

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): May 2, 2023

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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	KAI	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 May 2, 2023, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter ended April 1, 2023. 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 May 3, 2023, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended April 1, 2023. 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.

(d) Exhibits

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

Exhibit No.	Description of Exhibits
99.1	Press Release issued by the Company on May 2, 2023 announcing its financial results.
99.2	Slides to be presented by the Company on May 3, 2023.
104	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: May 2, 2023

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

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PRESS RELEASE

Kadant Reports First Quarter 2023 Results Reports Record Bookings and Raises Earnings Guidance

WESTFORD, Mass., May 2, 2023 - Kadant Inc. (NYSE: KAI) reported its financial results for the first quarter ended April 1, 2023.

First Quarter Financial Highlights

- Bookings increased 3% to a record \$275 million
- Operating cash flow increased 55% to \$37 million
- Revenue increased 1% to \$230 million
- Net income decreased 32% to \$28 million
- GAAP EPS decreased 32% to \$2.40
- Adjusted EPS increased 5% to a record \$2.40
- Adjusted EBITDA increased 6% to \$49 million and represented 21.1% of revenue
- Backlog was a record \$393 million

Note: Percent changes above are based on comparison to the prior year period. All references to EPS are to our EPS as calculated on a diluted basis. Adjusted 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

"We had an outstanding start to 2023 with record bookings, record adjusted EPS, and excellent cash flow," said Jeffrey L. Powell, president and chief executive officer of Kadant Inc. "Strong demand for our aftermarket products led to record parts revenue despite the dampening effect of foreign currency translation and contributed to improved margin performance in the first quarter. I want to note that net income of \$41 million in the first quarter of 2022 included a \$15 million after-tax gain on the sale of a building related to the relocation of one of our Chinese facilities.

"Our operations teams executed extremely well throughout the first quarter with solid margin expansion across most operating segments while delivering exceptional value to our customers who rely on our technologies and engineered solutions to drive Sustainable Industrial Processing."

First Quarter 2023 compared to 2022

Revenue increased one percent to \$229.8 million compared to \$226.5 million in 2022. Organic revenue increased five percent, which excludes a four percent decrease from the unfavorable effect of foreign currency translation. Gross profit margin increased to 44.4 percent compared to 43.4 percent in 2022.

GAAP EPS was \$2.40 in 2023, decreasing 32 percent compared to \$3.53 in 2022, which included a \$1.30 gain on the sale of a building. Adjusted EPS increased five percent to a record \$2.40 compared to \$2.28 in 2022. Adjusted EPS in 2022 excludes a \$1.30 gain on the sale of a building, \$0.04 of acquisition-related costs, and \$0.01 of impairment costs. Net income was \$28.1 million in 2023, decreasing 32 percent compared to \$41.2 million in 2022, which included an after-tax gain of \$15.1 million on the sale of a building. Adjusted EBITDA increased six percent to \$48.6 million and represented 21.1 percent of revenue compared to \$45.8 million and 20.2 percent of revenue in the prior year. Operating cash flow increased 55 percent to \$36.9 million compared to \$23.8 million in 2022 due in part to a significant increase in customer deposits.

Bookings increased three percent to a record \$274.5 million compared to \$266.1 million in 2022. Organic bookings increased seven percent, which excludes a four percent decrease from the unfavorable effect of foreign currency translation.

