

First Quarter 2020 Business Review

KĀDANT

April 30, 2020

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 the date of this presentation. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

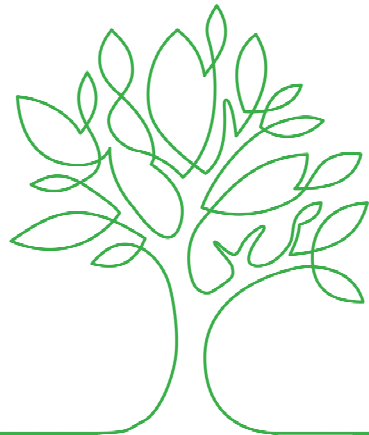
These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant’s annual report on Form 10-K for the year ended December 28, 2019 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; our customers’ ability to obtain financing for capital equipment projects; international sales and operations; health epidemics; changes to government regulations and policies around the world; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; 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; cyclical economic conditions affecting the global mining industry; development and use of digital media; currency fluctuations; demand for coal, including economic and environmental risks associated with coal; price increases or shortages of raw materials; dependence on certain suppliers; our acquisition strategy; failure of our information systems or breaches of data security and cybertheft; compliance with government regulations and policies and compliance with laws; implementation of our internal growth strategy; competition; soundness of suppliers and customers; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; economic conditions and regulatory changes caused by the United Kingdom’s exit from the European Union; our debt obligations; restrictions in our credit agreement and note purchase agreement; substitution of an alternative index for LIBOR; loss of key personnel and effective succession planning; protection of intellectual property; fluctuations in our share price; soundness of financial institutions; environmental laws and regulations; climate change; environmental, health and safety laws and regulations; adequacy of our insurance coverage; anti-takeover provisions; and reliance on third-party research.

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 adjusted diluted EPS, adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, 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 2020 first quarter earnings press release issued April 29, 2020, 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

Operational Highlights

- Safeguarding our workplaces and protecting the health and safety of our employees
- All manufacturing plants are fully operational, serving the needs of our customers who are part of the critical infrastructure industry
- Working closely with our supply chain to minimize any potential disruptions
- Our balance sheet remains healthy and our liquidity position is solid

Q1 2020 Performance

(\$ in millions, except per share amounts)

	Q1 20	Q1 19	Change
Revenue	\$159.1	\$171.3	-7.1%
Net Income	\$12.5	\$10.9	+15.0
Adjusted EBITDA*	\$27.3	\$30.0	-9.0%
Adjusted EBITDA Margin*	17.1%	17.5%	-40 bps
Diluted EPS	\$1.09	\$0.96	+13.5%
Adjusted Diluted EPS*	\$1.09	\$1.24	-12.1%
Operating Cash Flow	\$6.2	\$9.9	-37.5%
Bookings	\$175.6	\$183.6	-4.4%

HIGHLIGHTS

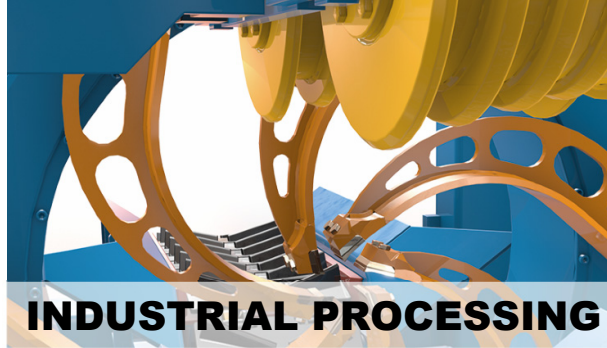
- Revenue was in line with expectations
- COVID-19 led to shipment delays at end of quarter
- Adjusted EBITDA* decreased 9% to \$27 million
- Book-to-Bill ratio was 1.10

Strategic Operating Segments



FLOW CONTROL

- Fluid Handling and Doctoring, Cleaning, & Filtration product lines
- Custom-engineered products, systems and technologies that control the flow of fluids
- Key industries include packaging, tissue, food, and metals
- \$250 million revenue (2019)



