



KĀDANT

Investor Presentation

Kadant Inc. (NYSE: KAI)
March 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 14, 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 30, 2023 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; 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 & Company Estimates

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, adjusted gross profit, adjusted gross margin, adjusted SG&A, free cash flow, and adjusted 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 2023 earnings press release issued February 14, 2024, which is available in the Investors section of our website at 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 or cash flows 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.

COMPANY ESTIMATES

We make estimates of global market share, revenue and market opportunities and total market size for various product lines. These estimates are based on Company information and are not derived from published studies or other market data.

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Technology driving a sustainable future

Company Attributes

- Technologies that drive Sustainable Industrial ProcessingSM
- Stable business model with recurring revenue of high-impact solutions with “sticky” customer relationships
- Over 60% of revenue from parts and consumables
- Growing end markets driven by global macro trends
- Decentralized structure, asset-light operating model
- Excellent financial performance and free cash flow* generation
- Focused capital allocation and proven record of value-creating acquisitions
- Experienced management team

Our Sustainability-Driven Culture Enables Responsible Growth



Our People and Our Communities

We focus our efforts on providing the best solutions possible to benefit our customers and invest in our people and the communities in which we operate.



Our Systems and Products

Our products are designed to reduce waste, use resources more efficiently, and allow our customers to create more value with fewer inputs.



Our Use of Renewable Resources and Materials

Our products maximize the use of renewable and biodegradable materials which, in turn, can help our customers achieve their sustainability goals.



Named one of America's Greatest Workplaces for Job Starters by Newsweek



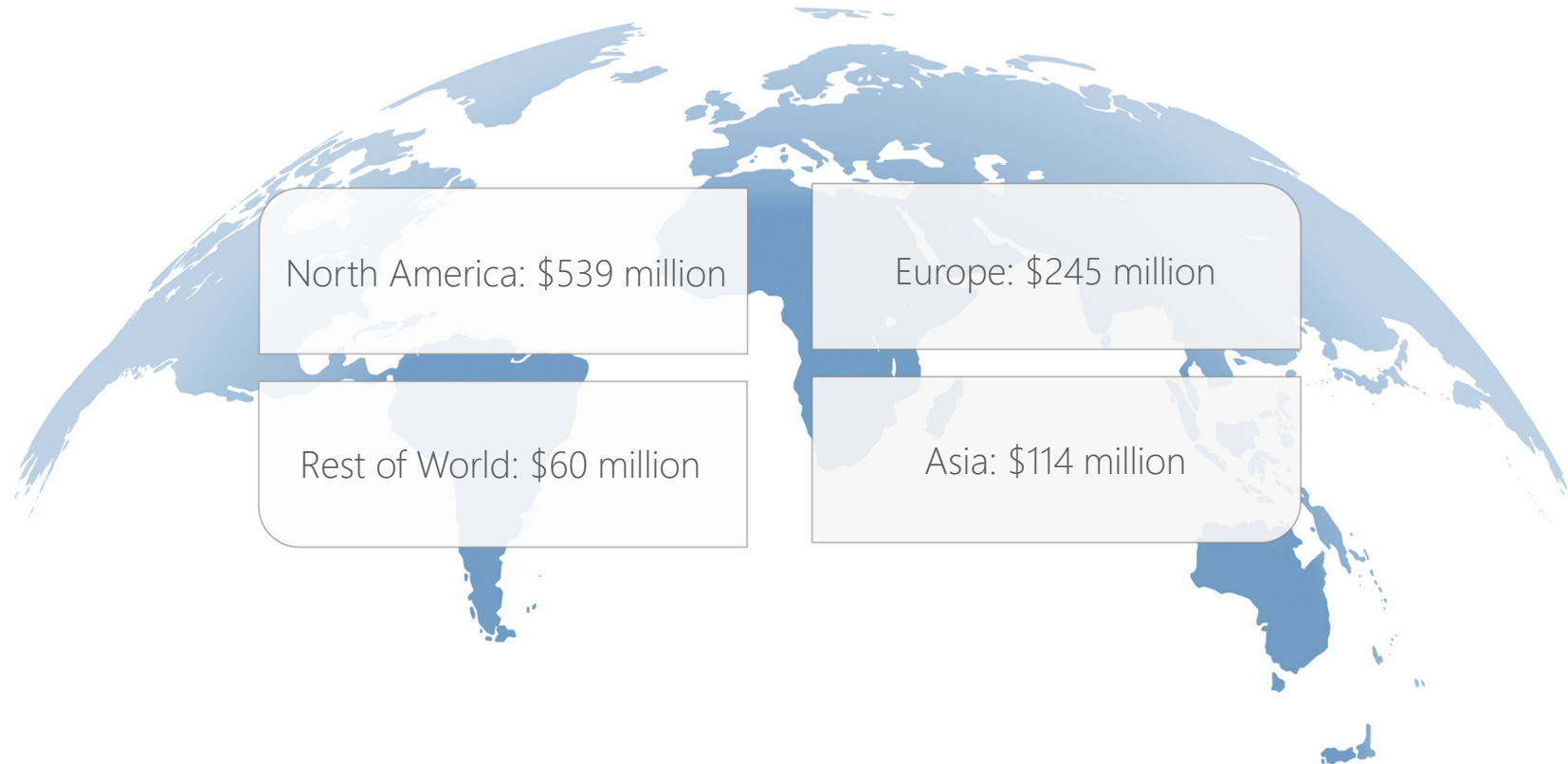
Named one of America's Most Responsible Companies by Newsweek for four consecutive years