Summary and Outlook

"The robust start to the year and our record backlog positions us well for strong performance in 2023," Mr. Powell continued. "As a result, we are raising our guidance for the full year. We now expect revenue of \$910 to \$935 million in 2023, revised from our previous guidance of \$900 to \$925 million, and GAAP EPS of \$8.82 to \$9.07, revised from our previous guidance of \$8.72 to \$8.97. The 2023 guidance includes pre-tax relocation costs of \$1.2 million, or \$0.08 per diluted share, related to the relocation of one of our Chinese facilities. Excluding this expense, we now expect adjusted EPS of \$8.90 to \$9.15 in 2023, revised from our previous guidance of \$8.80 to \$9.05. For the second quarter of 2023, we expect revenue of \$230 to \$235 million, GAAP EPS of \$2.01 to \$2.11 and, excluding \$0.04 per diluted share of relocation costs, adjusted EPS of \$2.05 to \$2.15."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, May 3, 2023, at 11:00 a.m. eastern time to discuss its first quarter performance, as well as future expectations. To listen to the call live and view the webcast, go to the "Investors" section of the Company's website at www.kadant.com. Participants interested in joining the call's live question and answer session are required to register by clicking <https://register.vevent.com/register/B15460a20d17494285a9d7a96d76fe2266> or selecting the Q&A link on our website to receive a dial-in number and unique PIN. It is recommended that you join the call 10 minutes prior to the start of the event. A replay of the webcast presentation will be available on our website through June 2, 2023.

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. After the webcast, Kadant will post its updated general investor presentation incorporating the first 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 EPS, earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, adjusted EBITDA margin, and free cash flow.

We use organic revenue to understand our trends and to forecast and evaluate our financial performance and compare revenue to prior periods. Organic revenue excludes revenue from acquisitions for the four quarterly reporting periods following the date of the acquisition and the effect of foreign currency translation. Revenue in the first quarter of 2023 included a \$7.4 million unfavorable foreign currency translation effect. Our other non-GAAP financial measures exclude impairment costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and certain gains or losses, as indicated. Collectively, 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, expenditures or income, or none at all. Additionally, we use free cash flow in order to provide insight on our ability to generate cash for acquisitions and debt repayments, as well as for other investing and financing activities.

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.

First Quarter

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

- Pre-tax gain on the sale of a facility of \$20.2 million in 2022.
- Pre-tax acquisition costs of \$0.1 million in 2022.
- Pre-tax indemnification asset reversal of \$0.6 million in 2022.
- Pre-tax impairment costs of \$0.2 million in 2022.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$0.5 million in 2022.

Adjusted net income and adjusted EPS exclude:

- After-tax gain on the sale of a facility of \$15.1 million (\$20.2 million net of tax of \$5.1 million) in 2022.
- After-tax acquisition costs of \$0.1 million in 2022.
- After-tax impairment costs of \$0.1 million (\$0.2 million net of tax of \$0.1 million) in 2022.
- After-tax expense related to amortization of acquired profit in inventory and backlog of \$0.4 (\$0.5 million net of tax of \$0.1 million) in 2022.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$4.5 million in 2023 and \$2.9 million in 2022.

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	
	April 1, 2023	April 2, 2022
Consolidated Statement of Income		
Revenue	\$ 229,758	\$ 226,480
Costs and Operating Expenses:		
Cost of revenue	127,712	128,269
Selling, general, and administrative expenses	58,562	59,168
Research and development expenses	3,370	3,078
Gain on sale and other costs, net (b)	—	(20,008)
	<u>189,644</u>	<u>170,507</u>
Operating Income	40,114	55,973
Interest Income	299	102
Interest Expense	(2,370)	(1,234)
Other Expense, Net	(21)	(22)
Income Before Provision for Income Taxes	38,022	54,819
Provision for Income Taxes	9,763	13,378
Net Income	28,259	41,441
Net Income Attributable to Noncontrolling Interest	(184)	(249)
Net Income Attributable to Kadant	<u>\$ 28,075</u>	<u>\$ 41,192</u>
Earnings per Share Attributable to Kadant:		
Basic	\$ 2.40	\$ 3.54
Diluted	\$ 2.40	\$ 3.53
Weighted Average Shares:		
Basic	11,681	11,630
Diluted	11,694	11,655