INDUSTRIAL PROCESSING

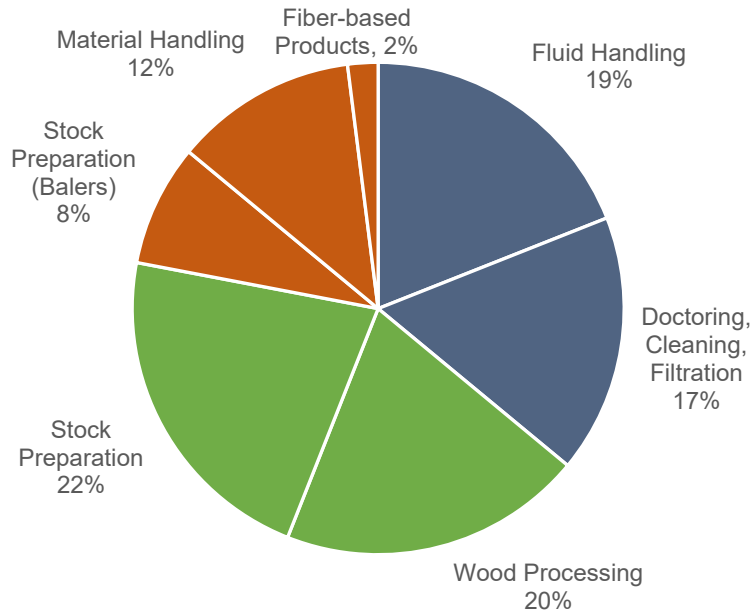
- Stock Preparation and Wood Processing product lines
- Products used to recycle paper and paperboard and process timber
- Key industries include packaging, tissue, wood products, and alternative fuels
- \$302 million revenue (2019)



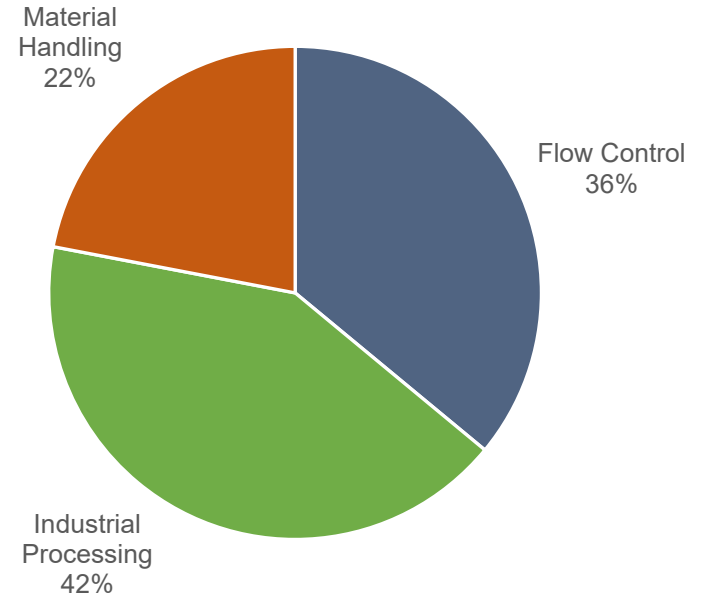
MATERIAL HANDLING

- Conveyors, Vibratory Feeders, Balers, and Fiber-based Products
- Products used to handle bulk and discrete materials for secondary processing
- Key industries include aggregates, mining, food, and waste management
- \$152 million revenue (2019)

Operating Segment Revenue



2019 AS REPORTED



2019 RECAST

Flow Control

Custom-engineered products, systems, and technologies that control the flow of fluids

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$57.1	\$61.1	-6.5%
Bookings	\$67.7	\$64.7	+4.6%
Adjusted EBITDA*	\$14.9	\$14.6	+2.4%
Adjusted EBITDA Margin*	26.1%	23.8%	+230 bps



HIGHLIGHTS

- Strong bookings performance
- Parts and consumables revenue made up 69% of total Q1 revenue
- Large capital project activity impacted by COVID-19; service work postponed
- Most customers designated as critical infrastructure manufacturers

