

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 2, 2021

KADANT INC.

(Exact name of registrant as specified in its charter)

Commission file number 001-11406

Delaware
(State or other jurisdiction of incorporation or organization)

52-1762325
(I.R.S. Employer Identification No.)

**One Technology Park Drive
Westford, Massachusetts 01886**
(Address of principal executive offices, including zip code)

(978) 776-2000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class
Common Stock, \$.01 par value

Trading Symbol(s)
KAI

Name of each exchange on which registered
New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On November 2, 2021, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter ended October 2, 2021. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

On November 3, 2021, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended October 2, 2021. A copy of the slides that will be presented on the webcast and discussed in the conference call is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The information in Item 2.02 and Item 7.01 of this Form 8-K (including Exhibits 99.1 and 99.2) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

its

the following exhibits relating to Item 2.02 and Item 7.01 shall be deemed to be furnished and not filed.

Exhibit

NoDescription of Exhibits

99. [Press Release issued by the Company on November 2, 2021 announcing its financial results.](#)

99. [Slides to be presented by the Company on November 3, 2021.](#)

10. [Cover Page Interactive Data File \(embedded within the Inline XBRL document\).](#)

KADANT INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KADANT INC.

Date: November 2, 2021

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

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PRESS RELEASE**Kadant Reports Third Quarter 2021 Results and Record Bookings**

WESTFORD, Mass., November 2, 2021 - Kadant Inc. (NYSE: KAI) reported its financial results for the third quarter ended October 2, 2021.

Third Quarter Financial Highlights

- Bookings increased 71% to a record \$245 million.
- Revenue increased 29% to a record \$200 million.
- Operating cash flow increased 56% to \$38 million.
- Free cash flow increased 53% to \$35 million.
- Net income increased 38% to \$20 million.
- GAAP diluted EPS increased 37% to \$1.75.
- Adjusted diluted EPS increased 50% to \$1.97.
- Adjusted EBITDA increased 36% to \$41 million and represented 20.5% of revenue.
- Backlog was a record \$299 million.

Note: Percent changes above are based on comparison to the prior year period. Free cash flow, adjusted diluted EPS, adjusted EBITDA, adjusted EBITDA margin, and changes in organic revenue are non-GAAP financial measures that exclude certain items as detailed later in this press release under the heading "Use of Non-GAAP Financial Measures."

Management Commentary

"Record revenue combined with excellent execution by our operations teams led to another quarter of strong performance," said Jeffrey L. Powell, president and chief executive officer of Kadant Inc. "End-market demand was exceptional in the third quarter with record parts demand and robust capital order activity, particularly in our Industrial Processing segment. These results contributed to solid margin performance and improved operating leverage across all our segments."

"Despite an increasingly challenging operating environment resulting from supply chain constraints and inflationary pressures, our global workforce performed extremely well in fulfilling our customer commitments and delivering value. Our end markets continue to show signs of strength as we enter the final quarter of the year and we are well positioned for a strong finish to 2021."

Third Quarter 2021 compared to 2020

Revenue increased 29 percent to a record \$199.8 million compared to \$154.6 million in 2020. Organic revenue increased 18 percent, which excludes an eight percent increase from acquisitions and a three percent increase from the favorable effect of foreign currency translation. Gross margin was 41.9 percent, which included a negative 110 basis point impact from the amortization of acquired profit in inventory, compared to 44.2 percent in 2020, which included a positive 110 basis point impact from the receipt of government assistance benefits related to the pandemic.

GAAP diluted earnings per share (EPS) increased 37 percent to a \$1.75 compared to \$1.28 in 2020. Adjusted diluted EPS increased 50 percent to \$1.97 compared to \$1.31 in 2020. Adjusted diluted EPS excludes \$0.17 of amortization expense from acquired profit in inventory and backlog and \$0.05 of acquisition costs in 2021 and \$0.03 of restructuring costs, \$0.03 of acquisition-related costs, and a \$0.03 discrete tax benefit in 2020. Net income increased 38 percent to \$20.5 million compared to \$14.9 million in 2020. Adjusted EBITDA increased 36 percent to \$40.9 million and 20.5 percent of revenue compared to \$30.0 million and 19.4 percent of revenue in the prior year quarter. Operating cash flow increased 56 percent to \$37.9 million compared to \$24.4 million in 2020.