	Three Months Ended		Three Months Ended	
	April 1, 2023	April 1, 2023	April 2, 2022	April 2, 2022
Adjusted Net Income and Adjusted Diluted EPS (a)				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 28,075	\$ 2.40	\$ 41,192	\$ 3.53
Adjustments for the Following, Net of Tax:				
Gain on Sale (b)	—	—	(15,143)	(1.30)
Acquisition Costs	—	—	59	0.01
Impairment Costs	—	—	135	0.01
Acquired Profit in Inventory and Backlog Amortization (c,d)	—	—	387	0.03
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 28,075</u>	<u>\$ 2.40</u>	<u>\$ 26,630</u>	<u>\$ 2.28</u>

Revenue by Segment	Three Months Ended		Increase (Decrease)	Increase (Decrease) Excluding FX (a,e)
	April 1, 2023	April 2, 2022		
Flow Control	\$ 89,521	\$ 85,826	\$ 3,695	\$ 6,250
Industrial Processing	83,542	93,085	(9,543)	(5,720)
Material Handling	56,695	47,569	9,126	10,140
	<u>\$ 229,758</u>	<u>\$ 226,480</u>	<u>\$ 3,278</u>	<u>\$ 10,670</u>
Percentage of Parts and Consumables Revenue	66%	65%		

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Bookings by Segment	Three Months Ended		Increase (Decrease)	Increase (Decrease) Excluding FX (e)
	April 1, 2023	April 2, 2022		
Flow Control	\$ 104,556	\$ 100,111	\$ 4,445	\$ 7,556
Industrial Processing	96,274	106,344	(10,070)	(5,182)
Material Handling	73,689	59,640	14,049	15,263
	<u>\$ 274,519</u>	<u>\$ 266,095</u>	<u>\$ 8,424</u>	<u>\$ 17,637</u>
Percentage of Parts and Consumables Bookings	60%	60%		

Business Segment Information	Three Months Ended	
	April 1, 2023	April 2, 2022
Gross Profit Margin:		
Flow Control	53.3%	52.4%
Industrial Processing	40.6%	38.6%
Material Handling	36.1%	36.4%
Consolidated	44.4%	43.4%

Operating Income:		
Flow Control	\$ 24,189	\$ 21,725
Industrial Processing (b)	15,967	38,159
Material Handling	9,287	5,844
Corporate	(9,329)	(9,755)
	<u>\$ 40,114</u>	<u>\$ 55,973</u>

Adjusted Operating Income (a,f):		
Flow Control	\$ 24,189	\$ 21,569
Industrial Processing	15,967	18,726
Material Handling	9,287	6,561
Corporate	(9,329)	(9,755)
	<u>\$ 40,114</u>	<u>\$ 37,101</u>

Capital Expenditures:		
Flow Control	\$ 1,404	\$ 525
Industrial Processing	2,579	1,952
Material Handling	462	384
Corporate	24	7
	<u>\$ 4,469</u>	<u>\$ 2,868</u>

Cash Flow and Other Data	Three Months Ended	
	April 1, 2023	April 2, 2022
Operating Cash Flow	\$ 36,866	\$ 23,768
Less: Capital Expenditures	(4,469)	(2,868)
Free Cash Flow (a)	<u>\$ 32,397</u>	<u>\$ 20,900</u>
Depreciation and Amortization Expense	\$ 8,446	\$ 9,445

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Balance Sheet Data	April 1, 2023	December 31, 2022
Assets		
Cash, Cash Equivalents, and Restricted Cash	\$ 85,507	\$ 79,725
Accounts Receivable, net	131,268	130,297
Inventories	179,199	163,672
Contract Assets	12,389	14,898
Property, Plant, and Equipment, net	120,274	118,855
Intangible Assets	171,396	175,645
Goodwill	387,890	385,455
Other Assets	81,221	81,334
	<u>\$ 1,169,144</u>	<u>\$ 1,149,881</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 57,939	\$ 58,060
Debt Obligations	180,147	199,219
Other Borrowings	1,760	1,942
Other Liabilities	244,993	235,089
Total Liabilities	<u>484,839</u>	<u>494,310</u>
Stockholders' Equity	<u>684,305</u>	<u>655,571</u>
	<u>\$ 1,169,144</u>	<u>\$ 1,149,881</u>

Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)	Three Months Ended	
	April 1, 2023	April 2, 2022
Consolidated		
Net Income Attributable to Kadant	\$ 28,075	\$ 41,192
Net Income Attributable to Noncontrolling Interest	184	249
Provision for Income Taxes	9,763	13,378
Interest Expense, Net	2,071	1,132
Other Expense, Net	21	22
Operating Income	<u>40,114</u>	<u>55,973</u>
Gain on Sale (b)	—	(20,190)
Acquisition Costs	—	76
Indemnification Asset Reversal (g)	—	575
Impairment Costs	—	182
Acquired Backlog Amortization (c)	—	703
Acquired Profit in Inventory Amortization (d)	—	(218)
Adjusted Operating Income (a)	<u>40,114</u>	<u>37,101</u>
Depreciation and Amortization	8,446	8,742
Adjusted EBITDA (a)	<u>\$ 48,560</u>	<u>\$ 45,843</u>
Adjusted EBITDA Margin (a,h)	<u>21.1%</u>	<u>20.2%</u>
Flow Control		
Operating Income	\$ 24,189	\$ 21,725
Acquisition Costs	—	62
Acquired Profit in Inventory Amortization (d)	—	(218)
Adjusted Operating Income (a)	<u>24,189</u>	<u>21,569</u>
Depreciation and Amortization	2,279	2,347
Adjusted EBITDA (a)	<u>\$ 26,468</u>	<u>\$ 23,916</u>
Adjusted EBITDA Margin (a,h)	<u>29.6%</u>	<u>27.9%</u>

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Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)	Three Months Ended	
	April 1, 2023	April 2, 2022
Industrial Processing		
Operating Income	\$ 15,967	\$ 38,159
Gain on Sale (b)	—	(20,190)
Indemnification Asset Reversal (g)	—	575
Impairment Costs	—	182
Adjusted Operating Income (a)	15,967	18,726
Depreciation and Amortization	2,972	3,274
Adjusted EBITDA (a)	\$ 18,939	\$ 22,000
Adjusted EBITDA Margin (a,h)	22.7%	23.6%
Material Handling		
Operating Income	\$ 9,287	\$ 5,844
Acquisition Costs	—	14
Acquired Backlog Amortization (c)	—	703
Adjusted Operating Income (a)	9,287	6,561
Depreciation and Amortization	3,176	3,096
Adjusted EBITDA (a)	\$ 12,463	\$ 9,657
Adjusted EBITDA Margin (a,h)	22.0%	20.3%
Corporate		
Operating Loss	\$ (9,329)	\$ (9,755)
Depreciation and Amortization	19	25
EBITDA (a)	\$ (9,310)	\$ (9,730)

- (a) Represents a non-GAAP financial measure.
- (b) Includes a \$20.2 million pre-tax gain on the sale of a manufacturing facility in China in the three months ended April 2, 2022 in our Industrial Processing segment pursuant to a relocation plan.
- (c) Represents intangible amortization expense associated with acquired backlog.
- (d) Represents income within cost of revenue associated with amortization of acquired profit in inventory.
- (e) Represents the increase (decrease) resulting 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) Represents an indemnification asset reversal related to the release of tax reserves associated with uncertain tax positions.
- (h) Calculated as adjusted EBITDA divided by revenue in each period.

About Kadant

Kadant Inc. is a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing. The Company's products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries. Kadant is based in Westford, Massachusetts, with approximately 3,100 employees in 20 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 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.

