

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): February 15, 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 February 15, 2023, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter and year ended December 31, 2022. 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 February 16, 2023, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter and year ended December 31, 2022. 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 February 15, 2023 announcing its financial results.
99.2	Slides to be presented by the Company on February 16, 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: February 15, 2023

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

KADANT INC.
One Technology Park Drive
Westford, MA 01886 USA
Tel: +1 978-776-2000
www.kadant.com

PRESS RELEASE

Kadant Reports Fourth Quarter and Fiscal Year 2022 Results

WESTFORD, Mass., February 15, 2023 - Kadant Inc. (NYSE: KAI) reported its financial results for the fourth quarter and fiscal year ended December 31, 2022.

Fourth Quarter Financial Highlights

- Revenue increased 6% to \$232 million*
- Bookings decreased 7% to \$215 million
- Net income increased 8% to \$26 million
- GAAP diluted EPS increased 8% to \$2.23
- Adjusted diluted EPS increased 1% to \$2.33
- Adjusted EBITDA increased 10% to \$50 million* and represented 21.3%* of revenue
- Operating cash flow decreased 42% to \$35 million

Fiscal Year Financial Highlights

- Revenue increased 15% to \$905 million*
- Bookings increased 7% to \$958 million*
- Net income increased 44% to \$121 million*
- GAAP diluted EPS increased 44% to \$10.35*
- Adjusted diluted EPS increased 18% to \$9.24*
- Adjusted EBITDA increased 19% to \$189 million* and represented 20.9%* of revenue
- Operating cash flow decreased 37% to \$103 million
- Ending backlog was \$345 million

*Note: An * above indicates record achieved. Percent changes above are based on comparison to the prior year period. 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

"The fourth quarter contributed to a record-setting year for Kadant," said Jeffrey L. Powell, president and chief executive officer of Kadant Inc. "Despite the challenges brought about by macroeconomic headwinds and lingering supply chain constraints, we had another well-executed quarter which led to a fifth consecutive quarterly record for adjusted EBITDA."

"Strong capital project activity in the first half of the year and robust aftermarket demand led to record revenue in the fourth quarter and full-year. For the full-year 2022, our GAAP diluted EPS increased 44 percent to \$10.35 and adjusted diluted EPS was up 18 percent to \$9.24. Our global team performed exceptionally well under challenging conditions, and they deserve a lot of credit for the results we achieved in 2022."

Fourth Quarter 2022 compared to 2021

Revenue increased six percent to a record \$232.1 million compared to \$218.5 million in 2021. Organic revenue increased 13 percent, which excludes a seven percent decrease from the unfavorable effect of foreign currency translation. Gross profit margin increased to 43.1 percent compared to 42.4 percent in 2021.

GAAP diluted earnings per share (EPS) increased eight percent to \$2.23 compared to \$2.07 in 2021 and adjusted diluted EPS increased one percent to \$2.33. Adjusted diluted EPS excludes \$0.09 of impairment and restructuring costs and \$0.01 of acquisition costs in 2022. Adjusted diluted EPS excludes \$0.23 of acquisition-related costs, \$0.08 of impairment and restructuring costs, a \$0.04 discrete tax benefit, and a \$0.03 gain on the sale of a building in 2021. Net income increased eight percent to \$26.1 million compared to \$24.2 million in 2021. Adjusted EBITDA increased 10 percent to a record \$49.5 million and represented 21.3 percent of revenue compared to \$44.8 million and 20.5 percent of revenue in the prior year quarter. Operating cash flow decreased 42 percent to \$35.2 million compared to \$61.0 million in 2021 due to an increase in working capital.

Bookings decreased seven percent to \$215.3 million compared to \$230.8 million in 2021. Organic bookings decreased one percent, which excludes a six percent decrease from the unfavorable effect of foreign currency translation.

Fiscal Year 2022 compared to 2021

Revenue increased 15 percent to a record \$904.7 million compared to \$786.6 million in 2021. Organic revenue increased 15 percent, which excludes a five percent increase from acquisitions and a five percent decrease from the unfavorable effect of foreign currency translation. Gross profit margin increased to 43.1 percent compared to 42.9 percent in 2021.