Named one of 100 Best ESG Companies by Investor's Business Daily

Global Platform, Local Presence

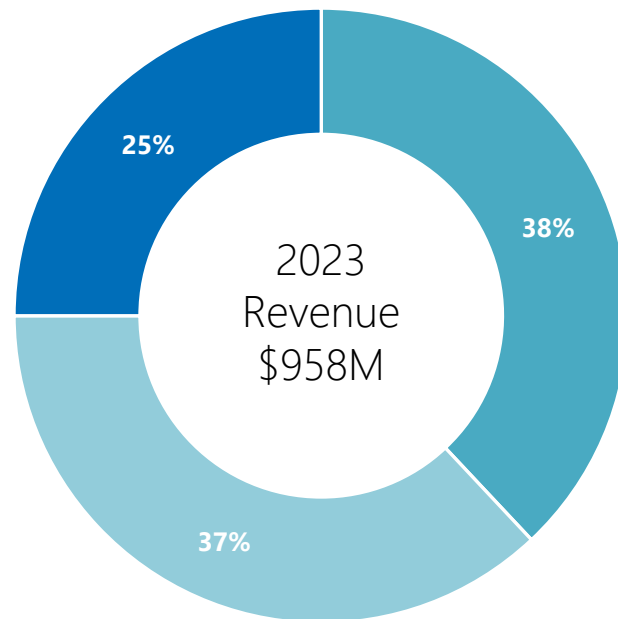
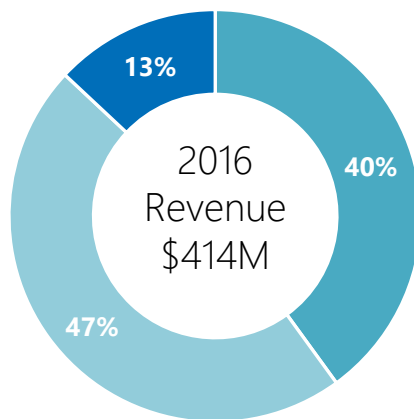
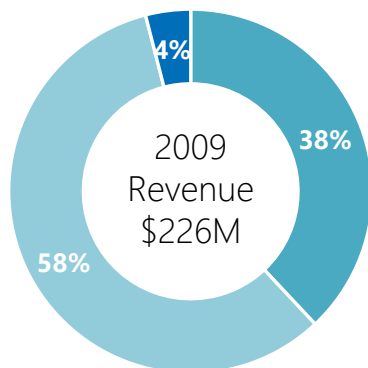
Geographic revenue (FY 2023) is attributed to countries based on customer location.



Accelerating Growth: Diversifying Our Strategic Mix

Aligning growing end-markets with long-term strategic vision

- Secular growth trends
- Infrastructure investment needs
- Global supply chain trends
- Evolution of the circular economy



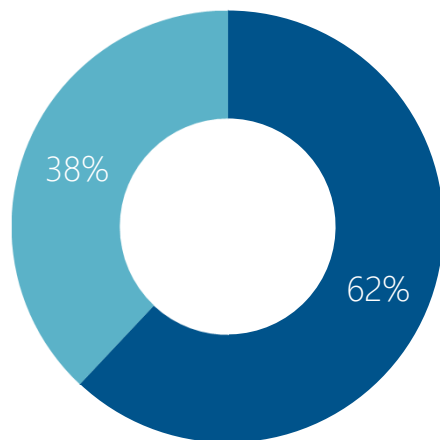
■ Flow Control ■ Industrial Processing ■ Material Handling

Revenue Snapshot

Geographic revenue (FY 2023) is attributed to countries based on customer location.

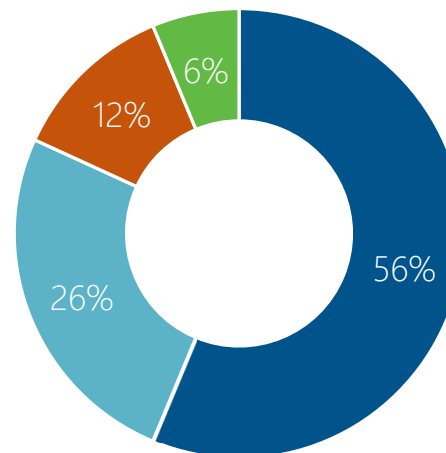
PRODUCT MIX

■ PARTS & CONSUMABLES ■ CAPITAL

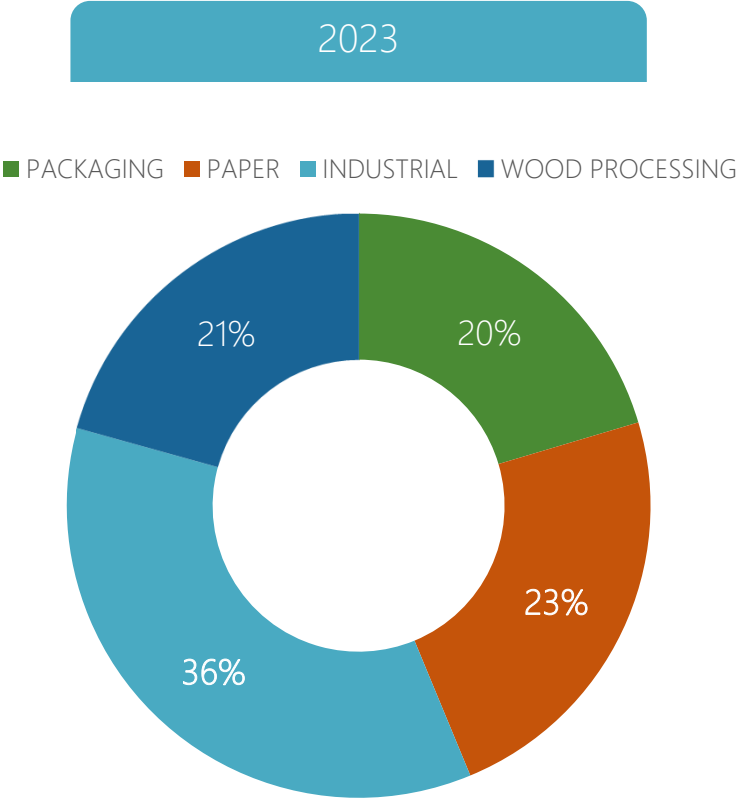


GEOGRAPHY

■ NORTH AMERICA ■ EUROPE ■ ASIA ■ ROW



Revenue by End Market





Operating Segments

A Global Leader in Sustainable Industrial Processing



FLOW CONTROL

Custom-engineered products and technologies that impact the flow of fluids



INDUSTRIAL PROCESSING

Products used to process wood and virgin and recycled fibers



MATERIAL HANDLING

Products used to handle bulk and discrete materials for secondary processing

Flow Control

Custom-engineered products, systems, and technologies used to reduce energy consumption, improve machine runnability, and enhance productivity.