Industrial Processing

Products used to recycle paper and paperboard and to process timber

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$64.7	\$72.3	-10.5%
Bookings	\$65.8	\$79.1	-16.7%
Adjusted EBITDA*	\$12.6	\$15.1	-16.6%
Adjusted EBITDA Margin*	19.5%	20.9%	-140 bps

BOOKINGS



HIGHLIGHTS

- Headwinds coming from China due to economic slowdown, wastepaper ban
- Softness in timber processing capital business compared to record-setting 2018 and 2019
- Parts and consumables revenue made up 62% of total Q1 revenue
- Most customers designated as critical infrastructure manufacturers

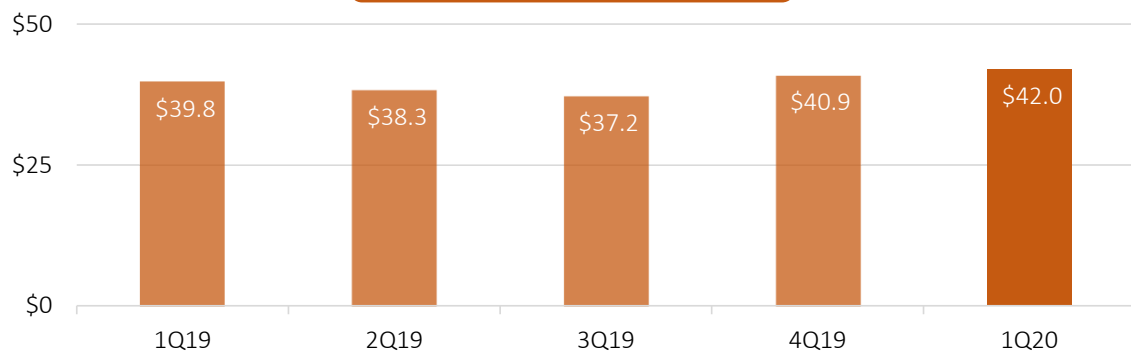
Material Handling

Products used to handle bulk and discrete materials for secondary processing.

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$37.3	\$37.9	-1.7%
Bookings	\$42.0	\$39.8	+5.6%
Adjusted EBITDA*	\$6.9	\$7.2	-4.0%
Adjusted EBITDA Margin*	18.6%	19.1%	-50 bps

BOOKINGS

(\$ in millions)

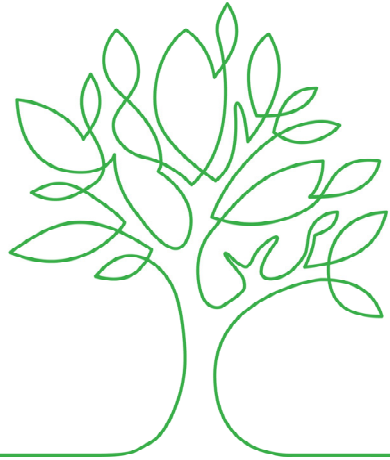


HIGHLIGHTS

- Bookings were a record \$42 million
- Strong demand for underground conveyor systems
- Parts and consumables revenue made up 68% of total Q1 revenue
- Most customers designated as critical infrastructure manufacturers

BUSINESS OUTLOOK

Second Quarter 2020 and FY 2020



FINANCIAL REVIEW

Michael J. McKenney | EVP & CFO

Q1 2020 Financial Performance

HIGHLIGHTS

- EPS exceeded high end of our guidance range
- Adjusted EBITDA margin* of 17.1%
- Operating cash flows of \$6.2 million
- Free cash flow* of \$3.5 million
- Net debt of \$233 million; leverage ratio¹ of 2.04

(\$ Millions, except per share amounts)