GAAP diluted EPS increased 44 percent to a record \$10.35 compared to \$7.21 in 2021. Adjusted diluted EPS increased 18 percent to a record \$9.24 compared to \$7.83 in 2021. Adjusted diluted EPS excludes a \$1.30 gain on sale of a facility, \$0.11 of impairment and restructuring costs, and \$0.07 of acquisition-related costs in 2022. Adjusted diluted EPS excludes \$0.60 of acquisition-related costs, \$0.08 of impairment and restructuring costs, a \$0.04 discrete tax benefit, and a \$0.03 gain on the sale of a building in 2021. Net income increased 44 percent to \$120.9 million compared to \$84.0 million in 2021. Adjusted EBITDA increased 19 percent to a record \$189.1 million and represented a record 20.9 percent of revenue compared to \$159.4 million and 20.3 percent of revenue in the prior year. Operating cash flow decreased 37 percent to \$102.6 million compared to \$162.4 million in 2021 primarily due to purchases of inventory to support our record backlog.

Bookings increased seven percent to a record \$958.2 million compared to \$893.2 million in 2021. Organic bookings increased six percent, which excludes a six percent increase from acquisitions and a five percent decrease from the unfavorable effect of foreign currency translation.

Summary and Outlook

"Our strong backlog at the end of 2022 positions us well for a solid start to 2023," Mr. Powell continued. "While ongoing project activity is healthy, there is uncertainty in the latter half of the year as central banks work to ease inflationary pressures. For 2023, we expect revenue of \$900 to \$925 million, GAAP diluted EPS of \$8.72 to \$8.97, and excluding \$0.08 per diluted share of estimated moving costs related to the relocation of one of our Chinese facilities, adjusted diluted EPS of \$8.80 to \$9.05. For the first quarter of 2023, we expect GAAP diluted EPS of \$2.08 to \$2.20 on revenue of \$217 to \$223 million."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Thursday, February 16, 2023, at 11:00 a.m. eastern time to discuss its fourth quarter and full-year 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 visiting <https://register.vevent.com/register/Bi851adff23e3d4042904cde6900d4281> 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 March 17, 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 fourth quarter and full-year 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 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 fourth quarter of 2022 included a \$14.1 million unfavorable foreign currency translation effect. Revenue in 2022 included \$40.1 million from acquisitions and a \$41.1 million unfavorable foreign currency translation effect. Our other non-GAAP financial measures exclude impairment and restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, discrete tax items, 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.

Fourth Quarter

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

- Pre-tax gain on sale of \$0.5 million in 2021.
- Pre-tax acquisition costs of \$0.2 million in 2022 and \$1.0 million in 2021.
- Pre-tax indemnification asset reversals of \$0.7 million in 2022.
- Pre-tax impairment and restructuring costs of \$1.1 million in 2022 and \$1.0 million in 2021.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$2.7 million in 2021.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax gain on sale of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2021.
- After-tax acquisition costs of \$0.2 million in 2022 and \$0.7 million (\$1.0 million net of tax of \$0.3 million) in 2021.
- After-tax impairment and restructuring costs of \$1.1 million in 2022 and \$1.0 million in 2021.
- After-tax expense related to amortization of acquired profit in inventory and backlog of \$2.0 million (\$2.7 million net of tax of \$0.7 million) in 2021.

- A discrete tax benefit of \$0.4 million in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$12.0 million in 2022 and \$5.1 million in 2021.

Fiscal Year

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 and \$0.5 million in 2021.
- Pre-tax acquisition costs of \$0.7 million in 2022 and \$3.7 million in 2021.
- Pre-tax indemnification asset reversals of \$1.3 million in 2022.
- Pre-tax impairment and restructuring costs of \$1.3 million in 2022 and \$1.0 million in 2021.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$0.5 million in 2022 and \$5.6 million in 2021.

Adjusted net income and adjusted diluted 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 and \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2021.
- After-tax acquisition costs of \$0.5 million (\$0.7 million net of tax of \$0.2 million) in 2022 and \$3.1 million (\$3.7 million net of tax of \$0.6 million) in 2021.
- After-tax impairment and restructuring costs of \$1.3 million in 2022 and \$1.0 million in 2021.
- After-tax expense related to amortization of acquired profit in inventory and backlog of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2022 and \$4.0 (\$5.6 million net of tax of \$1.6 million) in 2021.
- A discrete tax benefit of \$0.4 million in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$28.2 million in 2022 and \$12.8 million in 2021.