PRODUCTS

- Doctor blades and systems
- Rotary joints and precision unions
- Expansion joints
- Fabric cleaning equipment
- Filters and filtration systems

PRIMARY MARKETS

- Packaging
- Tissue
- Food & Beverage
- Converting
- Metals

Percent of
2023
Revenue

38%

Revenue from
Parts &
Consumables

69%

KADANT

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#1

in market share for rotary joints in markets served¹

in global market share for doctor blades in markets served¹

Industrial Processing

Products and technologies used to process wood and virgin and recycled fibers to increase efficiency, reduce inputs, and drive higher margins.

PRODUCTS

- Pulpers, Screens, Cleaners
- Recycling Systems
- Debarkers
- Stranders
- Chippers

PRIMARY MARKETS

- Packaging
- Tissue
- Recycling
- Engineered Wood
- Dimensional Lumber

Percent of
2023
Revenue

37%

Revenue from
Parts &
Consumables

62%

#1

in global market share for
recycled packaging and tissue¹

in global market share for
debarkers and stranders¹

Material Handling

Products and systems used to process or transport bulk and discrete materials, including renewable and biodegradable materials, to reduce operating costs.

PRODUCTS

- Belt conveyor idlers
- Bucket elevators
- Feeders, Screens
- Vibrating conveyors
- Horizontal and vertical balers

PRIMARY MARKETS

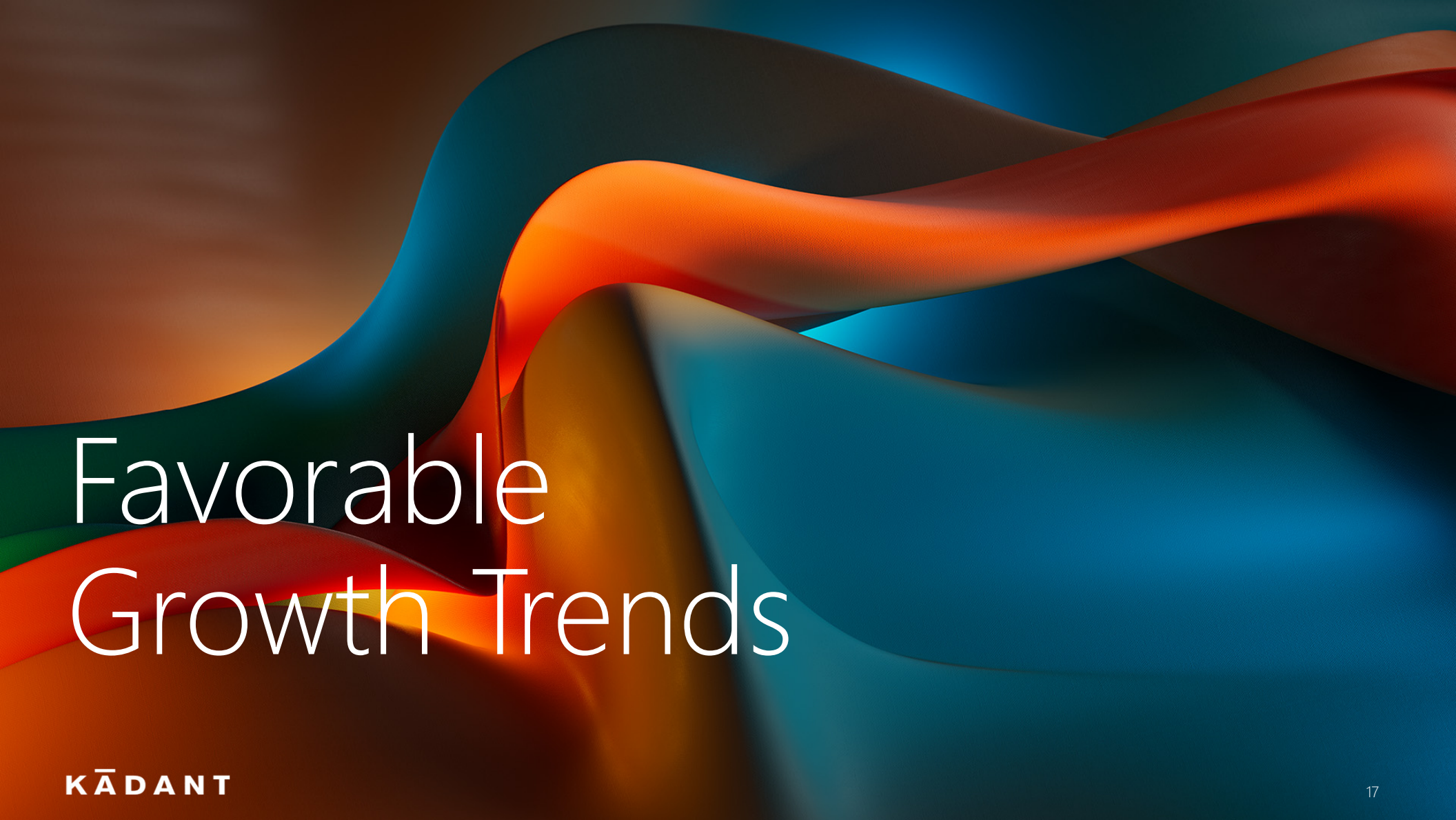
- Aggregates
- Mining
- Food & packaging
- Metals
- Waste management

Percent of
2023
Revenue

25%

Revenue from
Parts &
Consumables

53%



Favorable Growth Trends

Market Trends Support Future Growth Opportunities

- Digitalization enabling increased connectivity
- E-commerce driving demand for containerboard
- Growing demand for sustainable materials
- Demographics and pent-up housing demand driving wood industry
- Need for global infrastructure to support economic growth
- Rising global standard of living