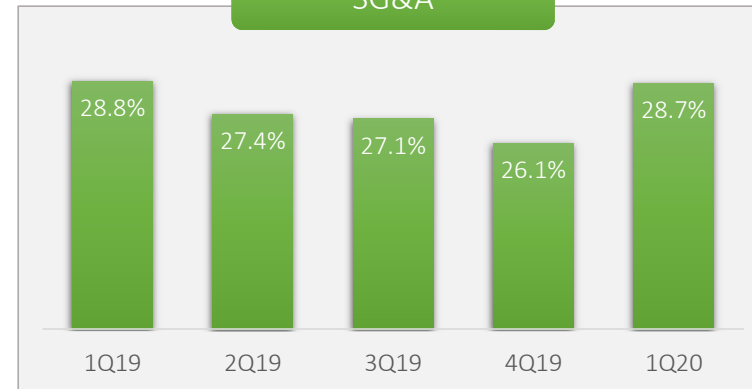
	Q1 20	Q1 19
Gross Margin	42.9%	41.2%
SG&A % of Revenue	28.7%	28.8%
Operating Income	\$19.7	\$18.6
Net Income	\$12.5	\$10.9
Adjusted EBITDA*	\$27.3	\$30.0
Diluted EPS	\$1.09	\$0.96
Adjusted Diluted EPS*	\$1.09	\$1.24