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		Three Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Consolidated Statement of Income				
Revenue	\$ 232,100	\$ 218,516	\$ 904,739	\$ 786,579
Costs and Operating Expenses:				
Cost of revenue	132,150	125,877	515,184	449,214
Selling, general, and administrative expenses	56,765	57,773	224,405	208,787
Research and development expenses	3,150	2,856	12,724	11,403
Gain on sale and other costs, net (b)	1,080	465	(18,856)	465
	<u>193,145</u>	<u>186,971</u>	<u>733,457</u>	<u>669,869</u>
Operating Income	38,955	31,545	171,282	116,710
Interest Income	254	91	904	267
Interest Expense	(2,157)	(1,324)	(6,478)	(4,821)
Other Expense, Net	(12)	(33)	(72)	(104)
Income Before Provision for Income Taxes	37,040	30,279	165,636	112,052
Provision for Income Taxes	10,831	5,919	43,906	27,171
Net Income	26,209	24,360	121,730	84,881
Net Income Attributable to Noncontrolling Interest	(130)	(203)	(802)	(838)
Net Income Attributable to Kadant	<u>\$ 26,079</u>	<u>\$ 24,157</u>	<u>\$ 120,928</u>	<u>\$ 84,043</u>
Earnings per Share Attributable to Kadant:				
Basic	\$ 2.24	\$ 2.08	\$ 10.38	\$ 7.26
Diluted	\$ 2.23	\$ 2.07	\$ 10.35	\$ 7.21
Weighted Average Shares:				
Basic	11,664	11,606	11,654	11,579
Diluted	11,708	11,689	11,688	11,655
	Three Months Ended		Three Months Ended	
	December 31, 2022	December 31, 2022	January 1, 2022	January 1, 2022
Adjusted Net Income and Adjusted Diluted EPS (a)				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 26,079	\$ 2.23	\$ 24,157	\$ 2.07
Adjustments for the Following, Net of Tax:				
Gain on Sale	—	—	(391)	(0.03)
Acquisition Costs	159	0.01	725	0.06
Impairment and Restructuring Costs	1,080	0.09	980	0.08
Acquired Profit in Inventory and Backlog Amortization (c,d)	—	—	1,963	0.17
Discrete Tax Items	—	—	(419)	(0.04)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 27,318</u>	<u>\$ 2.33</u>	<u>\$ 27,015</u>	<u>\$ 2.31</u>
	Twelve Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2022	January 1, 2022	January 1, 2022
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 120,928	\$ 10.35	\$ 84,043	\$ 7.21
Adjustments for the Following, Net of Tax:				
Gain on Sale (b)	(15,143)	(1.30)	(391)	(0.03)
Acquisition Costs	494	0.04	3,050	0.26
Impairment and Restructuring Costs	1,287	0.11	980	0.08
Acquired Profit in Inventory and Backlog Amortization (c,d)	387	0.03	4,006	0.34
Discrete Tax Items	—	—	(419)	(0.04)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 107,953</u>	<u>\$ 9.24</u>	<u>\$ 91,269</u>	<u>\$ 7.83</u>

-more-

Revenue by Segment	Three Months Ended		Increase (Decrease)	Increase Excluding Acquisitions and FX (a,e)
	December 31, 2022	January 1, 2022		
Flow Control	\$ 91,181	\$ 78,019	\$ 13,162	\$ 18,991
Industrial Processing	90,126	95,307	(5,181)	790
Material Handling	50,793	45,190	5,603	7,907
	<u>\$ 232,100</u>	<u>\$ 218,516</u>	<u>\$ 13,584</u>	<u>\$ 27,688</u>
Percentage of Parts and Consumables Revenue	<u>60%</u>	<u>63%</u>		

	Twelve Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	December 31, 2022	January 1, 2022		
Flow Control	\$ 349,107	\$ 288,788	\$ 60,319	\$ 52,589
Industrial Processing	353,698	328,762	24,936	40,374
Material Handling	201,934	169,029	32,905	26,196
	<u>\$ 904,739</u>	<u>\$ 786,579</u>	<u>\$ 118,160</u>	<u>\$ 119,159</u>
Percentage of Parts and Consumables Revenue	<u>63%</u>	<u>65%</u>		

Bookings by Segment	Three Months Ended		Increase (Decrease)	Increase (Decrease) Excluding Acquisitions and FX (e)
	December 31, 2022	January 1, 2022		
Flow Control	\$ 78,753	\$ 83,706	\$ (4,953)	\$ (526)
Industrial Processing	84,081	94,924	(10,843)	(4,446)
Material Handling	52,507	52,200	307	2,538
	<u>\$ 215,341</u>	<u>\$ 230,830</u>	<u>\$ (15,489)</u>	<u>\$ (2,434)</u>
Percentage of Parts and Consumables Bookings	<u>62%</u>	<u>61%</u>		