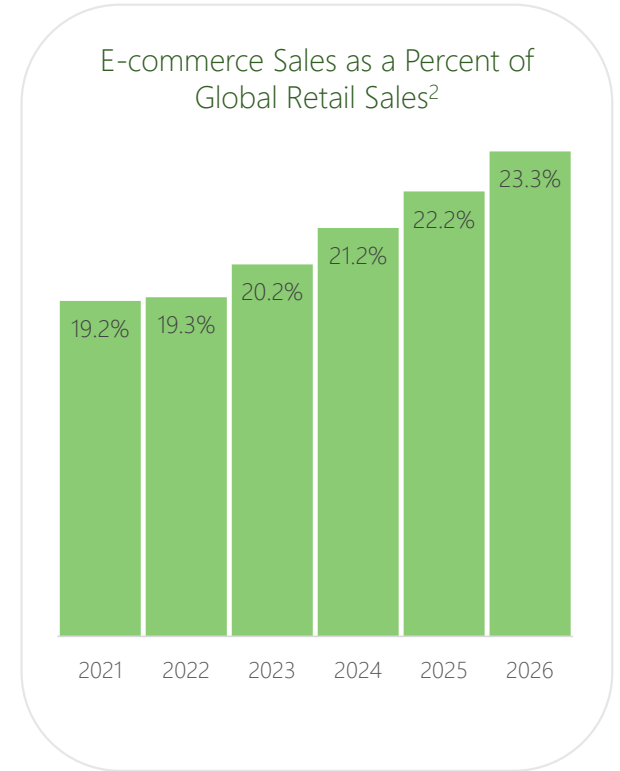
Digitalization and Increased Connectivity

- Digitalization is enabling optimization of industrial processes across multiple systems and physical locations, delivering real-time data analysis and actionable insights.
- Digital ecosystems are gaining traction across industrial enterprises as interconnectivity grows.
- Our digital platform, illumen.X, is a framework for industrial digitalization that combines products, data, and analytics to enhance plant productivity and improve efficiencies.



Packaging Demand Supported by E-Commerce Activity

- U.S. e-commerce sales are expected to grow 16% annually through 2026²
- Increase in demand for containerboard used to produce corrugated boxes
- Fiber-based packaging materials core element of circular economy



Consumer-Driven Demand for Sustainable Materials

- Greenhouse gas emissions and plastic pollution are driving markets toward more environmentally friendly alternatives
- Increase in European and U.S. regulations reducing demand for select single-use plastics
- Migration from plastic to cellulose-based material in packaging, bags, straws, water bottles, etc. is underway
- Societal preference shift leading to greater demand for cellulose-based, recyclable materials



Increased Demand for Lumber and Engineered Wood Products

- Long-term demand remains robust
- Wood-based buildings offer lower carbon footprint versus concrete or steel
- Growing use of cross-laminated timber (CLT) in taller buildings
- Housing construction in Europe starting to transition from concrete block and brick to wood



Infrastructure Build-out

- The Federal Government has allocated over \$1.2 trillion for the Infrastructure Investment and Jobs Act³
- Building infrastructure requires material and minerals, driving demand for efficient mining and material processing equipment
- Our material handling products increase efficiency in mining and material processing leading to considerably less water and electricity used in the process





Strategic Approach to M&A

Acquisition Criteria

Accelerate growth through acquisitions aligned with strategic vision

- Enhances our offering of highly engineered products serving critical process roles
- Serves end markets with attractive profiles; market leading positions
- Broadens and strengthens our culture
- Demonstrates a history of consistent revenue with significant aftermarket exposure
- Established long-standing, deep customer relationships



Proven Track Record of Successful M&A




Acquisition Performance

Average adjusted ROIC⁴ for 2023: 15%

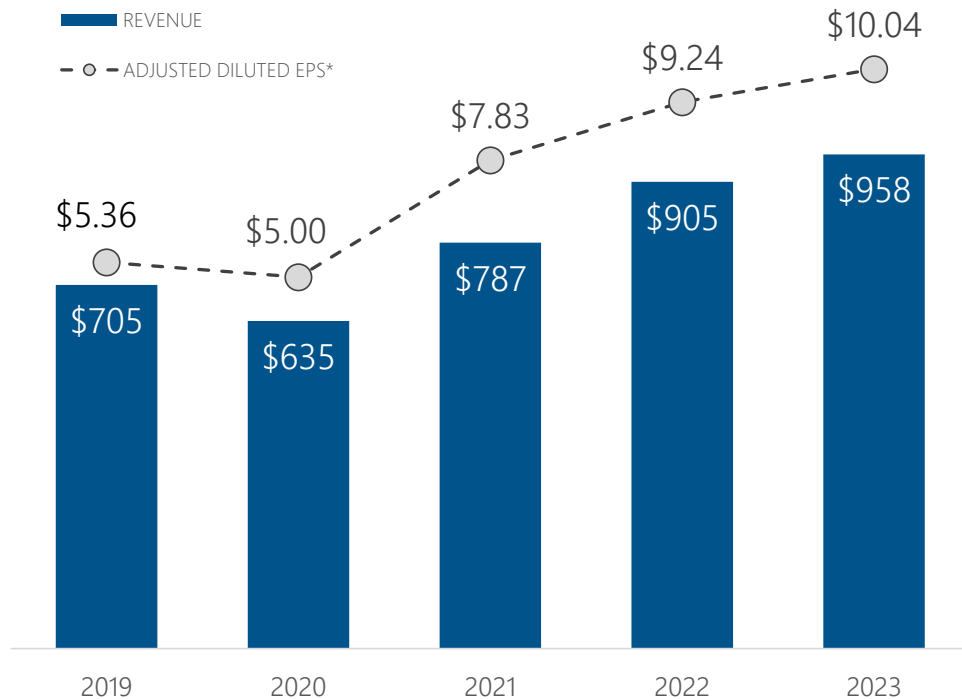
\$642 million invested⁵



An aerial photograph of a dense, lush green forest canopy, filling the entire frame with various shades of green and some darker patches of shadow.