Bookings increased 71 percent to a record \$244.7 million compared to \$143.3 million in 2020. Organic bookings increased 57 percent, which excludes a ten percent increase from acquisitions and a four percent increase from the favorable effect of foreign currency translation.

Summary and Outlook

"The strong momentum built up during the first three quarters of 2021 has led to record backlog, and we expect a solid finish to the year," Mr. Powell continued. "While we continue to see strong demand for our products, supply chain constraints, delays in shipments, and the timing of capital orders are moderating our outlook for the fourth quarter. As a result, we are decreasing our revenue expectation to \$778 to \$783 million for 2021 from our previous range of \$783 to \$793 million."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, November 3, 2021, at 11:00 a.m. eastern time to discuss its third quarter performance, as well as future expectations. To access the webcast, including the slideshow and accompanying audio, go to www.kadant.com and click on "Investors." To listen to the webcast via teleconference, call 888-326-8410 within the U.S., or +1-704-385-4884 outside the U.S. and reference participant passcode 9476904. Prior to the call, our earnings release and the slides used in the webcast presentation will be filed with the Securities and Exchange Commission and will be available at www.sec.gov. An archive of the webcast presentation will be available on our website until December 3, 2021.

Shortly after the webcast, Kadant will post its updated general investor presentation incorporating the third quarter results on its website at www.kadant.com under the "Investors" section.

Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with 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 operating income, adjusted net income, adjusted diluted EPS, earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, adjusted EBITDA margin, and free cash flow.

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 that 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 press release 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 press release 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.

Revenue in the third quarter of 2021 included \$12.8 million from acquisitions and a \$4.6 million favorable foreign currency translation effect. Revenue in the first nine months of 2021 included a \$22.2 million favorable foreign currency translation effect and \$13.3 million from acquisitions. We present increases or decreases in organic revenue, which excludes the effect of acquisitions and foreign currency translation, to provide investors insight into underlying revenue trends.

Our non-GAAP financial measures exclude restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and discrete tax items. These items are excluded as they are not indicative of our core operating results and are not comparable to other periods, which have

differing levels of incremental costs or income, or none at all. Free cash flow presents cash flow from operations excluding capital expenditures.

Third Quarter

Adjusted operating income, adjusted EBITDA, and adjusted EBITDA margin exclude:

- Pre-tax expense related to amortization of acquired profit in inventory of \$2.2 million in 2021.
- Pre-tax acquisition costs of \$0.7 million in 2021 and \$0.1 million in 2020.
- Pre-tax expense related to amortization of acquired backlog of \$0.6 million in 2021 and \$0.3 million in 2020.
- Pre-tax restructuring costs of \$0.5 million in 2020.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax expense related to amortization of acquired profit in inventory of \$1.5 million (\$2.2 million net of tax of \$0.7 million) in 2021.
- After-tax acquisition costs of \$0.6 million in 2021 (\$0.7 million net of tax of \$0.1 million) in 2021 and \$0.1 million in 2020.
- After-tax expense related to amortization of acquired backlog of \$0.4 million (\$0.6 million net of tax of \$0.2 million) in 2021 and \$0.2 million (\$0.3 million net of tax of \$0.1 million) in 2020.
- After-tax restructuring costs of \$0.3 million (\$0.5 million net of tax of \$0.2 million) in 2020.
- A discrete tax benefit of \$0.3 million in 2020.

Free cash flow is calculated as cash flow from operations less:

- Capital expenditures of \$3.4 million in 2021 and \$1.8 million in 2020.