	Twelve Months Ended		Increase (Decrease)	Increase (Decrease) Excluding Acquisitions and FX (e)
	December 31, 2022	January 1, 2022		
Flow Control	\$ 361,113	\$ 308,185	\$ 52,928	\$ 42,333
Industrial Processing	378,186	402,325	(24,139)	(10,551)
Material Handling	218,915	182,668	36,247	22,865
	<u>\$ 958,214</u>	<u>\$ 893,178</u>	<u>\$ 65,036</u>	<u>\$ 54,647</u>
Percentage of Parts and Consumables Bookings	<u>62%</u>	<u>59%</u>		

Business Segment Information	Three Months Ended		Twelve Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Gross Profit Margin:				
Flow Control	51.3%	48.9%	52.0%	51.0%
Industrial Processing	40.3%	40.2%	39.2%	40.1%
Material Handling	33.1%	35.8%	34.4%	34.4%
Consolidated	43.1%	42.4%	43.1%	42.9%

-more-

Business Segment Information (continued)	Three Months Ended		Twelve Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Operating Income:				
Flow Control	\$ 22,636	\$ 13,610	\$ 89,942	\$ 65,509
Industrial Processing (b)	18,760	22,120	89,754	66,569
Material Handling	6,154	4,602	27,644	17,543
Corporate	(8,595)	(8,787)	(36,058)	(32,911)
	<u>\$ 38,955</u>	<u>\$ 31,545</u>	<u>\$ 171,282</u>	<u>\$ 116,710</u>
Adjusted Operating Income (a,f):				
Flow Control	\$ 23,873	\$ 16,839	\$ 91,505	\$ 72,680
Industrial Processing	19,344	21,655	70,905	66,277
Material Handling	6,336	6,042	28,543	20,394
Corporate	(8,595)	(8,787)	(36,058)	(32,911)
	<u>\$ 40,958</u>	<u>\$ 35,749</u>	<u>\$ 154,895</u>	<u>\$ 126,440</u>
Capital Expenditures:				
Flow Control	\$ 2,001	\$ 2,298	\$ 4,425	\$ 4,128
Industrial Processing (h)	8,458	1,692	20,137	6,412
Material Handling	1,494	1,090	3,575	2,211
Corporate	55	3	62	20
	<u>\$ 12,008</u>	<u>\$ 5,083</u>	<u>\$ 28,199</u>	<u>\$ 12,771</u>
Cash Flow and Other Data				
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Operating Cash Flow	\$ 35,163	\$ 61,010	\$ 102,625	\$ 162,420
Less: Capital Expenditures (h)	(12,008)	(5,083)	(28,199)	(12,771)
Free Cash Flow (a)	<u>\$ 23,155</u>	<u>\$ 55,927</u>	<u>\$ 74,426</u>	<u>\$ 149,649</u>
Depreciation and Amortization Expense	<u>\$ 8,549</u>	<u>\$ 9,705</u>	<u>\$ 34,936</u>	<u>\$ 34,302</u>
Balance Sheet Data				
			December 31, 2022	January 1, 2022
Assets				
Cash, Cash Equivalents, and Restricted Cash			\$ 79,725	\$ 94,161
Accounts Receivable, net			130,297	117,209
Inventories			163,672	134,356
Contract Assets			14,898	8,626
Property, Plant, and Equipment, net			118,855	107,989
Intangible Assets			175,645	199,343
Goodwill			385,455	396,887
Other Assets			81,334	73,641
			<u>\$ 1,149,881</u>	<u>\$ 1,132,212</u>
Liabilities and Stockholders' Equity				
Accounts Payable			\$ 58,060	\$ 59,250
Debt Obligations			199,219	264,597
Other Borrowings			1,942	4,917
Other Liabilities			235,089	237,832
Total Liabilities			494,310	566,596
Stockholders' Equity			655,571	565,616
			<u>\$ 1,149,881</u>	<u>\$ 1,132,212</u>