Financial Performance

Revenue and Adjusted EPS*

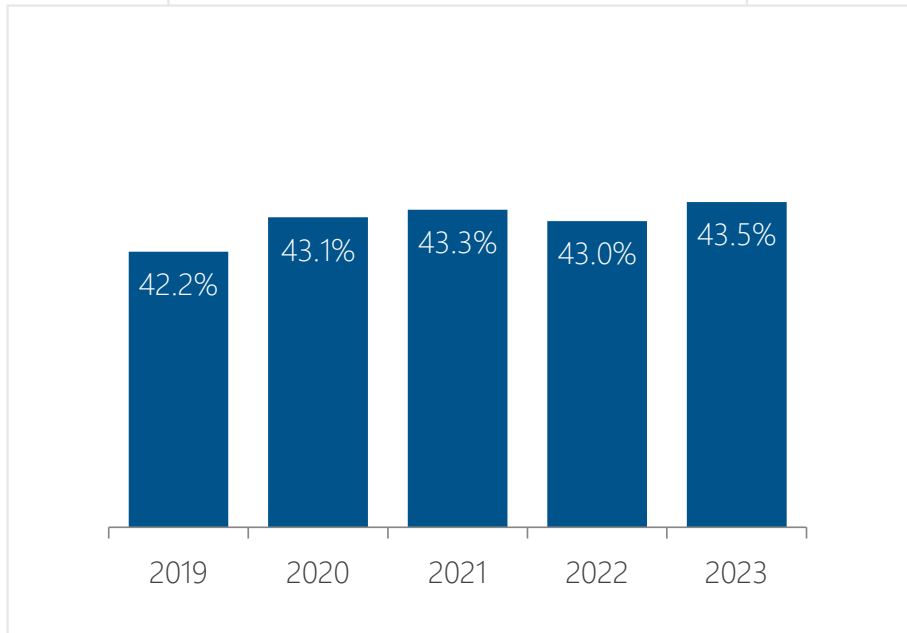


CAGR 2019-2023

Revenue	Adjusted EPS*
8.0%	17.0%

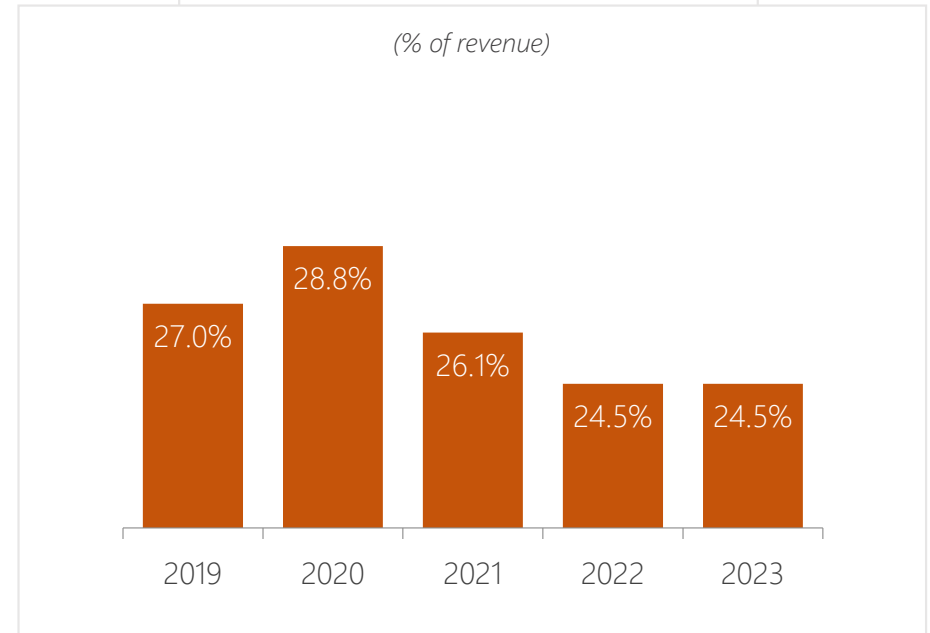
Adjusted Gross Margin* and Adjusted SG&A* Metrics

