

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 4, 2021

KADANT INC.

(Exact name of registrant as specified in its charter)

Commission file number 001-11406

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

Trading Symbol(s)
KAI

Name of each exchange on which registered
New York Stock Exchange

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

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

Item 2.02 Results of Operations and Financial Condition.

On May 4, 2021, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter ended April 3, 2021. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

On May 5, 2021, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended April 3, 2021. A copy of the slides that will be presented on the webcast and discussed in the conference call is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

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

Item 9.01 Financial Statements and Exhibits.

(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 4, 2021 announcing its financial results.
	99.2	Slides to be presented by the Company on May 5, 2021.
	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 4, 2021

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

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

WESTFORD, Mass., May 4, 2021 - Kadant Inc. (NYSE: KAI) reported its financial results for the first quarter ended April 3, 2021.

First Quarter Financial Highlights

- Bookings increased 16% to a record \$204 million.
- Operating cash flow increased 209% to \$19 million.
- Free cash flow increased 383% to \$17 million.
- Revenue increased 8% to \$172 million.
- GAAP diluted EPS and adjusted diluted EPS both increased 31% to \$1.43.
- Net income increased 32% to \$17 million.
- Adjusted EBITDA increased 14% to \$31 million and represented 18.0% of revenue.
- Backlog was a record \$223 million.

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

Management Commentary

"Our global workforce continued its focus on safely meeting our customers' needs despite challenging circumstances in many areas of the world," said Jeffrey L. Powell, president and chief executive officer. "New order activity continued the momentum from the second half of 2020 leading to record bookings and backlog in the first quarter of 2021. Strong demand for parts and consumables as well as a high level of capital project activity in our Industrial Processing and Flow Control segments led to our record-setting performance.

"Solid execution across all our operating segments generated strong cash flows and further improved our liquidity position. As market conditions continue to show signs of improvement, we are optimistic for the remainder of the year, particularly as COVID-19 vaccines become more available."

First Quarter 2021 compared to 2020

Revenue increased eight percent to \$172.5 million compared to \$159.1 million in 2020. Organic revenue increased four percent, which excludes an acquisition and a four percent increase from the favorable effect of foreign currency translation. Gross margin was 43.9 percent compared to 42.9 percent in 2020.

Both GAAP diluted earnings per share (EPS) and adjusted diluted EPS were \$1.43 compared to \$1.09 in 2020. Net income was \$16.6 million compared to \$12.5 million in 2020 and adjusted EBITDA was \$31.1 million compared to \$27.3 million in the prior year quarter. Cash flow from operations increased to \$19.1 million compared to \$6.2 million in 2020.

Bookings increased 16 percent to a record \$204.5 million compared to \$175.6 million in 2020. Organic bookings increased 12 percent, which excludes an acquisition and a four percent increase from the favorable effect of foreign currency translation.

Summary and Outlook

"We are encouraged by the improving market conditions and demand, and our strong start to the year," Mr. Powell continued. "However, variability around vaccine availability and infection rates create uncertainty on the global economic front, and the limited ability to engage with our customers also affects our ability to forecast the timing of orders. Despite the challenges, our record backlog at the end of the first quarter positions us well to generate strong financial results for the year. Accordingly, we are increasing our revenue expectation to \$710 to \$730 million for 2021."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, May 5, 2021, at 11:00 a.m. eastern time to discuss its first quarter performance, as well as future expectations. To access the webcast, including the slideshow and accompanying audio, go to www.kadant.com and click on "Investors." To listen to the webcast via teleconference, call 888-326-8410 within the U.S., or +1-704-385-4884 outside the U.S. and reference participant passcode 4189188. Prior to the call, our earnings release and the slides used in the webcast presentation will be filed with the Securities and Exchange Commission and will be available at www.sec.gov. An archive of the webcast presentation will be available on our website until June 4, 2021.

Shortly 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 diluted EPS, earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, adjusted EBITDA margin, and free cash flow.