-more-

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)				
Consolidated				
Net Income Attributable to Kadant	\$ 26,079	\$ 24,157	\$ 120,928	\$ 84,043
Net Income Attributable to Noncontrolling Interest	130	203	802	838
Provision for Income Taxes	10,831	5,919	43,906	27,171
Interest Expense, Net	1,903	1,233	5,574	4,554
Other Expense, Net	12	33	72	104
Operating Income	38,955	31,545	171,282	116,710
Gain on Sale (b)	—	(515)	(20,190)	(515)
Acquisition Costs	182	1,036	668	3,655
Indemnification Asset Reversals (g)	741	—	1,316	—
Impairment and Restructuring Costs	1,080	980	1,334	980
Acquired Backlog Amortization (c)	—	635	703	1,326
Acquired Profit in Inventory Amortization (d)	—	2,068	(218)	4,284
Adjusted Operating Income (a)	40,958	35,749	154,895	126,440
Depreciation and Amortization	8,549	9,070	34,233	32,976
Adjusted EBITDA (a)	\$ 49,507	\$ 44,819	\$ 189,128	\$ 159,416
Adjusted EBITDA Margin (a,i)	21.3%	20.5%	20.9%	20.3%
Flow Control				
Operating Income	\$ 22,636	\$ 13,610	\$ 89,942	\$ 65,509
Acquisition Costs	—	967	472	2,710
Indemnification Asset Reversals (g)	741	—	741	—
Impairment and Restructuring Costs	496	980	568	980
Acquired Backlog Amortization (c)	—	46	—	399
Acquired Profit in Inventory Amortization (d)	—	1,236	(218)	3,082
Adjusted Operating Income (a)	23,873	16,839	91,505	72,680
Depreciation and Amortization	2,306	2,494	9,179	7,967
Adjusted EBITDA (a)	\$ 26,179	\$ 19,333	\$ 100,684	\$ 80,647
Adjusted EBITDA Margin (a,i)	28.7%	24.8%	28.8%	27.9%
Industrial Processing				
Operating Income	\$ 18,760	\$ 22,120	\$ 89,754	\$ 66,569
Gain on Sale (b)	—	(515)	(20,190)	(515)
Acquisition Costs	—	50	—	163
Indemnification Asset Reversal (g)	—	—	575	—
Impairment and Restructuring Costs	584	—	766	—
Acquired Backlog Amortization (c)	—	—	—	60
Adjusted Operating Income (a)	19,344	21,655	70,905	66,277
Depreciation and Amortization	3,099	3,325	12,575	13,407
Adjusted EBITDA (a)	\$ 22,443	\$ 24,980	\$ 83,480	\$ 79,684
Adjusted EBITDA Margin (a,i)	24.9%	26.2%	23.6%	24.2%
Material Handling				
Operating Income	\$ 6,154	\$ 4,602	\$ 27,644	\$ 17,543
Acquisition Costs	182	19	196	782
Acquired Backlog Amortization (c)	—	589	703	867
Acquired Profit in Inventory Amortization (d)	—	832	—	1,202
Adjusted Operating Income (a)	6,336	6,042	28,543	20,394
Depreciation and Amortization	3,120	3,221	12,382	11,474
Adjusted EBITDA (a)	\$ 9,456	\$ 9,263	\$ 40,925	\$ 31,868
Adjusted EBITDA Margin (a,i)	18.6%	20.5%	20.3%	18.9%

-more-

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)				
Corporate				
Operating Loss	\$ (8,595)	\$ (8,787)	\$ (36,058)	\$ (32,911)
Depreciation and Amortization	24	30	97	128
EBITDA (a)	\$ (8,571)	\$ (8,757)	\$ (35,961)	\$ (32,783)

- (a) Represents a non-GAAP financial measure.
- (b) Includes a \$20.2 million pre-tax gain on the sale of a building in the twelve months ended December 31, 2022 related to the sale of a Chinese facility in our Industrial Processing segment pursuant to a relocation plan.
- (c) Represents intangible amortization expense associated with acquired backlog.
- (d) Represents expense (income) within cost of revenue associated with amortization of acquired profit in inventory.
- (e) Represents the increase (decrease) 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) Represents indemnification asset reversals related to the release of tax reserves associated with uncertain tax positions.
- (h) Includes \$5.0 million and \$10.4 million in the three and twelve months ended December 31, 2022, respectively, related to the construction of a new manufacturing facility in China.
- (i) 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 January 1, 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; 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

-more-

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.

Contacts

Investor Contact Information:

Michael McKenney, 978-776-2000
IR@kadant.com

or

Media Contact Information:

Wes Martz, 269-278-1715
media@kadant.com

###

KADANT

Fourth Quarter and FY 2022 Business Review

February 16, 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 February 15, 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 January 1, 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; 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; 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 fourth quarter and fiscal year 2022 earnings press release issued February 15, 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

KAI 4Q22 BUSINESS REVIEW-FEBRUARY 2023 | © 2023 KADANT INC. ALL RIGHTS RESERVED.