Contacts

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First Quarter 2023 Business Review

KADANT

May 3, 2023

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 May 2, 2023. 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 (earnings per share), adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, adjusted operating income, and free cash flow. All references to EPS 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 first quarter 2023 earnings press release issued May 2, 2023, 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

KADANT

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Operational Highlights

- Strong demand continued into the first quarter leading to record bookings
- Solid execution by our businesses led to record adjusted EPS*
- Cash flow reached a new historical high for a first quarter

Q1 2023 Performance

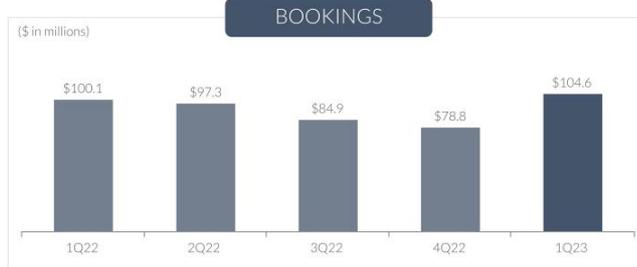
(\$ in millions, except per share amounts)	Q1 23	Q1 22	Change
Revenue	\$229.8	\$226.5	+1.4%
Net Income	\$28.1	\$41.2	-31.8%
Adjusted EBITDA*	\$48.6	\$45.8	+5.9%
Adjusted EBITDA Margin*	21.1%	20.2%	+90 bps
EPS	\$2.40	\$3.53	-32.0%
Adjusted EPS*	\$2.40	\$2.28	+5.3%
Operating Cash Flow	\$36.9	\$23.8	+55.1%
Bookings	\$274.5	\$266.1	+3.2%

HIGHLIGHTS

- Record bookings performance despite unfavorable FX
- Aftermarket parts made up 66% of Q1 revenue; up 4% to a record \$152 million
- Strong operating performance led to record adjusted EPS* and excellent adjusted EBITDA* and cash flow

Flow Control

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$89.5	\$85.8	+4.3%
Bookings	\$104.6	\$100.1	+4.4%
Adjusted EBITDA*	\$26.5	\$23.9	+10.7%
Adjusted EBITDA Margin*	29.6%	27.9%	+170 bps



HIGHLIGHTS

- Strong aftermarket demand and capital project activity drove record bookings
- Excellent execution led to record adjusted EBITDA* in the first quarter
- End markets remain healthy despite continued uncertainty in the macroeconomy

Industrial Processing

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$83.5	\$93.1	-10.3%
Bookings	\$96.3	\$106.3	-9.5%
Adjusted EBITDA*	\$18.9	\$22.0	-13.9%
Adjusted EBITDA Margin*	22.7%	23.6%	-90 bps



HIGHLIGHTS

- Demand for capital equipment softened in Q1 relative to the strong prior year period
- Healthy demand for aftermarket parts represented 65% of total Q1 revenue
- Mill operating rates remain solid while market-related downtime is being taken to balance supply

Material Handling

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$56.7	\$47.6	+19.2%
Bookings	\$73.7	\$59.6	+23.6%
Adjusted EBITDA*	\$12.5	\$9.7	+29.1%
Adjusted EBITDA Margin*	22.0%	20.3%	+170 bps



HIGHLIGHTS

- Robust demand for our bulk material handling equipment and baling systems
- Business activity remains healthy with record revenue and bookings in Q1
- Excellent execution by our operations teams led to record adjusted EBITDA*

Business Outlook

- Project activity continues to be good despite global macroeconomic headwinds
- Industrial demand expected to moderate as the year progresses, particularly in the second half
- Record backlog in the first quarter positions us well for strong performance in 2023



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

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Q1 2023 Financial Performance

HIGHLIGHTS

- Adjusted EBITDA margin* of 21.1%
- Operating cash flow of \$36.9 million
- Free cash flow* of \$32.4 million
- Net debt of \$96.4 million; leverage ratio¹ of 0.64

(\$ in millions, except per share amounts)	Q1 23	Q1 22
Gross Margin	44.4%	43.4%
SG&A % of Revenue	25.5%	26.1%
Operating Income	\$40.1	\$56.0
Net Income	\$28.1	\$41.2
Adjusted EBITDA*	\$48.6	\$45.8
EPS	\$2.40	\$3.53
Adjusted EPS*	\$2.40	\$2.28