Adjusted Gross Margin*

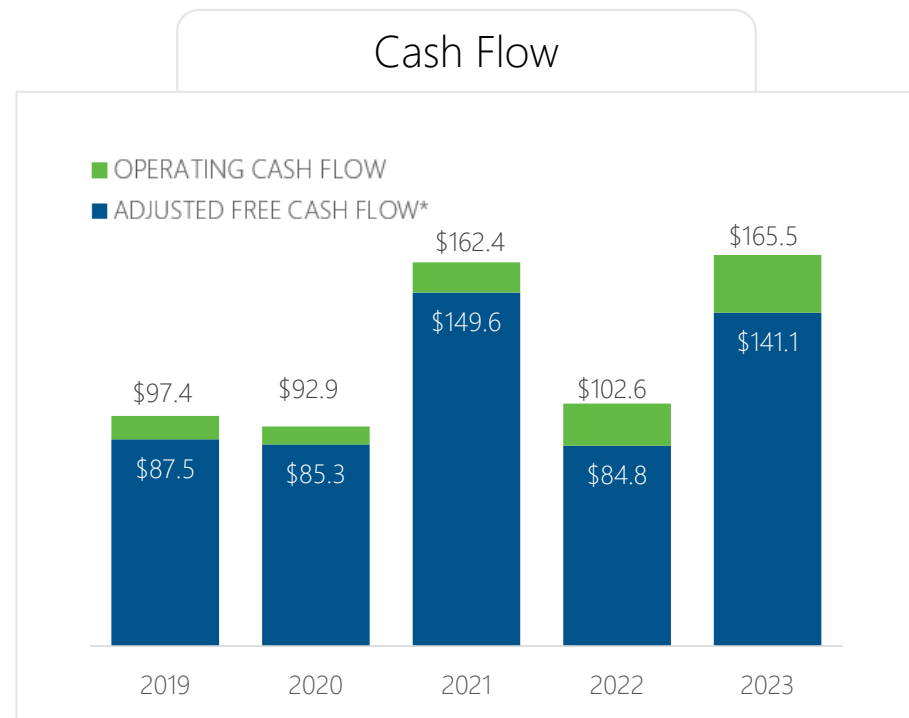
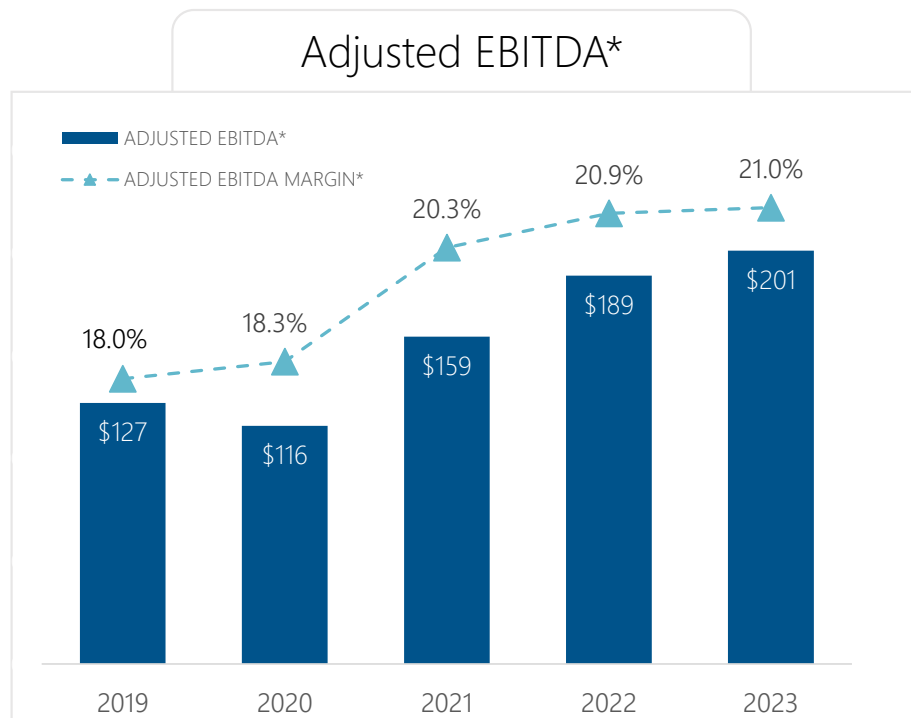


Adjusted SG&A*

(% of revenue)



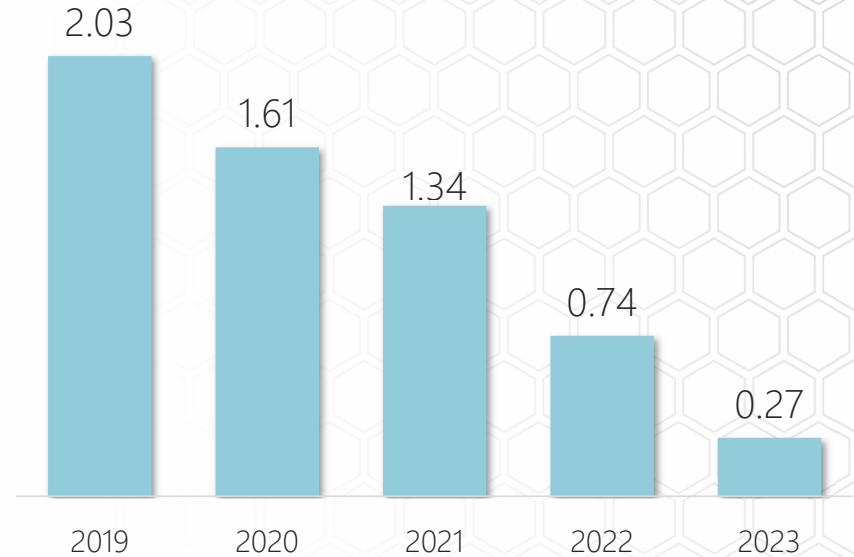
Adjusted EBITDA* and Cash Flow



Leverage Ratio⁶

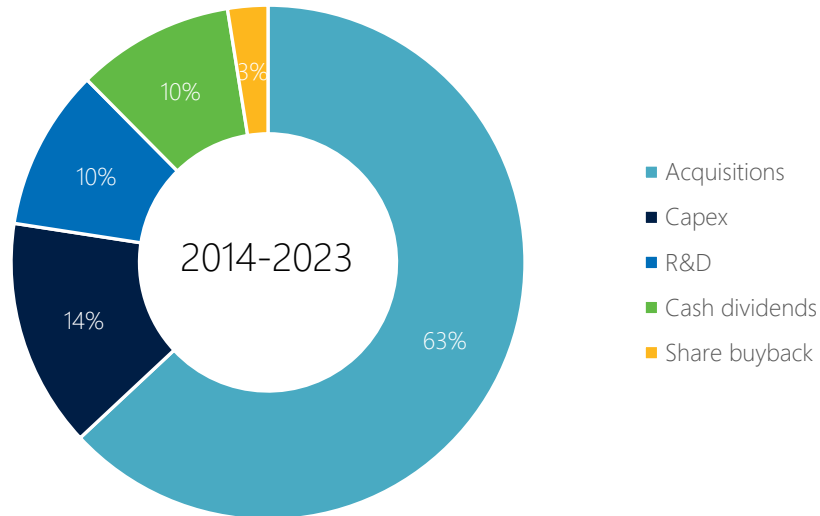
Our borrowing capacity following our January 2024 acquisitions includes:

- \$71 million under our revolving credit facility
- \$200 million of uncommitted borrowing capacity

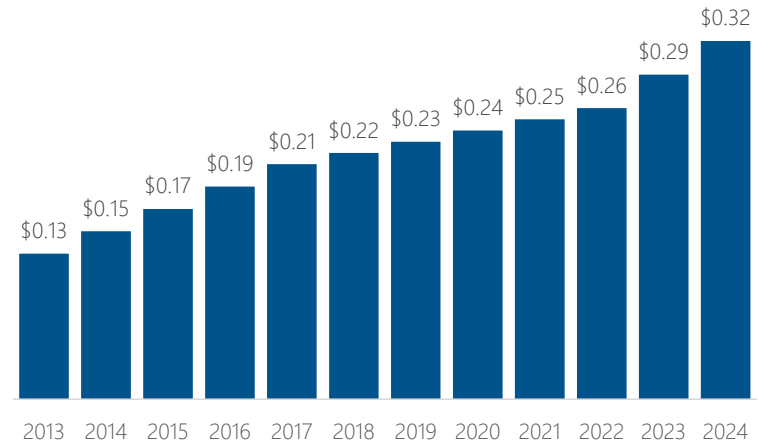


Effective Capital Allocation

Uses of Cash



Quarterly Dividends



Our board of directors approved a \$0.32 per share cash dividend to be paid on May 8, 2024. Future dividends are subject to board of directors' approval.

