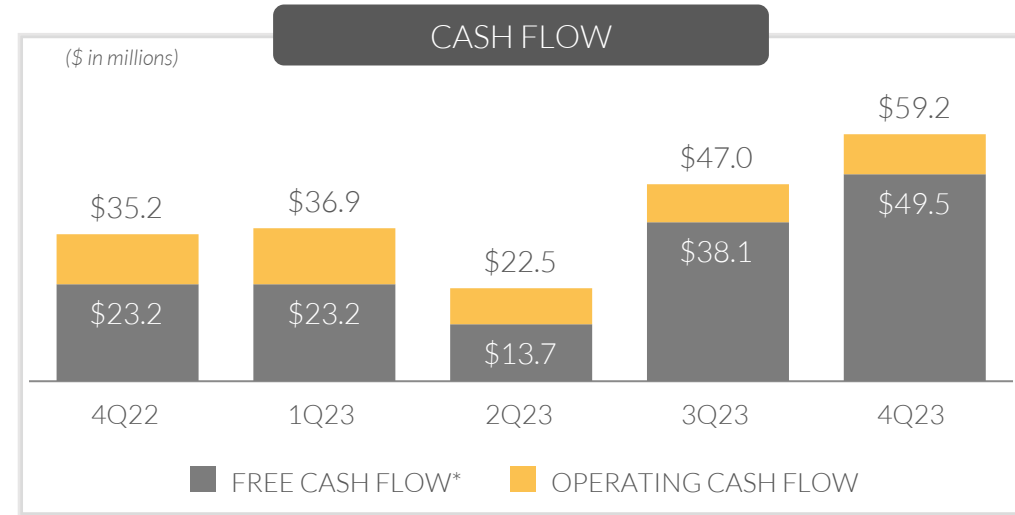
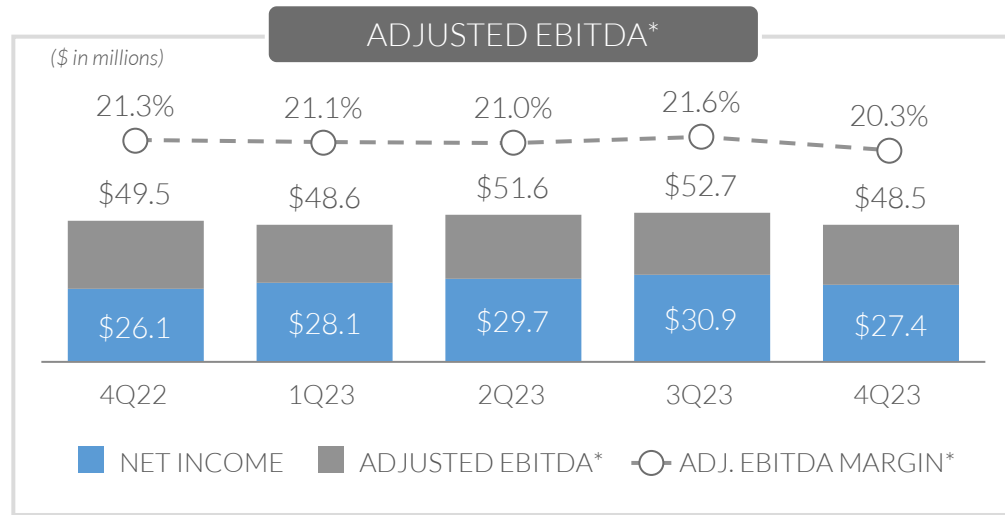
# FY 2023 Financial Performance