We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business, operating results, or future outlook. We believe that the inclusion of such measures helps investors gain an understanding of our underlying operating performance and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. Such measures are also used by us in our financial and operating decision-making and for compensation purposes. We also believe this information is responsive to investors' requests and gives them an additional measure of our performance.

The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this press release have limitations associated with their use as compared to the most directly comparable GAAP measures, in that they may be different from, and therefore not comparable to, similar measures used by other companies.

Revenue in the first quarter of 2021 included a \$6.0 million favorable foreign currency translation effect and \$0.5 million from an acquisition. We present increases or decreases in organic revenue, which excludes the effect of acquisitions and foreign currency translation, to provide investors insight into underlying revenue trends.

Our non-GAAP financial measures exclude acquired backlog amortization. Free cash flow is operating cash flow less capital expenditures of \$2.3 million in the first quarter of 2021 and \$2.7 million in the first quarter of 2020. These items are excluded as they are not indicative of our core operating results and are not comparable to other periods, which may have differing levels of incremental costs or expenditures, or none at all.

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)

Consolidated Statement of Income	Three Months Ended	
	April 3, 2021	March 28, 2020
Revenue	\$ 172,463	\$ 159,127
Costs and Operating Expenses:		
Cost of revenue	96,748	90,804
Selling, general, and administrative expenses	49,431	45,592
Research and development expenses	2,857	3,076
	149,036	139,472
Operating Income	23,427	19,655
Interest Income	65	51
Interest Expense	(1,111)	(2,459)
Other Expense, Net	(24)	(32)
Income Before Provision for Income Taxes	22,357	17,215
Provision for Income Taxes	5,561	4,559
Net Income	16,796	12,656
Net Income Attributable to Noncontrolling Interest	(235)	(125)
Net Income Attributable to Kadant	\$ 16,561	\$ 12,531
Earnings per Share Attributable to Kadant:		
Basic	\$ 1.43	\$ 1.10
Diluted	\$ 1.43	\$ 1.09
Weighted Average Shares:		
Basic	11,553	11,432
Diluted	11,612	11,508

Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended		Three Months Ended	
	April 3, 2021	April 3, 2021	March 28, 2020	March 28, 2020
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 16,561	\$ 1.43	\$ 12,531	\$ 1.09
Adjustment for the Following:				
Amortization of Acquired Backlog, Net of Tax (d)	44	—	6	—
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 16,605	\$ 1.43	\$ 12,537	\$ 1.09

Revenue by Segment	Three Months Ended		Increase	Increase Excluding Acquisition and FX (a,b)
	April 3, 2021	March 28, 2020		
Flow Control	\$ 63,754	\$ 57,149	\$ 6,605	\$ 4,975
Industrial Processing	69,154	64,709	4,445	909
Material Handling	39,555	37,269	2,286	931
	\$ 172,463	\$ 159,127	\$ 13,336	\$ 6,815
Percentage of Parts and Consumables Revenue	68%	66%		

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Bookings by Segment	Three Months Ended			Increase (Decrease)	Increase (Decrease) Excluding Acquisition and FX (b)
	April 3, 2021	March 28, 2020			
Flow Control	\$ 75,999	\$ 67,744	\$ 8,255	\$ 6,073	
Industrial Processing	86,606	65,838	20,768	16,252	
Material Handling	41,884	42,035	(151)	(1,644)	
	<u>\$ 204,489</u>	<u>\$ 175,617</u>	<u>\$ 28,872</u>	<u>\$ 20,681</u>	

Percentage of Parts and Consumables Bookings	<u>65%</u>	<u>66%</u>		
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Business Segment Information	Three Months Ended	
	April 3, 2021	March 28, 2020
Gross Margin:		
Flow Control	53.3%	52.9%
Industrial Processing	40.5%	38.4%
Material Handling	34.7%	35.5%
	<u>43.9%</u>	<u>42.9%</u>