First Nine Months

Adjusted operating income, adjusted EBITDA, and adjusted EBITDA margin exclude:

- Pre-tax acquisition costs of \$2.6 million in 2021 and \$0.5 million in 2020.
- Pre-tax expense related to acquired profit in inventory of \$2.2 million in 2021.
- Pre-tax expense related to amortization of acquired backlog of \$0.7 million in 2021 and \$0.4 million in 2020.
- Pre-tax restructuring costs of \$0.9 million in 2020.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax acquisition costs of \$2.3 million (\$2.6 million net of tax of \$0.3 million) in 2021 and \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2020.
- After-tax expense related to acquired profit in inventory of \$1.5 million (\$2.2 million net of tax of \$0.7 million) in 2021.
- After-tax expense related to acquired backlog of \$0.5 million (\$0.7 million net of tax of \$0.2 million) in 2021 and \$0.3 million (\$0.4 million net of tax of \$0.1 million) in 2020.
- After-tax restructuring costs of \$0.7 million (\$0.9 million net of tax of \$0.2 million) in 2020.
- A discrete tax benefit of \$0.3 million in 2020.

Free cash flow is calculated as cash flow from operations less:

- Capital expenditures of \$7.7 million in 2021 and \$5.4 million in 2020.

Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are set forth in this press release.

Financial Highlights (unaudited)

(In thousands, except per share amounts and percentages)

	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Consolidated Statement of Income				
Revenue	\$ 199,789	\$ 154,610	\$ 568,063	\$ 466,597
Costs and Operating Expenses:				
Cost of revenue	116,096	86,294	323,337	263,510
Selling, general, and administrative expenses	52,316	43,853	151,014	134,518
Research and development expenses	2,649	2,658	8,547	8,532
Restructuring costs	—	470	—	926
	<u>171,061</u>	<u>133,275</u>	<u>482,898</u>	<u>407,486</u>
Operating Income	28,728	21,335	85,165	59,111
Interest Income	55	52	176	140
Interest Expense	(1,320)	(1,670)	(3,497)	(6,060)
Other Expense, Net	(23)	(32)	(71)	(95)
Income Before Provision for Income Taxes	27,440	19,685	81,773	53,096
Provision for Income Taxes	6,742	4,705	21,252	13,738
Net Income	20,698	14,980	60,521	39,358
Net Income Attributable to Noncontrolling Interest	(237)	(129)	(635)	(369)
Net Income Attributable to Kadant	<u>\$ 20,461</u>	<u>\$ 14,851</u>	<u>\$ 59,886</u>	<u>\$ 38,989</u>
Earnings per Share Attributable to Kadant:				
Basic	\$ 1.77	\$ 1.29	\$ 5.18	\$ 3.40
Diluted	\$ 1.75	\$ 1.28	\$ 5.14	\$ 3.38
Weighted Average Shares:				
Basic	11,580	11,504	11,571	11,472
Diluted	11,668	11,589	11,644	11,550

	Three Months Ended		Three Months Ended	
	October 2, 2021	October 2, 2021	September 26, 2020	September 26, 2020
Adjusted Net Income and Adjusted Diluted EPS (a)				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 20,461	\$ 1.75	\$ 14,851	\$ 1.28
Adjustments for the Following:				
Restructuring Costs, Net of Tax	—	—	335	0.03
Acquisition Costs, Net of Tax (b)	595	0.05	58	0.01
Acquired Backlog Amortization, Net of Tax (c)	429	0.04	249	0.02
Acquired Profit in Inventory, Net of Tax (d)	1,549	0.13	—	—
Discrete Tax Items	—	—	(338)	(0.03)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 23,034</u>	<u>\$ 1.97</u>	<u>\$ 15,155</u>	<u>\$ 1.31</u>

	Nine Months Ended		Nine Months Ended	
	October 2, 2021	October 2, 2021	September 26, 2020	September 26, 2020
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 59,886	\$ 5.14	\$ 38,989	\$ 3.38
Adjustments for the Following:				
Restructuring Costs, Net of Tax	—	—	667	0.06
Acquisition Costs, Net of Tax (b)	2,325	0.20	355	0.03
Acquired Backlog Amortization, Net of Tax (c)	494	0.04	275	0.02
Acquired Profit in Inventory, Net of Tax (d)	1,549	0.13	—	—
Discrete Tax Items	—	—	(338)	(0.03)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 64,254</u>	<u>\$ 5.52</u>	<u>\$ 39,948</u>	<u>\$ 3.46</u>