## HIGHLIGHTS

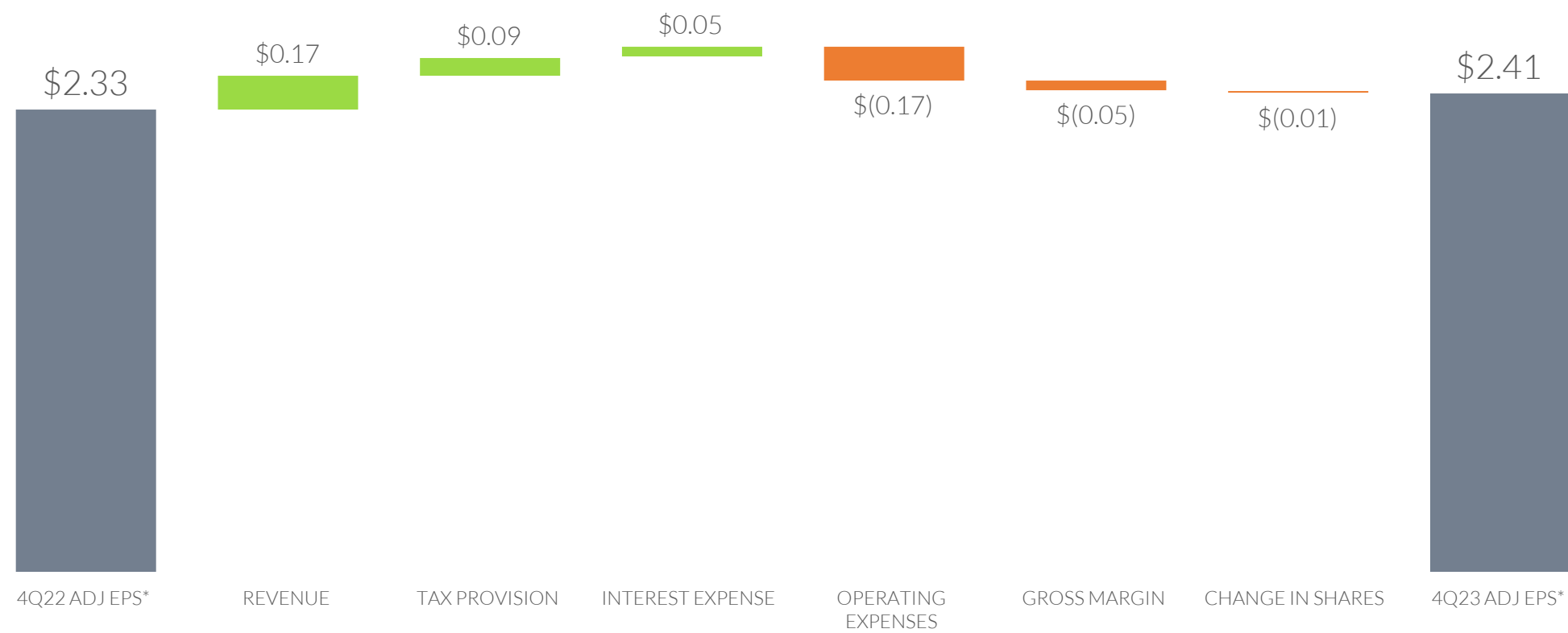
- Adjusted EBITDA margin\* of 21.0%
- Operating cash flow of \$165.5 million
- Free cash flow\* of \$133.7 million

(\$ in millions, except per share amounts)	FY 23	FY 22
Gross Margin	43.5%	43.1%
SG&A % of Revenue	24.7%	24.8%
Operating Income	\$165.8	\$171.3
Net Income	\$116.1	\$120.9
Adjusted EBITDA*	\$201.3	\$189.1
Diluted EPS	\$9.90	\$10.35
Adjusted EPS*	\$10.04	\$9.24