Operating Income:		
Flow Control	\$ 16,443	\$ 13,330
Industrial Processing	11,133	9,436
Material Handling	4,443	4,134
Corporate	(8,592)	(7,245)
	<u>\$ 23,427</u>	<u>\$ 19,655</u>

Adjusted Operating Income (a,c):		
Flow Control	16,443	13,330
Industrial Processing	11,193	9,436
Material Handling	4,443	4,142
Corporate	(8,592)	(7,245)
	<u>\$ 23,487</u>	<u>\$ 19,663</u>

Capital Expenditures:		
Flow Control	\$ 334	\$ 821
Industrial Processing	1,804	1,464
Material Handling	121	398
Corporate	—	3
	<u>\$ 2,259</u>	<u>\$ 2,686</u>

Cash Flow and Other Data	Three Months Ended	
	April 3, 2021	March 28, 2020
Operating Cash Flow	\$ 19,092	\$ 6,169
Less: Capital Expenditures	(2,259)	(2,686)
Free Cash Flow (a)	<u>\$ 16,833</u>	<u>\$ 3,483</u>
Depreciation and Amortization Expense	<u>\$ 7,686</u>	<u>\$ 7,598</u>

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Balance Sheet Data

	April 3, 2021	January 2, 2021
Assets		
Cash, Cash Equivalents, and Restricted Cash	\$ 66,708	\$ 66,640
Accounts Receivable, net	104,378	91,540
Inventories	112,590	106,814
Unbilled Revenue	6,204	7,576
Property, Plant, and Equipment, net	82,204	84,642
Intangible Assets	155,534	160,965
Goodwill	348,504	351,753
Other Assets	59,543	57,641
	<u>\$ 935,665</u>	<u>\$ 927,571</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 38,988	\$ 32,264
Debt Obligations	217,257	227,963
Other Borrowings	5,227	5,511
Other Liabilities	169,885	164,928
Total Liabilities	431,357	430,666
Stockholders' Equity	504,308	496,905
	<u>\$ 935,665</u>	<u>\$ 927,571</u>

Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)

	Three Months Ended	
	April 3, 2021	March 28, 2020
Consolidated		
Net Income Attributable to Kadant	\$ 16,561	\$ 12,531
Net Income Attributable to Noncontrolling Interest	235	125
Provision for Income Taxes	5,561	4,559
Interest Expense, Net	1,046	2,408
Other Expense, Net	24	32
Operating Income	23,427	19,655
Acquired Backlog Amortization (d)	60	8
Adjusted Operating Income (a)	23,487	19,663
Depreciation and Amortization	7,626	7,590
Adjusted EBITDA (a)	<u>\$ 31,113</u>	<u>\$ 27,253</u>
Adjusted EBITDA Margin (a,e)	<u>18.0 %</u>	<u>17.1 %</u>
Flow Control		
Operating Income	\$ 16,443	\$ 13,330
Depreciation and Amortization	1,572	1,586
Adjusted EBITDA (a)	<u>\$ 18,015</u>	<u>\$ 14,916</u>
Adjusted EBITDA Margin (a,e)	<u>28.3 %</u>	<u>26.1 %</u>
Industrial Processing		
Operating Income	\$ 11,133	\$ 9,436
Acquired Backlog Amortization (d)	60	—
Adjusted Operating Income (a)	11,193	9,436
Depreciation and Amortization	3,338	3,161
Adjusted EBITDA (a)	<u>\$ 14,531</u>	<u>\$ 12,597</u>
Adjusted EBITDA Margin (a,e)	<u>21.0 %</u>	<u>19.5 %</u>

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	Three Months Ended	
	April 3, 2021	March 28, 2020
Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)		
Material Handling		
Operating Income	\$ 4,443	\$ 4,134
Acquired Backlog Amortization (d)	—	8
Adjusted Operating Income (a)	4,443	4,142
Depreciation and Amortization	2,686	2,797
Adjusted EBITDA (a)	\$ 7,129	\$ 6,939
Adjusted EBITDA Margin (a,e)	18.0%	18.6%