Key Consolidated Financial Metrics

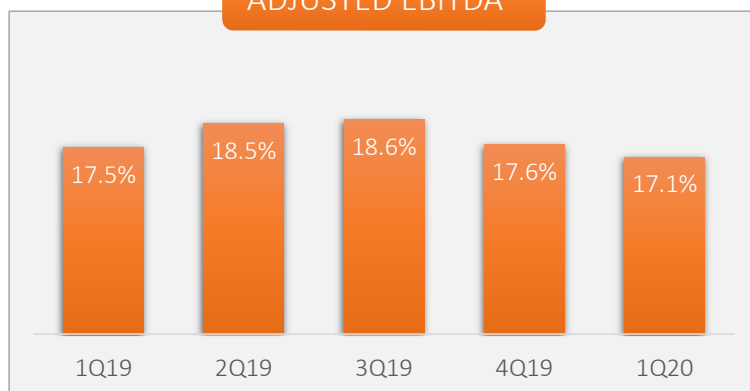
GROSS MARGIN



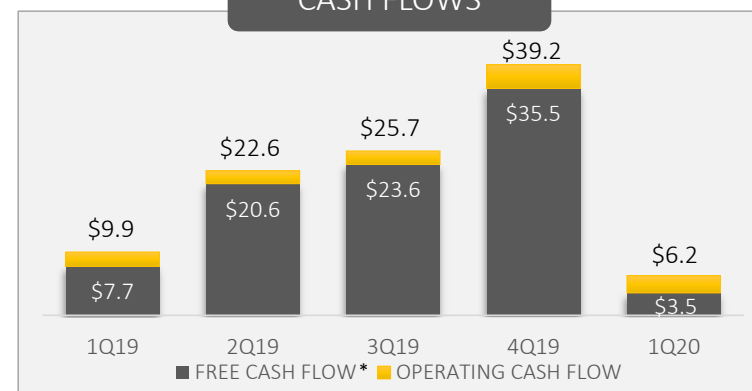
SG&A



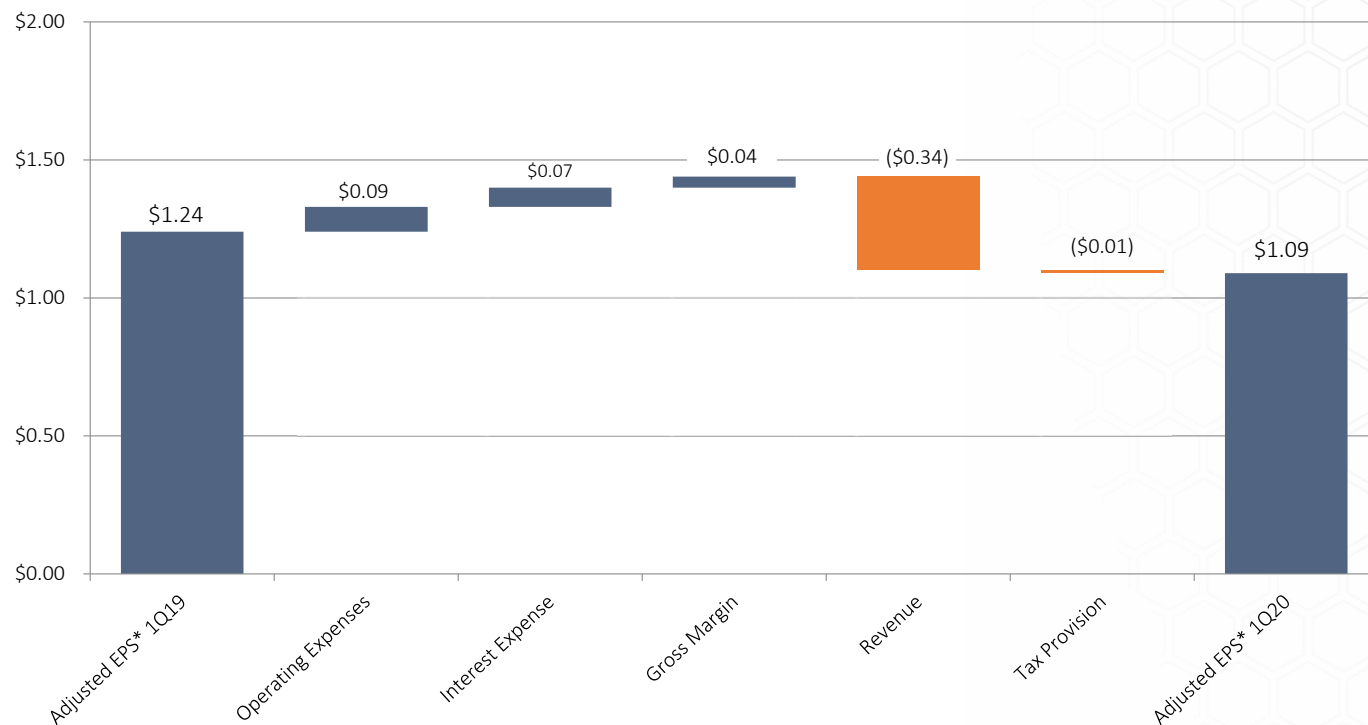
ADJUSTED EBITDA*



CASH FLOWS



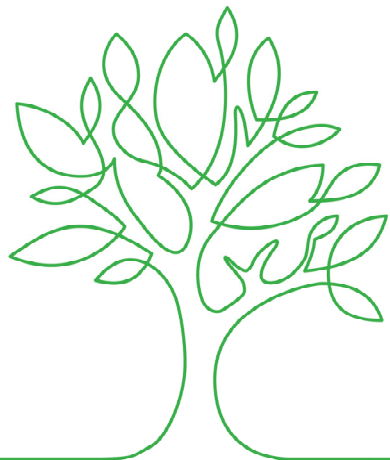
1Q19 to 1Q20 Adjusted Diluted EPS*



Key Liquidity Metrics

\$ in millions	Q1 20	Q4 19	Q1 19
Cash, cash equivalents, and restricted cash	\$62.1	\$68.2	\$57.2
Debt	\$289.5	\$294.7	\$354.8
Lease obligations	\$5.9	\$6.3	\$6.1
Net Debt	\$233.3	\$232.8	\$303.7
Leverage ratio ¹	2.04	2.03	2.33
Working capital % LTM revenue ²	14.2%	12.2%	14.9%
Cash conversion days ³	119 days	104 days	110 days

- Net debt decreased 23% from Q1 2019
- Paid down \$2.6 million of debt in the first quarter of 2020
- Our liquidity remains solid with \$400+ million in borrowing capacity
 - \$141 million under our revolving credit facility and an additional uncommitted \$150 million
 - Up to \$115 million through our note purchase agreement



FINANCIAL REVIEW

Michael J. McKenney | EVP & CFO

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 **599 3005**.

