

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 17, 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 February 17, 2021, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter and year ended January 2, 2021. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

On February 18, 2021, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter and year ended January 2, 2021. A copy of the slides that will be presented on the webcast and discussed in the conference call is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

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

Item 9.01 Financial Statements and Exhibits.

(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 17, 2021 announcing its financial results.
	99.2	Slides to be presented by the Company on February 18, 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: February 17, 2021

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer



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PRESS RELEASE

Kadant Reports Fourth Quarter and Fiscal Year 2020 Results Record Bookings, Operating Cash Flow, and Free Cash Flow in Q4 2020

WESTFORD, Mass., February 17, 2021 - Kadant Inc. (NYSE: KAI) reported its financial results for the fourth quarter and fiscal year ended January 2, 2021.

Fourth Quarter Financial Highlights

- Operating cash flow increased 3% to a record \$40 million.
- Free cash flow increased 7% to a record \$38 million.
- Bookings increased 23% to a record \$197 million.
- Revenue decreased 8% to \$168 million.
- GAAP diluted EPS increased 84% to \$1.40.
- Adjusted diluted EPS increased 17% to \$1.54.
- Net income increased 85% to \$16 million.
- Adjusted EBITDA was \$32 million and represented 19.1% of revenue.

Fiscal Year Financial Highlights

- Operating cash flow was \$93 million and free cash flow was \$85 million.
- Bookings decreased 6% to \$648 million.
- Revenue decreased 10% to \$635 million.
- GAAP diluted EPS increased 5% to \$4.77.
- Adjusted diluted EPS decreased 7% to \$5.00.
- Net income increased 6% to \$55 million.
- Adjusted EBITDA decreased 9% to \$116 million and represented 18.3% of revenue.

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

"While the past year has been dominated by the global pandemic that impacted communities around the world, I am proud of the pivotal role Kadant has played in helping essential industries continue to operate," said Jeffrey L. Powell, president and chief executive officer. "Our leadership teams across the globe continue to work tirelessly to safeguard our employees while meeting the needs of our customers. New order activity and revenue continued their upward trajectory in the fourth quarter of 2020 led by robust capital project activity in our Industrial Processing segment and strong demand for our parts and consumables across all our operating segments.

"Overall, the quarter was better than expected with solid execution from our businesses enabling us to deliver strong margins and earnings in the fourth quarter. This led to record cash flow from operations and record free cash flow in the quarter which, combined with our debt repayments, helped reduce our leverage ratio to 1.61. As our end-market conditions improve and the broader macroeconomic outlook becomes increasingly positive, we are well-positioned to capitalize on new opportunities and accelerate revenue growth."

Fourth Quarter 2020 compared to 2019

Revenue decreased eight percent to \$168.4 million compared to \$182.7 million in 2019. Organic revenue was down 10 percent, which excludes an acquisition and a two percent increase from the favorable effect of foreign currency translation. Gross margin was 44.1 percent compared to 40.9 percent in 2019.

GAAP diluted earnings per share (EPS) was \$1.40 compared to \$0.76 in 2019. Adjusted diluted EPS increased 17 percent to \$1.54 compared to \$1.32 in 2019. Adjusted diluted EPS in 2020 excludes \$0.13 of impairment and restructuring costs and \$0.01 of acquired backlog amortization. Adjusted diluted EPS in 2019 excludes a \$0.55 settlement loss, \$0.17 of impairment and restructuring costs, and a \$0.16 discrete tax benefit. Net income was \$16.2 million compared to \$8.7 million in 2019 and adjusted EBITDA was \$32.1 million compared to \$32.2 million in the prior year quarter. Cash flow from operations increased three percent to a record \$40.3 million compared to \$39.2 million in 2019.

Bookings increased 23 percent to a record \$196.5 million compared to \$159.8 million in 2019. Organic bookings increased 20 percent, which excludes an acquisition and a three percent increase from the favorable effect of foreign currency translation.

Fiscal Year 2020 compared to 2019

Revenue decreased 10 percent to \$635.0 million compared to \$704.6 million in 2019. Organic revenue was down 10 percent, which excludes an acquisition and the unfavorable effect of foreign currency translation. Gross margin was 43.7 percent compared to 41.7 percent in 2019.

GAAP diluted EPS increased five percent to \$4.77 compared to \$4.54 in 2019. Adjusted diluted EPS decreased seven percent to \$5.00 compared to \$5.36 in 2019. Adjusted diluted EPS in 2020 excludes \$0.19 of impairment and restructuring costs, \$0.04 of acquired backlog amortization, \$0.03 of acquisition costs, and a \$0.03 discrete tax benefit. Adjusted diluted EPS in 2019 excludes a \$0.55 settlement loss, \$0.32 of acquired profit in inventory and backlog amortization, a \$0.29 discrete tax benefit, \$0.17 of impairment and restructuring costs, and \$0.06 of acquisition costs. Net income was \$55.2 million compared to \$52.1 million in 2019. Adjusted EBITDA decreased nine percent to \$115.9 million compared to \$127.1 million in 2019. Cash flow from operations decreased five percent to \$92.9 million compared to \$97.4 million in 2019.