Corporate		
Operating Loss	\$ (8,592)	\$ (7,245)
Depreciation and Amortization	30	46
EBITDA (a)	\$ (8,562)	\$ (7,199)

- (a) Represents a non-GAAP financial measure.
- (b) Represents the increase (decrease) resulting from the exclusion of an acquisition 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.
- (c) See reconciliation to the most directly comparable GAAP financial measure under "Adjusted Operating Income and Adjusted EBITDA Reconciliation."
- (d) Represents intangible amortization expense associated with acquired backlog.
- (e) Calculated as adjusted EBITDA divided by revenue in each period.

About Kadant

Kadant Inc. is a global supplier of high-value, critical components and engineered systems used in process industries worldwide. The Company's products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries. Kadant is based in Westford, Massachusetts, with approximately 2,600 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 2, 2021 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; price increases or shortages of raw materials; competition;

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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.

Contacts

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KADANT

First Quarter 2021 Business Review

May 5, 2021



Forward-Looking Statements

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent Kadant's expectations as of May 4, 2021. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant's annual report on Form 10-K for the fiscal year ended January 2, 2021 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; price increases or shortages of raw materials; competition; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; loss of key personnel and effective succession planning; protection of intellectual property; climate change; adequacy of our insurance coverage; global operations; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; currency fluctuations; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union; changes to government regulations and policies around the world; compliance with government regulations and policies and compliance with laws; environmental laws and regulations; environmental, health and safety laws and regulations impacting the mining industry; our debt obligations; restrictions in our credit agreement and note purchase agreement; substitution of an alternative index for LIBOR; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including increases or decreases in revenue excluding the effect of acquisitions and foreign currency translation (organic revenue), adjusted diluted EPS (earnings per share), adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, adjusted operating income, and free cash flow.

Specific non-GAAP financial measures have been marked with an * (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our first quarter earnings press release issued May 4, 2021, which is available in the Investors section of our website at investor.kadant.com under the heading News Releases.

We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business, operating results, or future outlook. We believe the inclusion of such measures helps investors gain an understanding of our underlying operating performance and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. Such measures are also used by us in our financial and operating decision-making and for compensation purposes. We also believe this information is responsive to investors' requests and gives them an additional measure of our performance.

The non-GAAP financial measures included in this presentation are not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation have limitations associated with their use as compared to the most directly comparable GAAP measures, in that they may be different from, and therefore not comparable to, similar measures used by other companies.



BUSINESS REVIEW

Jeffrey L. Powell, President & CEO

KADANT

KAI 1Q21 BUSINESS REVIEW—MAY 2021 | © 2021 KADANT INC. ALL RIGHTS RESERVED.

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Operational Highlights

- Record demand for parts and solid execution by our businesses led to strong margin performance and excellent cash flow in the first quarter
- Capital project activity combined with high demand for parts and consumables led to record bookings in the first quarter
- Strong cash flow in Q1 was a historical high for a first quarter

Q1 2021 Performance

(\$ in millions, except per share amounts)

	Q1 21	Q1 20	Change
Revenue	\$172.5	\$159.1	+8.4%
Net Income	\$16.6	\$12.5	+32.2%
Adjusted EBITDA*	\$31.1	\$27.3	+14.2%
Adjusted EBITDA Margin*	18.0%	17.1%	+90 bps
Diluted EPS	\$1.43	\$1.09	+31.2%
Operating Cash Flow	\$19.1	\$6.2	+209.5%
Free Cash Flow*	\$16.8	\$3.5	+383.3%
Bookings	\$204.5	\$175.6	+16.4%

HIGHLIGHTS

- Record bookings performance led by our Industrial Processing segment
- Parts and consumables revenue was up 12% and made up 68% of Q1 revenue
- Strong performance across all operating segments contributed to a solid adjusted EBITDA
- Free cash flow* was up nearly 4x to \$17 million