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2020 Key Priorities



SAFEGUARD OUR
EMPLOYEES



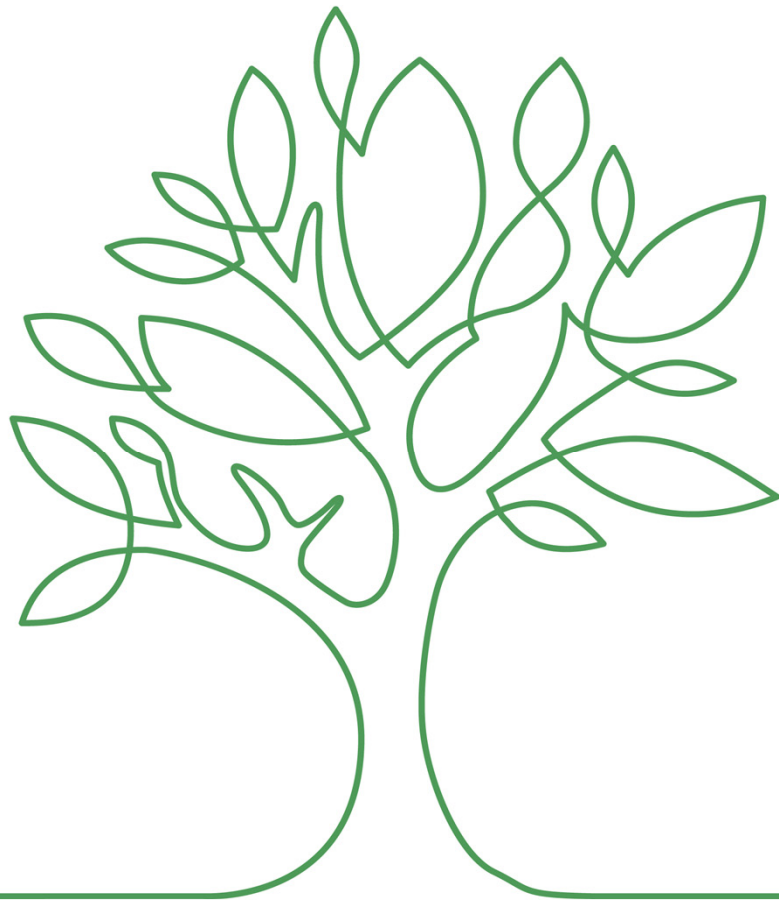
MAINTAIN STRONG
CASH FLOW



MEET OUR
CUSTOMERS' NEEDS



OPTIMIZE OUR
LIQUIDITY



Thank You

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KĀDANT

April 30, 2020

APPENDIX

First Quarter 2020 Business Review

Adjusted Diluted EPS Reconciliation

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

	Q1 20	Q1 19
Diluted EPS, as reported	\$1.09	\$0.96
Acquisition Costs, Net of Tax	-	\$0.06
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax	-	\$0.22
Adjusted Diluted EPS	\$1.09	\$1.24

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

	Q1 20	Q1 19
Cash Provided by Operations	\$6,169	\$9,876
Capital Expenditures	(2,686)	(2,168)
Free Cash Flow	\$3,483	\$7,708

Adjusted EBITDA Reconciliation

Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is calculated by adding interest and other expense, income tax expense, depreciation and amortization, amortization of intangible assets, and acquisition-related costs to net income. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA in a given period by revenue in the same period. Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures.

\$ in millions	Q1 20	Q1 19
Net Income Attributable to Kadant	\$12,531	\$10,900
Net Income Attributable to Noncontrolling Interest	125	165
Provision for Income Taxes	4,559	3,963
Interest Expense, net	2,408	3,448
Other Expense, net	32	99
Acquisition Costs	-	843
Acquired Backlog Amortization	8	998
Acquired Profit in Inventory	-	2,310
Depreciation and Amortization	7,590	7,233
Adjusted EBITDA	\$27,253	\$29,959
Adjusted EBITDA Margin	17.1%	17.5%

Notes

PRESENTATION NOTES

- This presentation reflects our new reportable operating segments, as announced on the Form 8-K we filed with the U.S. Securities and Exchange Commission on April 22, 2020. Prior periods have been recast to conform to this presentation.
- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6 and 9-11 is calculated using actual numbers reported in our press release dated April 29, 2020.

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.