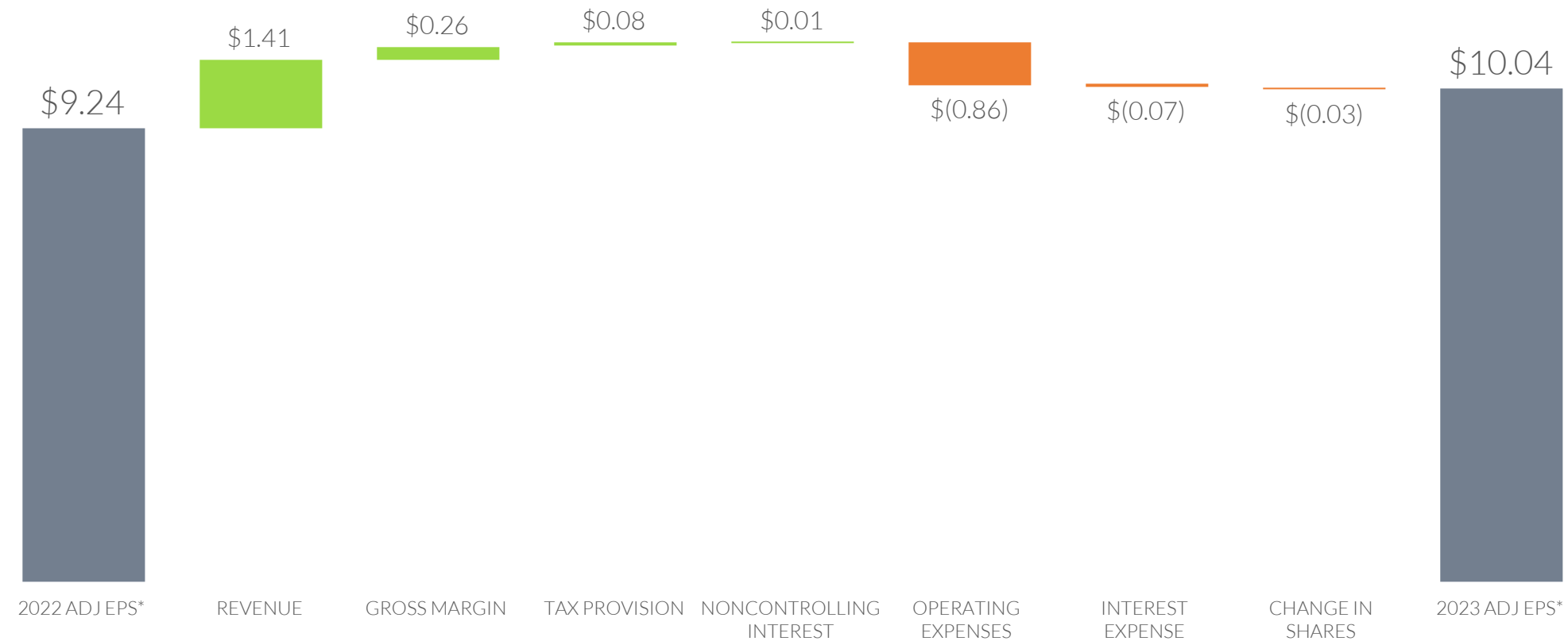
# Adjusted EBITDA\* and Cash Flow Metrics



# 4Q22 to 4Q23 Adjusted EPS\*



# FY 2022 to FY 2023 Adjusted EPS\*



# Key Liquidity Metrics

(\$ in millions)	Q4 23	Q3 23	Q4 22
Cash, cash equivalents, and restricted cash	\$106.5	\$79.1	\$79.7
Debt	\$109.1	\$127.5	\$199.2
Lease obligations	\$1.8	\$1.7	\$1.9
Net Debt	\$4.4	\$50.2	\$121.4
Leverage ratio <sup>1</sup>	0.27	0.38	0.74
Working capital % LTM revenue <sup>2</sup>	12.8%	15.4%	13.9%
Cash conversion days <sup>3</sup>	130	138	126



# Guidance

- FY 2024 revenue of \$1.040 to \$1.065 billion
- FY 2024 GAAP EPS of \$9.55 to \$9.85
- FY 2024 adjusted EPS\* of \$9.75 to \$10.05
  
- Q1 2024 revenue of \$238 to \$246 million
- Q1 2024 GAAP EPS of \$1.76 to \$1.86
- Q1 2024 adjusted EPS\* of \$1.90 to \$2.00



# Questions & Answers

To participate in the live Q&A session, please go to [investor.kadant.com](https://investor.kadant.com) and click on the Q&A session link to receive a dial-in number and unique PIN.