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Revenue by Segment	Three Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	October 2, 2021	September 26, 2020		
Flow Control	\$ 76,253	\$ 56,815	\$ 19,438	\$ 8,193
Industrial Processing	81,620	62,086	19,534	16,687
Material Handling	41,916	35,709	6,207	2,943
	<u>\$ 199,789</u>	<u>\$ 154,610</u>	<u>\$ 45,179</u>	<u>\$ 27,823</u>
Percentage of Parts and Consumables Revenue	66 %	66%		

Revenue by Segment	Nine Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	October 2, 2021	September 26, 2020		
Flow Control	\$ 210,769	\$ 165,329	\$ 45,440	\$ 28,778
Industrial Processing	233,455	192,468	40,987	28,391
Material Handling	123,839	108,800	15,039	8,846
	<u>\$ 568,063</u>	<u>\$ 466,597</u>	<u>\$ 101,466</u>	<u>\$ 66,015</u>
Percentage of Parts and Consumables Revenue	66 %	65%		

Bookings by Segment	Three Months Ended		Increase	Increase Excluding Acquisitions and FX (e)
	October 2, 2021	September 26, 2020		
Flow Control	\$ 76,661	\$ 49,608	\$ 27,053	\$ 15,721
Industrial Processing	118,896	59,903	58,993	55,681
Material Handling	49,137	33,838	15,299	9,793
	<u>\$ 244,694</u>	<u>\$ 143,349</u>	<u>\$ 101,345</u>	<u>\$ 81,195</u>
Percentage of Parts and Consumables Bookings	53%	67%		

Bookings by Segment	Nine Months Ended		Increase	Increase Excluding Acquisitions and FX (e)
	October 2, 2021	September 26, 2020		
Flow Control	\$ 224,479	\$ 166,713	\$ 57,766	\$ 40,454
Industrial Processing	307,401	178,885	128,516	112,345
Material Handling	130,468	106,344	24,124	15,361
	<u>\$ 662,348</u>	<u>\$ 451,942</u>	<u>\$ 210,406</u>	<u>\$ 168,160</u>
Percentage of Parts and Consumables Bookings	59%	67%		

Business Segment Information	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Gross Margin:				
Flow Control	49.7 %	52.9%	51.8 %	53.1%
Industrial Processing	39.7 %	43.7%	40.1 %	41.0%
Material Handling	31.9 %	31.1%	33.8 %	33.5%
	<u>41.9 %</u>	<u>44.2%</u>	<u>43.1 %</u>	<u>43.5%</u>