Flow Control

\$ in millions	Q1 21	Q1 20	Change
Revenue	\$63.8	\$57.1	+11.6%
Bookings	\$76.0	\$67.7	+12.2%
Adjusted EBITDA*	\$18.0	\$14.9	+20.8%
Adjusted EBITDA Margin*	28.3%	26.1%	+220 bps



HIGHLIGHTS

- Robust Q1 capital project activity and bookings
- Parts and consumables revenue made up 72% of total Q1 revenue
- Product mix and operating leverage drove strong adjusted EBITDA margin

Industrial Processing

\$ in millions	Q1 21	Q1 20	Change
Revenue	\$69.2	\$64.7	+6.9%
Bookings	\$86.6	\$65.8	+31.5%
Adjusted EBITDA*	\$14.5	\$12.6	+15.4%
Adjusted EBITDA Margin*	21.0%	19.5%	+150 bps



HIGHLIGHTS

- Strong demand for wood products supported by strength in U.S. housing
- Consistently high operating rates driving demand for parts
- Parts and consumables revenue made up 70% of total Q1 revenue
- Product mix and operating leverage drove strong adjusted EBITDA margin

Material Handling

\$ in millions	Q1 21	Q1 20	Change
Revenue	\$39.6	\$37.3	+6.1%
Bookings	\$41.9	\$42.0	-0.4%
Adjusted EBITDA*	\$7.1	\$6.9	+2.7%
Adjusted EBITDA Margin*	18.0%	18.6%	-60 bps



HIGHLIGHTS

- Stable demand with revenue increasing 6% compared to prior year
- Parts and consumables revenue made up 60% of total Q1 revenue
- Improving market conditions in Europe and North America with increasing activity in food and recycling sectors

Business Outlook

- Demand expected to remain strong as industrial activity increases in North America and Europe
- Variability around vaccine distribution and infection rates lead to continued uncertainty on the global macroeconomic front
- Our solid balance sheet and strong cash flows position us to capitalize on new opportunities



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

KADANT

KAI 1Q21 BUSINESS REVIEW—MAY 2021 | © 2021 KADANT INC. ALL RIGHTS RESERVED.

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Q1 2021 Financial Performance

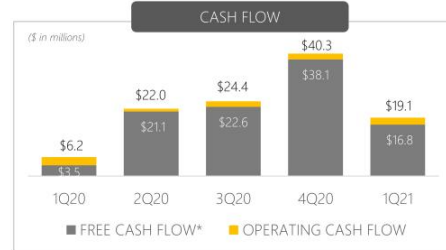
HIGHLIGHTS

- Adjusted EBITDA margin* of 18.0%
- Operating cash flow of \$19.1 million
- Free cash flow* of \$16.8 million
- Net debt of \$156 million; leverage ratio¹ of 1.50

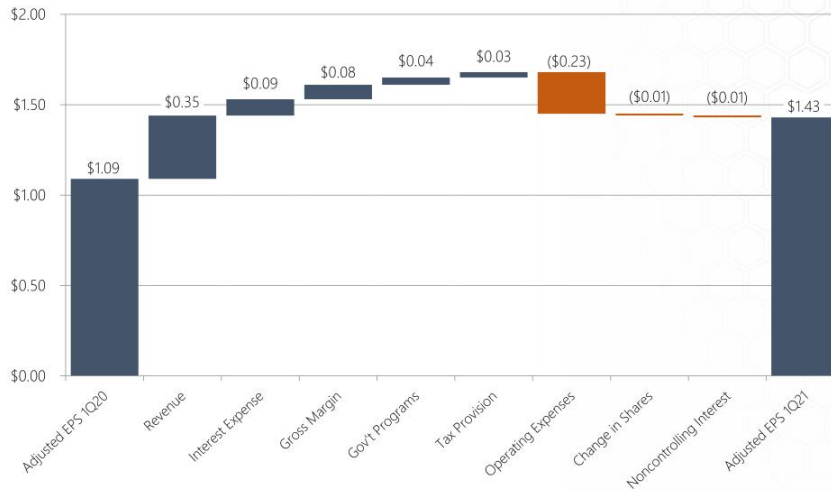
(\$ in millions, except per share amounts)