Please mute the audio on your computer.

# 2024 Key Priorities



ENABLE SUSTAINABLE  
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL  
STAKEHOLDER VALUE



PROVIDE STRONG  
CASH FLOW



CAPITALIZE ON NEW  
OPPORTUNITIES

# KĀDANT

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February 15, 2024







# APPENDIX

## Fourth Quarter and FY 2023 Business Review



# Revenue by Customer Location

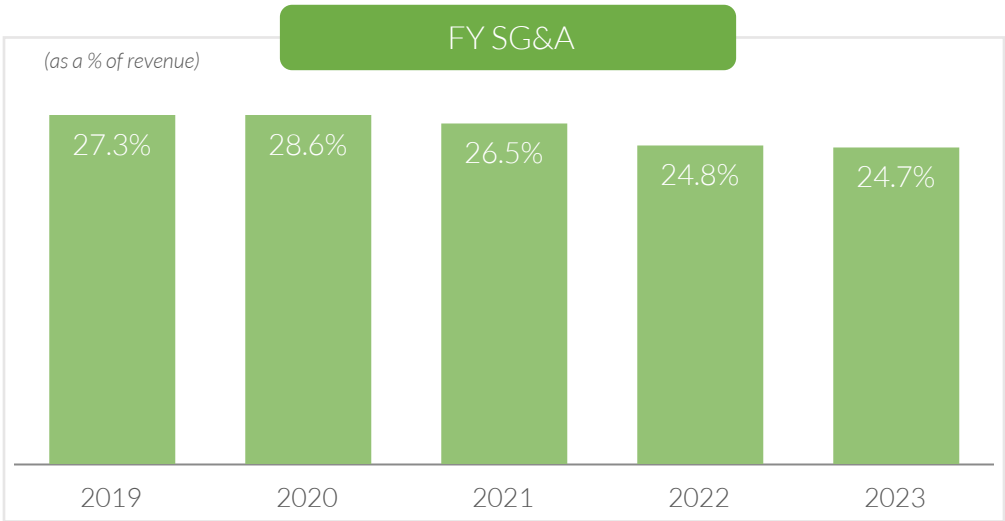