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	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Business Segment Information (continued)				
Operating Income:				
Flow Control	\$ 17,129	\$ 13,770	\$ 51,899	\$ 37,360
Industrial Processing	16,095	12,072	44,449	32,147
Material Handling	3,491	2,614	12,941	10,341
Corporate	(7,987)	(7,121)	(24,124)	(20,737)
	<u>\$ 28,728</u>	<u>\$ 21,335</u>	<u>\$ 85,165</u>	<u>\$ 59,111</u>
Adjusted Operating Income (a,f):				
Flow Control	\$ 19,835	\$ 14,035	\$ 55,841	\$ 38,081
Industrial Processing	16,128	12,438	44,622	32,948
Material Handling	4,290	2,862	14,352	10,597
Corporate	(7,987)	(7,121)	(24,124)	(20,737)
	<u>\$ 32,266</u>	<u>\$ 22,214</u>	<u>\$ 90,691</u>	<u>\$ 60,889</u>
Capital Expenditures:				
Flow Control	\$ 1,128	\$ 509	\$ 1,830	\$ 1,667
Industrial Processing	1,725	785	4,720	2,460
Material Handling	505	486	1,121	1,167
Corporate	12	42	17	125
	<u>\$ 3,370</u>	<u>\$ 1,822</u>	<u>\$ 7,688</u>	<u>\$ 5,419</u>
Cash Flow and Other Data				
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Operating Cash Flow	\$ 37,932	\$ 24,393	\$ 101,410	\$ 52,601
Less: Capital Expenditures	(3,370)	(1,822)	(7,688)	(5,419)
Free Cash Flow (a)	<u>\$ 34,562</u>	<u>\$ 22,571</u>	<u>\$ 93,722</u>	<u>\$ 47,182</u>
Depreciation and Amortization Expense	\$ 9,195	\$ 8,086	\$ 24,597	\$ 23,260
Balance Sheet Data				
Assets				
Cash, Cash Equivalents, and Restricted Cash			\$ 83,664	\$ 66,640
Accounts Receivable, net			120,496	91,540
Inventories			135,476	106,814
Unbilled Revenue			7,915	7,576
Property, Plant, and Equipment, net			110,088	84,642
Intangible Assets			205,328	160,965
Goodwill			398,907	351,753
Other Assets			71,254	57,641
			<u>\$ 1,133,128</u>	<u>\$ 927,571</u>
Liabilities and Stockholders' Equity				
Accounts Payable			\$ 53,476	\$ 32,264
Debt Obligations			309,389	227,963
Other Borrowings			5,107	5,511
Other Liabilities			221,770	164,928
Total Liabilities			589,742	430,666
Stockholders' Equity			543,386	496,905
			<u>\$ 1,133,128</u>	<u>\$ 927,571</u>

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	Three Months Ended		Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)				
Consolidated				
Net Income Attributable to Kadant	\$ 20,461	\$ 14,851	\$ 59,886	\$ 38,989
Net Income Attributable to Noncontrolling Interest	237	129	635	369
Provision for Income Taxes	6,742	4,705	21,252	13,738
Interest Expense, Net	1,265	1,618	3,321	5,920
Other Expense, Net	23	32	71	95
Operating Income	28,728	21,335	85,165	59,111
Restructuring Costs	—	470	—	926
Acquisition Costs (b)	718	78	2,619	485
Acquired Backlog Amortization (c)	604	331	691	367
Acquired Profit in Inventory (d)	2,216	—	2,216	—
Adjusted Operating Income (a)	32,266	22,214	90,691	60,889
Depreciation and Amortization	8,591	7,755	23,906	22,893
Adjusted EBITDA (a)	\$ 40,857	\$ 29,969	\$ 114,597	\$ 83,782
Adjusted EBITDA Margin (a,g)	20.5 %	19.4 %	20.2 %	18.0 %
Flow Control				
Operating Income	\$ 17,129	\$ 13,770	\$ 51,899	\$ 37,360
Restructuring Costs	—	265	—	721
Acquisition Costs (b)	507	—	1,743	—
Acquired Backlog Amortization (c)	353	—	353	—
Acquired Profit in Inventory (d)	1,846	—	1,846	—
Adjusted Operating Income (a)	19,835	14,035	55,841	38,081
Depreciation and Amortization	2,333	1,564	5,473	4,729
Adjusted EBITDA (a)	\$ 22,168	\$ 15,599	\$ 61,314	\$ 42,810
Adjusted EBITDA Margin (a,g)	29.1 %	27.5 %	29.1 %	25.9 %
Industrial Processing				
Operating Income	\$ 16,095	\$ 12,072	\$ 44,449	\$ 32,147
Restructuring Costs	—	205	—	205
Acquisition Costs (b)	33	78	113	485
Acquired Backlog Amortization (c)	—	83	60	111
Adjusted Operating Income (a)	16,128	12,438	44,622	32,948
Depreciation and Amortization	3,341	3,311	10,082	9,598
Adjusted EBITDA (a)	\$ 19,469	\$ 15,749	\$ 54,704	\$ 42,546
Adjusted EBITDA Margin (a,g)	23.9 %	25.4 %	23.4 %	22.1 %
Material Handling				
Operating Income	\$ 3,491	\$ 2,614	\$ 12,941	\$ 10,341
Acquisition Costs (b)	178	—	763	—
Acquired Backlog Amortization (c)	251	248	278	256
Acquired Profit in Inventory (d)	370	—	370	—
Adjusted Operating Income (a)	4,290	2,862	14,352	10,597
Depreciation and Amortization	2,885	2,824	8,253	8,416
Adjusted EBITDA (a)	\$ 7,175	\$ 5,686	\$ 22,605	\$ 19,013
Adjusted EBITDA Margin (a,g)	17.1 %	15.9 %	18.3 %	17.5 %
Corporate				
Operating Loss	\$ (7,987)	\$ (7,121)	\$ (24,124)	\$ (20,737)
Depreciation and Amortization	32	56	98	150
EBITDA (a)	\$ (7,955)	\$ (7,065)	\$ (24,026)	\$ (20,587)