	Q1 21	Q1 20
Gross Margin	43.9%	42.9%
SG&A % of Revenue	28.7%	28.7%
Operating Income	\$23.4	\$19.7
Net Income	\$16.6	\$12.5
Adjusted EBITDA*	\$31.1	\$27.3
Diluted EPS	\$1.43	\$1.09

Key Consolidated Financial Metrics



1Q20 to 1Q21 Adjusted Diluted EPS*



Key Liquidity Metrics

\$ in millions	Q1 21	Q4 20	Q1 20
Cash, cash equivalents, and restricted cash	\$66.7	\$66.7	\$62.1
Debt	\$217.3	\$228.0	\$289.5
Lease obligations	\$5.2	\$5.5	\$5.9
Net Debt	\$155.8	\$166.8	\$233.3
Leverage ratio ¹	1.50	1.61	2.04
Working capital % LTM revenue ²	15.1%	14.2%	14.2%
Cash conversion days ³	123	125	119

- Net debt decreased 33% from Q1 2020
- Paid down \$9 million of debt in the first quarter of 2021
- Our liquidity remains solid with over \$450 million in borrowing capacity
 - Approximately \$193 million under our revolving credit facility; an additional uncommitted \$150 million
 - Up to \$115 million through our note purchase agreement

Financial Outlook for 2021

- Revenue of \$710 to \$730 million, up 12% to 15% over 2020
- Gross margin of 43%



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 **418 9188**.

Please mute the audio on your computer.

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2021 Key Priorities



MEET OUR
CUSTOMERS' NEEDS



ACCELERATE OUR
REVENUE GROWTH



MAINTAIN STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

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May 5, 2021



APPENDIX

First Quarter 2021 Business Review

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Adjusted Diluted EPS Reconciliation

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

	Q1 21	Q1 20
Diluted EPS, as reported	\$1.43	\$1.09
Amortization of Acquired Backlog, Net of Tax	-	-
Adjusted Diluted EPS	\$1.43	\$1.09

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q1 21	Q1 20
Operating Cash Flow	\$19,092	\$6,169
Less Capital Expenditures	(2,259)	(2,686)
Free Cash Flow	\$16,833	\$3,483

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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 21	Q1 20
Net Income Attributable to Kadant	\$16,561	\$12,531
Net Income Attributable to Noncontrolling Interest	235	125
Provision for Income Taxes	5,561	4,559
Interest Expense, Net	1,046	2,408
Other Expense, Net	24	32
Acquired Backlog Amortization	60	8
Depreciation and Amortization	7,626	7,590
Adjusted EBITDA	\$31,113	\$27,253
Adjusted EBITDA Margin	18.0%	17.1%

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Revenue by Customer Location

\$ in thousands	Q1 21	Q1 20	Change	Change Excl. Acquisition and FX
North America	\$95,092	\$93,823	\$1,269	\$12
Europe	44,641	36,014	8,627	4,719
Asia	21,813	15,908	5,905	4,347
Rest of World	10,917	13,382	(2,465)	(2,263)
TOTAL	\$172,463	\$159,127	\$13,336	\$6,815

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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 4, 2021.

FOOTNOTES

- 1) Leverage ratio is calculated by dividing total debt by EBITDA. For purposes of this calculation, EBITDA is calculated by adding or subtracting certain items from Adjusted EBITDA, as required by our amended and restated credit facility ("Credit Facility"). Our Credit Facility defines total debt as debt less worldwide cash of up to \$30 million.
- 2) Working capital is defined as current assets less current liabilities, excluding cash and debt. LTM is defined as last 12 months.
- 3) Cash conversion days is based on days in receivables plus days in inventory less days in accounts payable.

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