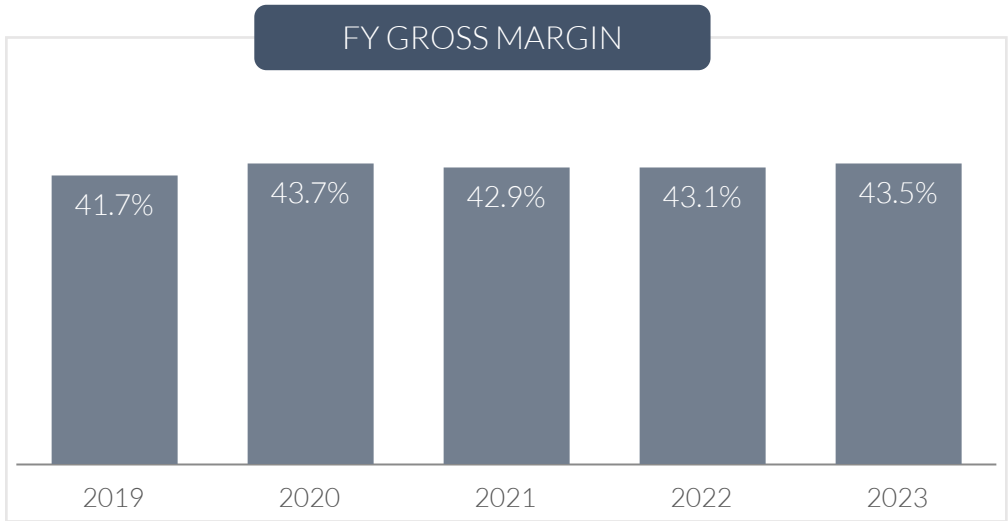
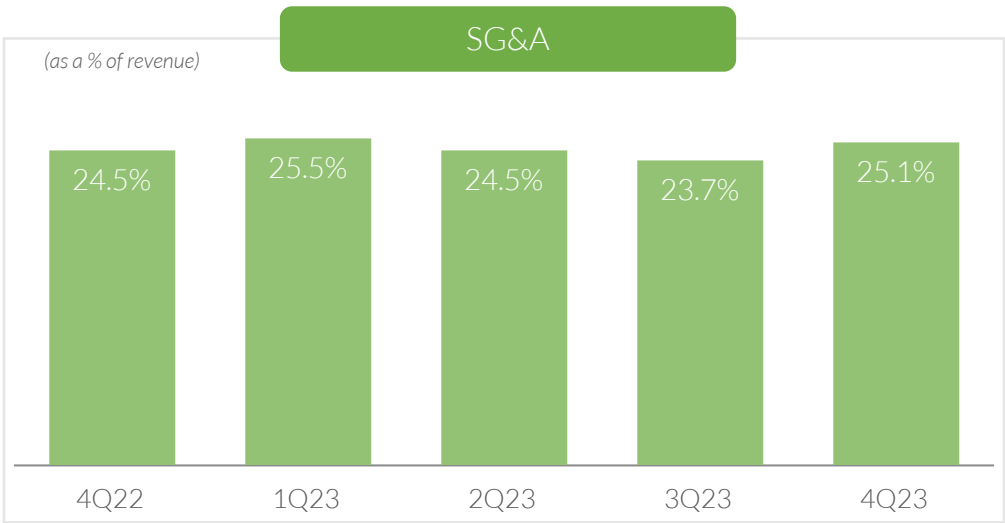
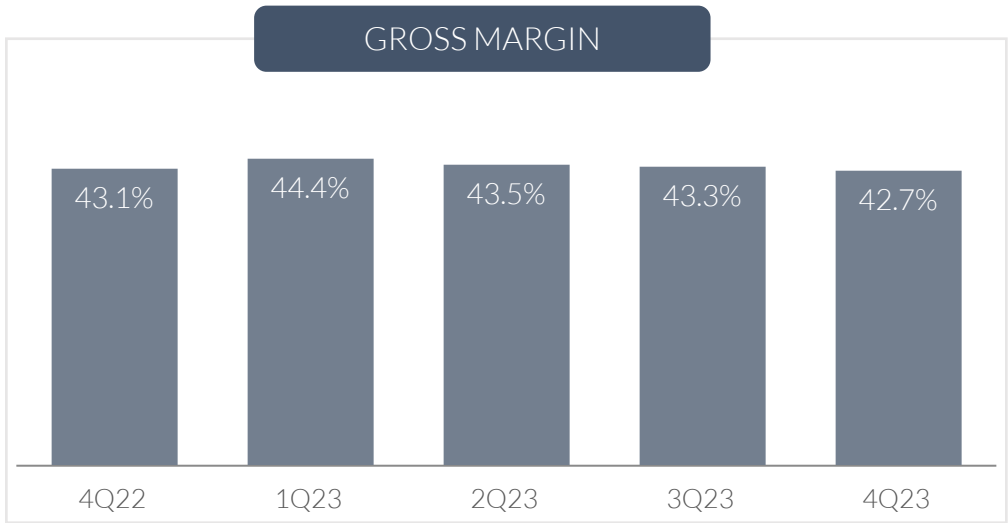
(\$ in thousands)	Q4 23	Q4 22	Change	Change Excluding Acquisition and FX*
North America	\$137,040	\$133,784	\$3,256	\$3,072
Europe	63,881	59,526	4,355	1,386
Asia	25,481	26,016	(535)	(608)
Rest of World	12,277	12,774	(497)	(1,011)
Total	\$238,679	\$232,100	\$6,579	\$2,839