4

Operational Highlights

- Excellent execution by our businesses led to strong financial performance and record adjusted EBITDA* in Q4 and FY 2022
- Internal initiatives driving margin improvement
- Named by Newsweek as one of America's Most Responsible Companies for the third consecutive year

Q4 2022 Performance

(\$ in millions, except per share amounts)	Q4 22	Q4 21	Change
Revenue	\$232.1	\$218.5	+6.2%
Net Income	\$26.1	\$24.2	+8.0%
Adjusted EBITDA*	\$49.5	\$44.8	+10.5%
Adjusted EBITDA Margin*	21.3%	20.5%	+80 bps
Diluted EPS	\$2.23	\$2.07	+7.7%
Adjusted Diluted EPS*	\$2.33	\$2.31	+0.9%
Operating Cash Flow	\$35.2	\$61.0	-42.4%
Bookings	\$215.3	\$230.8	-6.7%

HIGHLIGHTS

- Record revenue performance despite unfavorable FX impact
- Solid operating leverage led to record adjusted EBITDA* and adjusted EBITDA* margin
- Adjusted diluted EPS* was negatively impacted by 16 cents due to FX

FY 2022 Performance

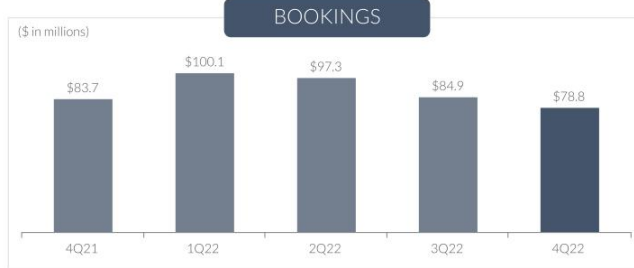
(\$ in millions, except per share amounts)	FY 22	FY 21	Change
Revenue	\$904.7	\$786.6	+15.0%
Net Income	\$120.9	\$84.0	+43.9%
Adjusted EBITDA*	\$189.1	\$159.4	+18.6%
Adjusted EBITDA Margin*	20.9%	20.3%	+60 bps
Diluted EPS	\$10.35	\$7.21	+43.6%
Adjusted Diluted EPS*	\$9.24	\$7.83	+18.0%
Operating Cash Flow	\$102.6	\$162.4	-36.8%
Bookings	\$958.2	\$893.2	+7.3%

HIGHLIGHTS

- Record performance across most financial metrics including revenue and EPS
- Strong operating performance led to record adjusted EPS* and adjusted EBITDA*
- Internal programs leading to meaningful and sustainable margin improvements

Flow Control

(\$ in millions)	Q4 22	Q4 21	Change
Revenue	\$91.2	\$78.0	+16.9%
Bookings	\$78.8	\$83.7	-5.9%
Adjusted EBITDA*	\$26.2	\$19.3	+35.4%
Adjusted EBITDA Margin*	28.7%	24.8%	+390 bps



HIGHLIGHTS

- Robust aftermarket demand and capital project activity
- Organic revenue* up 24%
- Record adjusted EBITDA* performance in the fourth quarter
- Fundamental drivers of end markets remain healthy

Industrial Processing

(\$ in millions)	Q4 22	Q4 21	Change
Revenue	\$90.1	\$95.3	-5.4%
Bookings	\$84.1	\$94.9	-11.4%
Adjusted EBITDA*	\$22.4	\$25.0	-10.2%
Adjusted EBITDA Margin*	24.9%	26.2%	-130 bps



HIGHLIGHTS

- Organic revenue* exceeded prior year revenue record despite softening in some end markets
- Aftermarket parts bookings represented 61% of total Q4 bookings
- Demand for our wood processing equipment softened in Q4

Material Handling

(\$ in millions)	Q4 22	Q4 21	Change
Revenue	\$50.8	\$45.2	+12.4%
Bookings	\$52.5	\$52.2	+0.6%
Adjusted EBITDA*	\$9.5	\$9.3	+2.1%
Adjusted EBITDA Margin*	18.6%	20.5%	-190 bps



HIGHLIGHTS

- Solid demand for our bulk material handling equipment and baling systems
- Business activity remains healthy with revenue up 12%
- Secular growth trends in recycling and infrastructure investments expected to continue into 2023

Business Outlook

- Good level of project activity going into 2023
- Industrial demand expected to be relatively strong in the first half of the year; less visibility and certainty in the second half
- Economic headwinds are expected to strengthen as the year progresses



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

KADANT

KAI-4Q22 BUSINESS REVIEW - FEBRUARY 2023 | © 2023 KADANT INC. ALL RIGHTS RESERVED.