Key Takeaways

STRONG EARNINGS & PROFITABILITY

- Over 60% of revenue from parts and consumables
- Excellent financial performance and free cash flow* generation
- Strong business model with recurring revenue of high-impact solutions with “sticky” customer relationships

PROVEN TRACK RECORD AS A SUSTAINABILITY LEADER

- Delivering engineered systems and technologies to enable sustainable industrial processing
- Helping customers advance toward sustainable manufacturing solutions
- Growing demand for environmentally friendly materials in end markets

GROWTH-ORIENTED BUSINESS MODEL

- Growing end markets driven by global macro trends
- Focused capital allocation and proven record of accretive acquisitions
- Decentralized structure, asset-light operating model
- Focus on strategic innovation

Appendix

Q4 2023 Financial Highlights

(\$ in millions, except per share amounts)

	Q4 2023	Q4 2022	Change	2023	2022	Change
Bookings	\$218.0	\$215.3	1.2%	\$917.4	\$958.2	-4.3%
Revenue	\$238.7	\$232.1	2.8%	\$957.7	\$904.7	5.9%
Gross Margin	42.7%	43.1%	-40 bps	43.5%	43.1%	40 bps
Net Income ⁷	\$27.4	\$26.1	5.1%	\$116.1	\$120.9	-4.0%
Adjusted EBITDA*	\$48.5	\$49.5	-2.0%	\$201.3	\$189.1	6.4%
Adjusted EBITDA Margin*	20.3%	21.3%	-100 bps	21.0%	20.9%	10 bps
GAAP EPS	\$2.33	\$2.23	4.5%	\$9.90	\$10.35	-4.3%
Adjusted EPS*	\$2.41	\$2.33	3.4%	\$10.04	\$9.24	8.7%
Operating Cash Flow	\$59.2	\$35.2	68.5%	\$165.5	\$102.6	61.3%
Free Cash Flow*	\$49.5	\$23.2	113.7%	\$133.7	\$74.4	79.6%
Net Debt ⁸	\$4.4	\$121.4	-96.4%	\$4.4	\$121.4	-96.4%

FX Translation and Acquisition Impact

(\$ in millions)

		REVENUE	BOOKINGS	PARTS & CONSUMABLES REVENUE	PARTS & CONSUMABLES BOOKINGS
2023	As Reported	\$957.7	\$917.4	\$598.3	\$591.2
	Growth	5.9%	-4.3%	4.4%	0%
	Growth excluding FX	6.1%	-3.8%	4.6%	0.4%
	Growth excluding FX and Acquisitions	6.1%	-3.8%	4.6%	0.4%
2022	As Reported	\$904.7	\$958.2	\$573.0	\$591.0
	Growth	15.0%	7.3%	12.0%	11.3%
	Growth excluding FX	20.2%	11.7%	16.3%	15.3%
	Growth excluding FX and Acquisitions	15.2%	6.1%	10.4%	9.4%

Growth is the year-over-year percent change between the current period and the comparable prior period.

Growth Excluding FX represents the year-over-year percent change excluding the impact of current period versus prior period exchange rates.

Growth Excluding FX and Acquisitions represents the year-over-year percent change excluding the impact of acquisitions and current period versus prior period exchange rates. Acquired businesses are classified as Acquisitions for the first four quarters after acquisition.

Balance Sheet Data

(\$ in millions)

	Dec. 30, 2023	Dec. 31, 2022
Cash, Cash Equivalents, and Restricted Cash	\$106.4	\$79.7
Accounts Receivable, net	133.9	130.3
Inventories	152.7	163.7
Contract Assets	8.4	14.9
Property, Plant, and Equipment, net	140.5	118.9
Intangible Assets	159.3	175.6
Goodwill	392.1	385.5
Other Assets	82.4	81.3
Total Assets	\$1,175.7	\$1,149.9
Accounts Payable	\$42.1	\$58.1
Debt Obligations	109.1	199.2
Other Borrowings	1.8	1.9
Other Liabilities	246.4	235.1
Total Liabilities	\$399.4	\$494.3
Stockholders' Equity	\$776.3	\$655.6
Total Liabilities and Stockholders' Equity	\$1,175.7	\$1,149.9

Adjusted EPS* Reconciliation

	2019	2020	2021	2022	2023	Q4 2022	Q4 2023
GAAP EPS, as reported	\$ 4.54	\$ 4.77	\$ 7.21	\$ 10.35	9.90	\$ 2.23	\$ 2.33
Settlement and Curtailment Losses, net of tax	0.55	-	-	-		-	-
Gain on Sale of Buildings and Other Income, net of tax	-	-	(0.03)	(1.30)	(0.05)	-	(0.05)
Impairment and Restructuring Costs, net of tax	0.17	0.19	0.08	0.11	0.04	0.09	0.02
Relocation Costs, net of tax	-	-	-	-	0.05	-	0.01
Acquisition Costs, net of tax	0.06	0.03	0.26	0.04	0.10	0.01	0.10
Amortization of Acquired Profit in Inventory and Backlog, net of tax	0.32	0.04	0.34	0.03	-	-	-
Discrete Tax Items	(0.29)	(0.03)	(0.04)	-	-	-	-
Adjusted EPS*	\$ 5.36	\$ 5.00	\$ 7.83	\$ 9.24	10.04	\$ 2.33	\$ 2.41