Key Consolidated Financial Metrics



1Q22 to 1Q23 Adjusted EPS*



Key Liquidity Metrics

(\$ in millions)	Q1 23	Q4 22	Q1 22
Cash, cash equivalents, and restricted cash	\$85.5	\$79.7	\$89.0
Debt	\$180.1	\$199.2	\$243.4
Lease obligations	\$1.8	\$1.9	\$4.5
Net Debt	\$96.4	\$121.4	\$158.9
Leverage ratio ¹	0.64	0.74	1.16
Working capital % LTM revenue ²	15.6%	13.9%	10.8%
Cash conversion days ³	136	126	104

Guidance

- FY 2023 revenue of \$910 to \$935 million, revised from \$900 to \$925 million
- FY 2023 GAAP EPS of \$8.82 to \$9.07, revised from \$8.72 to \$8.97
- FY 2023 adjusted EPS* of \$8.90 to \$9.15, revised from \$8.80 to \$9.05

- Q2 2023 revenue of \$230 to \$235 million
- Q2 2023 GAAP EPS of \$2.01 to \$2.11
- Q2 2023 adjusted EPS* of \$2.05 to \$2.15



Questions & Answers

To participate in the live Q&A session, please go to 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.

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2023 Key Priorities



ENABLE SUSTAINABLE INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL STAKEHOLDER VALUE

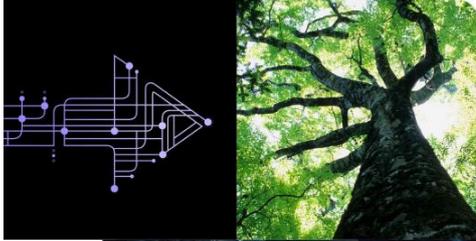


PROVIDE STRONG CASH FLOW



CAPITALIZE ON NEW OPPORTUNITIES

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May 3, 2023



APPENDIX

First Quarter 2023 Business Review

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Revenue by Customer Location

(\$ in thousands)	Q1 23	Q1 22	Change	Change Excluding FX*
North America	\$132,453	\$124,336	\$8,117	\$9,833
Europe	54,157	58,366	(4,209)	(1,027)
Asia	27,770	31,987	(4,217)	(2,168)
Rest of World	15,378	11,791	3,587	4,032
Total	\$229,758	\$226,480	\$3,278	\$10,670

Adjusted EPS Reconciliation

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

	Q1 23	Q1 22
EPS, as Reported	\$2.40	\$3.53
Adjustments, Net of Tax		
Gain on Sale	—	(1.30)
Acquisition Costs	—	0.01
Impairment Costs	—	0.01
Acquired Profit in Inventory and Backlog Amortization	—	0.03
Adjusted EPS*	\$2.40	\$2.28

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in thousands)	Q1 23	Q1 22
Operating Cash Flow	\$36,866	\$23,768
Less Capital Expenditures	(4,469)	(2,868)
Free Cash Flow*	\$32,397	\$20,900

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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)	Q1 23	Q1 22
Net Income Attributable to Kadant	\$28,075	\$41,192
Net Income Attributable to Noncontrolling Interest	184	249
Provision for Income Taxes	9,763	13,378
Interest Expense, Net	2,071	1,132
Other Expense, Net	21	22
Gain on Sale	—	(20,190)
Acquisition Costs	—	76
Indemnification Asset Reversal	—	575
Impairment Costs	—	182
Acquired Backlog Amortization	—	703
Acquired Profit in Inventory Amortization	—	(218)
Depreciation and Amortization	8,446	8,742
Adjusted EBITDA*	\$48,560	\$45,843
Adjusted EBITDA Margin*	21.1%	20.2%

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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 May 2, 2023.

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.