12

Q4 2022 Financial Performance

HIGHLIGHTS

- Adjusted EBITDA margin* of 21.3%
- Operating cash flow of \$35.2 million
- Free cash flow* of \$23.2 million
- Net debt of \$121.4 million; leverage ratio¹ of 0.74

(\$ in millions, except per share amounts)	Q4 22	Q4 21
Gross Margin	43.1%	42.4%
SG&A % of Revenue	24.5%	26.4%
Operating Income	\$39.0	\$31.5
Net Income	\$26.1	\$24.2
Adjusted EBITDA*	\$49.5	\$44.8
Diluted EPS	\$2.23	\$2.07
Adjusted Diluted EPS*	\$2.33	\$2.31

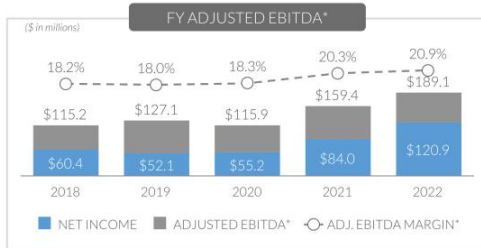
FY 2022 Financial Performance

HIGHLIGHTS

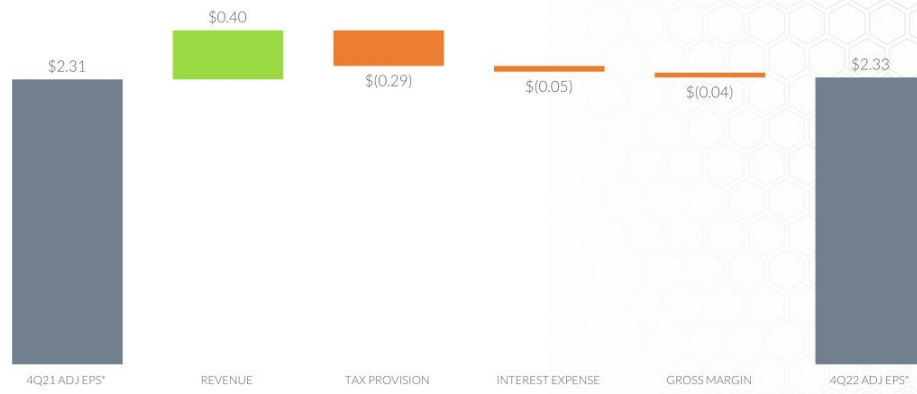
- Adjusted EBITDA margin* of 20.9%
- Operating cash flow of \$102.6 million
- Free cash flow* of \$74.4 million

(\$ in millions, except per share amounts)	FY 22	FY 21
Gross Margin	43.1%	42.9%
SG&A % of Revenue	24.8%	26.5%
Operating Income	\$171.3	\$116.7
Net Income	\$120.9	\$84.0
Adjusted EBITDA*	\$189.1	\$159.4
Diluted EPS	\$10.35	\$7.21
Adjusted Diluted EPS*	\$9.24	\$7.83

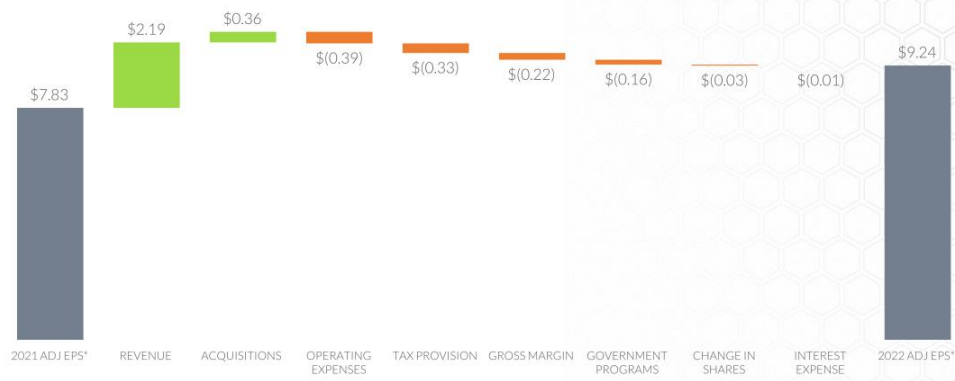
Adjusted EBITDA and Cash Flow Metrics



4Q21 to 4Q22 Adjusted Diluted EPS*



FY 2021 to FY 2022 Adjusted Diluted EPS*



Key Liquidity Metrics

(\$ in millions)	Q4 22	Q3 22	Q4 21
Cash, cash equivalents, and restricted cash	\$79.7	\$75.1	\$94.2
Debt	\$199.2	\$207.9	\$264.6
Lease obligations	\$1.9	\$1.8	\$4.9
Net Debt	\$121.4	\$134.6	\$175.4
Leverage ratio ¹	0.74	0.94	1.34
Working capital % LTM revenue ²	13.9%	12.8%	9.4%
Cash conversion days ³	126	130	106

Guidance for 2023

- Q1 2023 revenue of \$217 to \$223 million
- Q1 2023 adjusted diluted EPS* of \$2.08 to \$2.20

- FY 2023 revenue of \$900 to \$925 million
- FY 2023 adjusted diluted EPS* of \$8.80 to \$9.05
- Gross margin 42% to 43%
- SG&A approximately 24% to 25% of revenue
- Net interest expense of approximately \$9 million
- Recurring tax rate of 27% to 28%
- Capex spending of \$32 to \$34 million, including \$8 to \$9 million for China facility project
- Depreciation & amortization expense of \$34 to \$35 million



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.