Adjusted Free Cash Flow* Reconciliation

(\$ in millions)

	2019	2020	2021	2022	2023	Q4 2022	Q4 2023
Operating Cash Flow, as reported	\$ 97.4	\$ 92.9	\$ 162.4	\$ 102.6	\$ 165.5	\$ 35.2	\$ 59.2
Capital Expenditures, as reported	(9.9)	(7.6)	(12.8)	(28.2)	(31.8)	(12.0)	(9.7)
Free Cash Flow*	\$ 87.5	\$ 85.3	\$ 149.6	\$ 74.4	\$ 133.7	\$ 23.2	\$ 49.5
Capital Expenditures for Facility Project	-	-	-	10.4	7.4	5.0	1.6
Adjusted Free Cash Flow*	\$ 87.5	\$ 85.3	\$ 149.6	\$ 84.8	\$ 141.1	\$ 28.2	\$ 51.1

Adjusted EBITDA* Reconciliation

(\$ in millions)

	2019	2020	2021	2022	2023	Q4 2022	Q4 2023
Net Income Attributable to Kadant	\$ 52.1	\$ 55.2	\$ 84.0	\$ 120.9	\$ 116.1	\$ 26.1	\$ 27.4
Net Income Attributable to Noncontrolling Interest	0.5	0.5	0.8	0.8	0.7	0.1	0.2
Provision for Income Taxes	16.3	17.9	27.2	43.9	42.2	10.8	10.4
Interest Expense, net	12.5	7.2	4.6	5.6	6.7	1.9	1.0
Other Expense, net	6.4	0.3	0.1	0.1	0.1	0.1	-
Operating Income	\$ 87.8	\$ 81.1	\$ 116.7	\$ 171.3	\$ 165.8	\$ 39.0	\$ 39.0
Gain on Sale of Buildings and Other Income	-	-	(0.5)	(20.2)	(0.9)	-	(0.8)
Indemnification Asset Reversals	-	-	-	1.3	0.1	0.7	-
Impairment and Restructuring Costs	2.5	3.0	1.0	1.3	0.8	1.1	0.3
Relocation Costs	-	-	-	-	0.8	-	0.2
Acquisition Costs	0.8	0.5	3.6	0.7	1.4	0.2	1.4
Acquired Profit in Inventory and Backlog Amortization	4.9	0.5	5.6	0.5	-	-	-
Adjusted Operating Income*	\$ 96.0	\$ 85.1	\$ 126.4	\$ 154.9	\$ 168.0	\$ 41.0	\$ 40.1
Depreciation and Amortization	31.1	30.8	33.0	34.2	33.3	8.5	8.4
Adjusted EBITDA*	\$ 127.1	\$ 115.9	\$ 159.4	\$ 189.1	\$ 201.3	\$ 49.5	\$ 48.5
Revenue	704.6	635.0	786.6	904.7	957.7	232.1	238.7
Adjusted EBITDA Margin*	18.0%	18.3%	20.3%	20.9%	21.0%	21.3%	20.3%

Adjusted Gross Margin* Reconciliation

(\$ in millions)

	2019	2020	2021	2022	2023
Revenue	\$ 704.6	\$ 635.0	\$ 786.6	\$ 904.7	\$ 957.7
Cost of Revenue	(410.9)	(357.7)	(449.2)	(515.2)	(541.4)
Gross Profit	\$ 293.7	\$ 277.3	\$ 337.4	\$ 389.5	\$ 416.3
Gross Margin	41.7%	43.7%	42.9%	43.1%	43.5%
Gross Margin	\$ 293.7	\$ 277.3	\$ 337.4	\$ 389.5	\$ 416.3
Government Assistance Programs	-	(3.7)	(0.9)	-	-
Amortization of Profit in Inventory	3.5	-	4.3	(0.2)	-
Adjusted Gross Profit*	\$ 297.2	\$ 273.6	\$ 340.8	\$ 389.3	\$ 416.3
Adjusted Gross Margin*	42.2%	43.1%	43.3%	43.0%	43.5%

Adjusted SG&A* Reconciliation

(\$ in millions)

	2019	2020	2021	2022	2023	Q4 2022	Q4 2023
SG&A	\$ 192.5	\$ 181.9	\$ 208.8	\$ 224.4	\$ 236.3	\$ 56.8	\$ 59.8
Government Assistance Programs	-	2.2	1.4	-	-	-	-
Acquisition Costs	(0.8)	(0.5)	(3.6)	(0.7)	(1.4)	(0.2)	(1.4)
Amortization of Acquired Backlog	(1.3)	(0.5)	(1.4)	(0.7)	-	-	-
Indemnification Asset Reversal	-	-	-	(1.3)	(0.1)	(0.7)	-
Adjusted SG&A*	\$ 190.4	\$ 183.1	\$ 205.2	\$ 221.7	\$ 234.8	\$ 55.9	\$ 58.4
Revenue	\$ 704.6	\$ 635.0	\$ 786.6	\$ 904.7	\$ 957.7	\$ 232.1	\$ 238.7
Adjusted SG&A* as a % of Revenue	27.0%	28.8%	26.1%	24.5%	24.5%	24.1%	24.5%

Notes

PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slide 36 is calculated using actual numbers reported in our press release dated February 14, 2024 and February 15, 2023.

FOOTNOTES

- 1) Company estimate based on Company information and not derived from published studies or other market data.
- 2) Source: eMarketer. Data retrieved May 1, 2023.
- 3) Source: National Conference of State Legislators. Retrieved May 3, 2023 from <https://www.ncsl.org/state-federal/infrastructure-investment-and-jobs-act>.
- 4) Adjusted return on invested capital (ROIC) is calculated based on adjusted net income, excluding intangible amortization, over consideration paid net of cash acquired. Average adjusted ROIC is calculated using the adjusted ROIC for each acquisition weighted based on consideration paid net of cash acquired.
- 5) The amount invested represents the consideration paid net of cash acquired.
- 6) 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.
- 7) Net income represents net income attributable to Kadant.
- 8) Net debt is calculated based on total debt less cash, cash equivalents and restricted cash.