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- (a) Represents a non-GAAP financial measure.
- (b) Represents transaction costs associated with our acquisitions. Operating income by segment has been recast in the first six months of 2021 to include acquisition costs of \$585 and \$80 in our Material Handling and Industrial Processing segments, respectively, which were previously included in Corporate.
- (c) Represents intangible amortization expense associated with acquired backlog.
- (d) Represents expense within the cost of revenue associated with amortization of acquired profit in inventory.
- (e) Represents the increase resulting from the exclusion of acquisitions and from the conversion of current period amounts reported in local currencies into U.S. dollars at the exchange rate of the prior period compared to the U.S. dollar amount reported in the prior period.
- (f) See reconciliation to the most directly comparable GAAP financial measure under "Adjusted Operating Income and Adjusted EBITDA Reconciliation."
- (g) Calculated as adjusted EBITDA divided by revenue in each period.

About Kadant

Kadant Inc. is a global supplier of high-value, critical components and engineered systems used in process industries worldwide. The Company's products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries. Kadant is based in Westford, Massachusetts, with approximately 2,900 employees in 21 countries worldwide. For more information, visit www.kadant.com.

Safe Harbor Statement

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This press release 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 the date of this press release. 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 January 2, 2021 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; 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; 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; price increases or shortages of 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; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union; 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; substitution of an alternative index for LIBOR; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

-more-

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KADANT

Third Quarter 2021 Business Review

November 3, 2021



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 Kadant's expectations as of November 3, 2021. 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 January 2, 2021 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; 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; 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; price increases or shortages of 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; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union; 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; substitution of an alternative index for LIBOR; 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 diluted EPS (earnings per share), adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, adjusted operating income, and free cash flow.

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 third quarter earnings press release issued November 2, 2021, 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 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

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Operational Highlights

- Robust demand across all segments led to record bookings and revenue
- Capital project activity and aftermarket parts demand remained strong despite the Delta variant and supply chain headwinds
- Completed the acquisitions of Clouth and Balemaster
- Acquired a manufacturing facility in India at beginning of Q4 specializing in stock preparation equipment used for packaging, paper, and tissue production

Q3 2021 Performance

(\$ in millions, except per share amounts)

	Q3 21	Q3 20	Change
Revenue	\$199.8	\$154.6	+29.2%
Net Income	\$20.5	\$14.9	+37.8%
Adjusted EBITDA*	\$40.9	\$30.0	+36.3%
Adjusted EBITDA Margin*	20.5%	19.4%	+110 bps
Diluted EPS	\$1.75	\$1.28	+36.7%
Adjusted Diluted EPS*	\$1.97	\$1.31	+50.4%
Operating Cash Flow	\$37.9	\$24.4	+55.5%
Free Cash Flow*	\$34.6	\$22.6	+53.1%
Bookings	\$244.7	\$143.3	+70.7%

HIGHLIGHTS

- Record revenue and bookings performance; record aftermarket parts revenue in Q3
- Aftermarket parts and consumables revenue was up 28% and made up 66% of Q3 revenue
- Strong adjusted EBITDA margin* across all operating segments

Flow Control

\$ in millions	Q3 21	Q3 20	Change
Revenue	\$76.3	\$56.8	+34.2%
Bookings	\$76.7	\$49.6	+54.5%
Adjusted EBITDA*	\$22.2	\$15.6	+42.1%
Adjusted EBITDA Margin*	29.1%	27.5%	+160 bps