KADANT

KAI-4Q22 BUSINESS REVIEW - FEBRUARY 2023 | © 2023 KADANT INC. ALL RIGHTS RESERVED.

20

2023 Key Priorities



ENABLE SUSTAINABLE
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL
STAKEHOLDER VALUE



PROVIDE STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

KĀDANT



INVESTOR RELATIONS CONTACT

Michael McKenney, 978-776-2000
IR@kadant.com

MEDIA RELATIONS CONTACT

Wes Martz, 269-278-1715
media@kadant.com



February 16, 2023



APPENDIX

Fourth Quarter and FY 2022 Business Review

KADANT

KAI-4Q22 BUSINESS REVIEW-FEBRUARY 2023 | © 2023 KADANT INC. ALL RIGHTS RESERVED.

23

Revenue by Customer Location

(\$ in thousands)	Q4 22	Q4 21	Change	Change Excluding Acquisitions and FX*
North America	\$133,784	\$113,139	\$20,645	\$23,244
Europe	59,526	61,297	(1,771)	6,125
Asia	26,016	31,764	(5,748)	(2,740)
Rest of World	12,774	12,316	458	1,059
Total	\$232,100	\$218,516	\$13,584	\$27,688

(\$ in thousands)	FY 22	FY 21	Change	Change Excluding Acquisitions and FX*
North America	\$508,899	\$420,382	\$88,517	\$75,728
Europe	233,790	220,578	13,212	26,565
Asia	113,932	103,810	10,122	10,685
Rest of World	48,118	41,809	6,309	6,181
Total	\$904,739	\$786,579	\$118,160	\$119,159

Gross Margin and SG&A



Adjusted Diluted EPS Reconciliation

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

	Q4 22	Q4 21	FY 22	FY 21
Diluted EPS, as reported	\$2.23	\$2.07	\$10.35	\$7.21
Gain on Sale, Net of Tax	—	(0.03)	(1.30)	(0.03)
Acquisition Costs, Net of Tax	0.01	0.06	0.04	0.26
Impairment and Restructuring Costs, Net of Tax	0.09	0.08	0.11	0.08
Acquired Profit in Inventory and Backlog Amortization, Net of Tax	—	0.17	0.03	0.34
Discrete Tax Items	—	(0.04)	—	(0.04)
Adjusted Diluted EPS*	\$2.33	\$2.31	\$9.24	\$7.83

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in millions)	Q4 22	Q4 21	FY 22	FY 21
Operating Cash Flow	\$35.2	\$61.0	\$102.6	\$162.4
Less Capital Expenditures	(12.0)	(5.1)	(28.2)	(12.8)
Free Cash Flow*	\$23.2	\$55.9	\$74.4	\$149.6

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)	Q4 22	Q4 21	FY 22	FY 21
Net Income Attributable to Kadant	\$26,079	\$24,157	\$120,928	\$84,043
Net Income Attributable to Noncontrolling Interest	130	203	802	838
Provision for Income Taxes	10,831	5,919	43,906	27,171
Interest Expense, Net	1,903	1,233	5,574	4,554
Other Expense, Net	12	33	72	104
Gain on Sale	—	(515)	(20,190)	(515)
Acquisition Costs	182	1,036	668	3,655
Indemnification Asset Reversals	741	—	1,316	—
Impairment and Restructuring Costs	1,080	980	1,334	980
Acquired Backlog Amortization	—	635	703	1,326
Acquired Profit in Inventory Amortization	—	2,068	(218)	4,284
Depreciation and Amortization	8,549	9,070	34,233	32,976
Adjusted EBITDA*	\$49,507	\$44,819	\$189,128	\$159,416
Adjusted EBITDA Margin*	21.3%	20.5%	20.9%	20.3%

KADANT

KAI 4Q22 BUSINESS REVIEW—FEBRUARY 2023 | © 2023 KADANT INC. ALL RIGHTS RESERVED.

28

Notes

PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6-10 is calculated using actual numbers reported in our press release dated February 15, 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.