(\$ in thousands)	FY 23	FY 22	Change	Change Excluding Acquisition and FX*
North America	\$538,658	\$508,899	\$29,759	\$33,083
Europe	245,154	233,790	11,364	6,891
Asia	113,511	113,932	(421)	3,453
Rest of World	60,349	48,118	12,231	11,540
Total	\$957,672	\$904,739	\$52,933	\$54,967

# Percentage of Parts and Consumables Revenue

	Q4 23	Q4 22	FY 23	FY 22
Flow Control	68%	66%	69%	70%
Industrial Processing	64%	58%	62%	61%
Material Handling	45%	53%	53%	57%
Consolidated	60%	60%	62%	63%

# Gross Margin and SG&A



# Adjusted EPS\* Reconciliation

	Q4 23	Q4 22	FY 23	FY 22
EPS, as Reported	\$2.33	\$2.23	\$9.90	\$10.35
Adjustments, Net of Tax				
Gain on Sale and Other Income	(0.05)	—	(0.05)	(1.30)
Acquisition-Related Costs	0.10	0.01	0.10	0.08
Relocation Costs	0.01	—	0.05	—
Restructuring and Impairment Costs	0.02	0.09	0.04	0.11
Adjusted EPS*	\$2.41	\$2.33	\$10.04	\$9.24

# Free Cash Flow\* Reconciliation

(\$ in thousands)	Q4 23	Q4 22	FY 23	FY 22
Operating Cash Flow	\$59,234	\$35,163	\$165,545	\$102,625
Less Capital Expenditures	(9,756)	(12,008)	(31,850)	(28,199)
Free Cash Flow*	\$49,478	\$23,155	\$133,695	\$74,426

# Adjusted EBITDA\* Reconciliation

(\$ in thousands)	Q4 23	Q4 22	FY 23	FY 22
Net Income Attributable to Kadant	\$27,396	\$26,079	\$116,069	\$120,928
Net Income Attributable to Noncontrolling Interest	166	130	737	802
Provision for Income Taxes	10,449	10,831	42,210	43,906
Interest Expense, Net	971	1,903	6,640	5,574
Other Expense, Net	39	12	101	72
Gain on Sale and Other Income	(841)	—	(841)	(20,190)
Acquisition Costs	1,442	182	1,442	668
Indemnification Asset (Provision) Reversal	(25)	741	102	1,316
Relocation Costs	189	—	798	—
Restructuring and Impairment Costs	332	1,080	766	1,334
Acquired Backlog Amortization	—	—	—	703
Acquired Profit in Inventory Amortization	—	—	—	(218)
Depreciation and Amortization	8,380	8,549	33,297	34,233
Adjusted EBITDA*	\$48,498	\$49,507	\$201,321	\$189,128
Adjusted EBITDA Margin*	20.3%	21.3%	21.0%	20.9%



# Notes

## PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6-10 is calculated using actual numbers reported in our press release dated February 14, 2024.

## FOOTNOTES

- 1) Leverage ratio is calculated by dividing total debt by EBITDA. For purposes of this calculation, EBITDA is calculated by adding or subtracting certain items from Adjusted EBITDA, as required by our amended and restated credit facility ("Credit Facility"). Our Credit Facility defines total debt as debt less worldwide cash of up to \$50 million.
- 2) Working capital is defined as current assets less current liabilities, excluding cash and debt. LTM is defined as last 12 months.
- 3) Cash conversion days is based on days in receivables plus days in inventory less days in accounts payable.