HIGHLIGHTS

- Record revenue and bookings performance benefited from continuing strong demand from end markets
- Parts and consumables revenue made up 72% of total Q3 revenue
- Improved operating leverage led to record adjusted EBITDA*

Industrial Processing

\$ in millions	Q3 21	Q3 20	Change
Revenue	\$81.6	\$62.1	+31.5%
Bookings	\$118.9	\$59.9	+98.5%
Adjusted EBITDA*	\$19.5	\$15.7	+23.6%
Adjusted EBITDA Margin*	23.9%	25.4%	-150 bps



HIGHLIGHTS

- Strong capital project activity and aftermarket parts led to record bookings in Q3
- Demand across all product lines remained strong throughout Q3
- Decline in adjusted EBITDA margin* due to employee retention benefits in prior period

Material Handling

\$ in millions	Q3 21	Q3 20	Change
Revenue	\$41.9	\$35.7	+17.4%
Bookings	\$49.1	\$33.8	+45.2%
Adjusted EBITDA*	\$7.2	\$5.7	+26.2%
Adjusted EBITDA Margin*	17.1%	15.9%	+120 bps



HIGHLIGHTS

- Strong capital project activity led to record bookings in Q3
- Aftermarket parts made up 59% of total Q3 revenue
- Solid execution in our baling business contributed to adjusted EBITDA margin* improvement

Business Outlook

- Demand expected to remain strong for the remainder of 2021
- Supply chain constraints and inflationary pressures continue to be a challenge
- Delays in shipments and timing of capital orders leading to shifts in revenue recognition
- Record backlog positions us well for the remainder of the year



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

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Q3 2021 Financial Performance

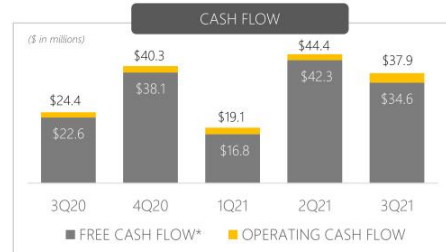
HIGHLIGHTS

- Adjusted EBITDA margin* of 20.5%
- Operating cash flow of \$37.9 million
- Free cash flow* of \$34.6 million
- Net debt of \$231 million; leverage ratio¹ of 1.69

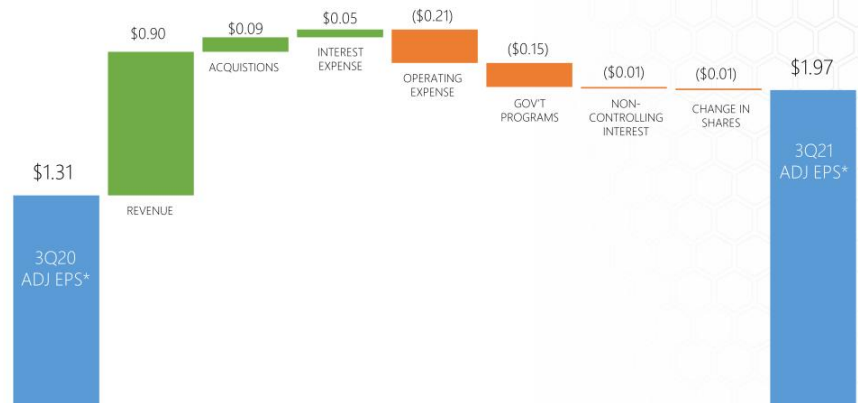
(\$ in millions, except per share amounts)

	Q3 21	Q3 20
Gross Margin	41.9%	44.2%
SG&A % of Revenue	26.2%	28.4%
Operating Income	\$28.7	\$21.3
Net Income	\$20.5	\$14.9
Adjusted EBITDA*	\$40.9	\$30.0
Diluted EPS	\$1.75	\$1.28
Adjusted Diluted EPS*	\$1.97	\$1.31

Key Consolidated Financial Metrics



3Q20 to 3Q21 Adjusted Diluted EPS*



Key Liquidity Metrics

\$ in millions	Q3 21	Q2 21	Q3 20
Cash, cash equivalents, and restricted cash	\$83.7	\$158.1	\$56.2
Debt	\$309.4	\$268.7	\$255.0
Lease obligations	\$5.1	\$5.0	\$5.6
Net Debt	\$230.8	\$115.6	\$204.4
Leverage ratio ¹	1.69	1.71	1.88
Working capital % LTM revenue ²	13.5%	12.7%	15.6%
Cash conversion days ³	113	109	140

- Net debt increased 13% from Q3 2020
- Our liquidity remains solid with \$370 million in borrowing capacity
 - Approximately \$105 million under our revolving credit facility; an additional uncommitted \$150 million
 - Up to \$115 million through our note purchase agreement

Financial Outlook for 2021

- FY 2021 revenue of \$778 to \$783 million
- Q4 2021 revenue of \$210 to \$215 million
- Q4 2021 gross margin of 42.0%
- Q4 2021 SG&A of \$55 to \$56 million
- Q4 2021 tax rate of 27% to 28%



Questions & Answers

To ask a question, please call **888-326-8410** within the U.S. or +1 704-385-4884 outside the U.S. and reference 947 6904.

Please mute the audio on your computer.

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2021 Key Priorities



MEET OUR
CUSTOMERS' NEEDS



ACCELERATE OUR
REVENUE GROWTH



MAINTAIN STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

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November 3, 2021



APPENDIX

Third Quarter 2021 Business Review

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Adjusted Diluted EPS Reconciliation

Adjusted diluted EPS (earnings per share) is a non-GAAP financial measure.

	Q3 21	Q3 20
Diluted EPS, as reported	\$1.75	\$1.28
Restructuring Costs, Net of Tax	-	0.03
Acquisition Costs, Net of Tax	0.05	0.01
Acquired Backlog Amortization, Net of Tax	0.04	0.02
Acquired Profit in Inventory, Net of Tax	0.13	-
Discrete Tax Items	-	(0.03)
Adjusted Diluted EPS*	\$1.97	\$1.31

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q3 21	Q3 20
Operating Cash Flow	\$37,932	\$24,393
Less Capital Expenditures	3,370	1,822
Free Cash Flow*	\$34,562	\$22,571

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Adjusted EBITDA Reconciliation

Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA in a given period by revenue in the same period.

\$ in thousands	Q3 21	Q3 20
Net Income Attributable to Kadant	\$20,461	\$14,851
Net Income Attributable to Noncontrolling Interest	237	129
Provision for Income Taxes	6,742	4,705
Interest Expense, Net	1,265	1,618
Other Expense, Net	23	32
Restructuring Costs	-	470
Acquisition Costs	718	78
Acquired Backlog Amortization	604	331
Acquired Profit in Inventory	2,216	-
Depreciation and Amortization	8,591	7,755
Adjusted EBITDA*	\$40,857	\$29,969
Adjusted EBITDA Margin*	20.5%	19.4%

Revenue by Customer Location

\$ in thousands	Q3 21	Q3 20	Change	Change Excl. Acquisitions and FX*
North America	\$105,384	\$87,366	\$18,018	\$12,386
Europe	58,813	38,951	19,862	12,794
Asia	25,504	18,847	6,657	2,736
Rest of World	10,088	9,446	642	(93)
TOTAL	\$199,789	\$154,610	\$45,179	\$27,823

\$ in thousands	YTD Q3 21	YTD Q3 20	Change	Change Excl. Acquisitions and FX*
North America	\$307,243	\$269,907	\$37,336	\$27,029
Europe	159,281	112,881	46,400	30,002
Asia	72,046	50,992	21,054	13,312
Rest of World	29,493	32,817	(3,324)	(4,328)
TOTAL	\$568,063	\$466,597	\$101,466	\$66,015

Notes

PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6-9 is calculated using actual numbers reported in our press release dated November 2, 2021.

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 \$30 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.