Bookings decreased six percent to \$648.5 million compared to \$688.3 million in 2019. Organic bookings were down six percent, which excludes an acquisition and the unfavorable effect of foreign currency translation.

Summary and Outlook

"Our record bookings in the fourth quarter were led by strong capital project activity and solid contributions from our parts and consumables," Mr. Powell continued. "As we start 2021, we expect demand to improve as industrial production continues to strengthen. Our global footprint and the diversity of our product offerings have provided stability as the timing of the market recovery has varied by region and industry. While we have seen a recent strengthening in demand, there is uncertainty in how global markets may respond to the pandemic as the vaccine distribution has proven to be uneven around the world. As a result, we will not be providing guidance at this time."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Thursday, February 18, 2021, at 11:00 a.m. eastern time to discuss its fourth quarter and full-year 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 2636925. 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 March 19, 2021.

Shortly after the webcast, Kadant will post its updated general investor presentation incorporating the fourth quarter and fiscal 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 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 fourth quarter of 2020 included a \$3.6 million favorable foreign currency translation effect and \$0.7 million from an acquisition. Revenue in 2020 included a \$2.2 million unfavorable foreign currency translation effect and \$1.6 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 benefit plan settlement losses, impairment and restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and discrete tax items. Free cash flow excludes capital expenditures from cash flow from operations. 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.

Fourth Quarter

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

- Pre-tax impairment and restructuring costs of \$2.1 million in 2020 and \$2.5 million in 2019.
- Pre-tax expense related to acquired backlog amortization of \$0.2 million in 2020.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax settlement loss of \$6.4 million (\$5.9 million pre-tax and tax expense of \$0.5 million) in 2019.
- After-tax impairment and restructuring costs of \$1.5 million (\$2.1 million net of tax of \$0.6 million) in 2020 and \$1.9 million (\$2.5 million net of tax of \$0.6 million) in 2019.
- After-tax expense related to acquired backlog amortization of \$0.1 million (\$0.2 million net of tax of \$0.1 million) in 2020.
- A discrete tax benefit of \$1.8 million in 2019.

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

- Capital expenditures of \$2.2 million in 2020 and \$3.7 million in 2019.

Fiscal Year

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

- Pre-tax impairment and restructuring costs of \$3.0 million in 2020 and \$2.5 million in 2019.
- Pre-tax acquisition costs of \$0.5 million in 2020 and \$0.8 million in 2019.
- Pre-tax expense related to acquired backlog amortization of \$0.5 million in 2020 and \$1.3 million in 2019.
- Pre-tax expense related to amortization of acquired profit in inventory of \$3.5 million in 2019.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax settlement loss of \$6.4 million (\$5.9 million pre-tax and tax expense of \$0.5 million).
- After-tax impairment and restructuring costs of \$2.2 million (\$3.0 million net of tax of \$0.8 million) in 2020 and \$1.9 million (\$2.5 million net of tax of \$0.6 million) in 2019.
- After-tax acquisition costs of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2020 and \$0.7 million (\$0.8 million net of tax of \$0.1 million) in 2019.
- After-tax expense related to acquired backlog amortization of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2020 and \$1.0 million (\$1.3 million net of tax of \$0.3 million) in 2019.
- After-tax expense related to amortization of acquired profit in inventory of \$2.7 million (\$3.5 million net of tax of \$0.8 million) in 2019.
- A discrete tax benefit of \$0.3 million in 2020 and \$3.3 million in 2019.

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

- Capital expenditures of \$7.6 million in 2020 and \$10.0 million in 2019.

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

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Financial Highlights (unaudited)

(In thousands, except per share amounts and percentages)

Consolidated Statement of Income	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2021	Dec. 28, 2019	Jan. 2, 2021	Dec. 28, 2019
Revenue	\$ 168,431	\$ 182,659	\$ 635,028	\$ 704,644
Costs and Operating Expenses:				
Cost of revenue	94,212	108,032	357,722	410,884
Selling, general, and administrative expenses	47,387	47,642	181,905	192,525
Research and development expenses	2,766	2,904	11,298	10,884
Impairment and restructuring costs (b)	2,053	2,528	2,979	2,528
	<u>146,418</u>	<u>161,106</u>	<u>553,904</u>	<u>616,821</u>
Operating Income	22,013	21,553	81,124	87,823
Interest Income	41	55	181	213
Interest Expense	(1,363)	(2,612)	(7,423)	(12,755)
Other Expense, Net (c)	(100)	(6,063)	(195)	(6,359)
Income Before Provision for Income Taxes	20,591	12,933	73,687	68,922
Provision for Income Taxes	4,210	4,048	17,948	16,358
Net Income	16,381	8,885	55,739	52,564
Net Income Attributable to Noncontrolling Interest	(174)	(136)	(543)	(496)
Net Income Attributable to Kadant	<u>\$ 16,207</u>	<u>\$ 8,749</u>	<u>\$ 55,196</u>	<u>\$ 52,068</u>
Earnings per Share Attributable to Kadant:				
Basic	\$ 1.41	\$ 0.77	\$ 4.81	\$ 4.63
Diluted	\$ 1.40	\$ 0.76	\$ 4.77	\$ 4.54
Weighted Average Shares:				
Basic	11,513	11,344	11,482	11,235
Diluted	<u>11,608</u>	<u>11,525</u>	<u>11,564</u>	<u>11,457</u>

Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended		Three Months Ended	
	Jan. 2, 2021	Jan. 2, 2021	Dec. 28, 2019	Dec. 28, 2019
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 16,207	\$ 1.40	\$ 8,749	\$ 0.76
Adjustments for the Following:				
Settlement Loss, Net of Tax (c)	—	—	6,352	0.55
Impairment and Restructuring Costs, Net of Tax (b)	1,543	0.13	1,905	0.17
Amortization of Acquired Backlog, Net of Tax (g)	132	0.01	15	—
Discrete Tax Items (i)	—	—	(1,839)	(0.16)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 17,882</u>	<u>\$ 1.54</u>	<u>\$ 15,182</u>	<u>\$ 1.32</u>

Adjusted Net Income and Adjusted Diluted EPS (a)	Twelve Months Ended		Twelve Months Ended	
	Jan. 2, 2021	Jan. 2, 2021	Dec. 28, 2019	Dec. 28, 2019
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 55,196	\$ 4.77	\$ 52,068	\$ 4.54
Adjustments for the Following:				
Settlement Loss, Net of Tax (c)	—	—	6,352	0.55
Impairment and Restructuring Costs, Net of Tax (b)	2,210	0.19	1,905	0.17
Acquisition Costs, Net of Tax	355	0.03	699	0.06
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax (g,h)	407	0.04	3,702	0.32
Discrete Tax Items (i)	(338)	(0.03)	(3,338)	(0.29)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 57,830</u>	<u>\$ 5.00</u>	<u>\$ 61,388</u>	<u>\$ 5.36</u>

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Revenue by Segment (d)	Three Months Ended			
	Jan. 2, 2021	Dec. 28, 2019	Decrease	Decrease Excluding Acquisition and FX (a,e)
Flow Control	\$ 60,115	\$ 61,547	\$ (1,432)	\$ (2,304)
Industrial Processing	69,109	79,049	(9,940)	(12,283)
Material Handling	39,207	42,063	(2,856)	(3,951)
	<u>\$ 168,431</u>	<u>\$ 182,659</u>	<u>\$ (14,228)</u>	<u>\$ (18,538)</u>
Percentage of Parts and Consumables Revenue	<u>67 %</u>	<u>60 %</u>		

Revenue by Segment (d)	Twelve Months Ended			
	Jan. 2, 2021	Dec. 28, 2019	Decrease	Decrease Excluding Acquisition and FX (a,e)
Flow Control	\$ 225,444	\$ 250,339	\$ (24,895)	\$ (22,073)
Industrial Processing	261,577	301,948	(40,371)	(41,658)
Material Handling	148,007	152,357	(4,350)	(5,267)
	<u>\$ 635,028</u>	<u>\$ 704,644</u>	<u>\$ (69,616)</u>	<u>\$ (68,998)</u>
Percentage of Parts and Consumables Revenue	<u>66 %</u>	<u>63 %</u>		

Bookings by Segment (d)	Three Months Ended			
	Jan. 2, 2021	Dec. 28, 2019	Increase (Decrease)	Increase (Decrease) Excluding Acquisition and FX (e)
Flow Control	\$ 61,878	\$ 56,974	\$ 4,904	\$ 4,171
Industrial Processing	94,759	61,874	32,885	29,972
Material Handling	39,898	40,935	(1,037)	(2,196)
	<u>\$ 196,535</u>	<u>\$ 159,783</u>	<u>\$ 36,752</u>	<u>\$ 31,947</u>
Percentage of Parts and Consumables Bookings	<u>61 %</u>	<u>70 %</u>		

Bookings by Segment (d)	Twelve Months Ended			
	Jan. 2, 2021	Dec. 28, 2019	Decrease	Decrease Excluding Acquisition and FX (e)
Flow Control	\$ 228,591	\$ 241,220	\$ (12,629)	\$ (9,345)
Industrial Processing	273,644	290,881	(17,237)	(18,818)
Material Handling	146,242	156,184	(9,942)	(11,201)
	<u>\$ 648,477</u>	<u>\$ 688,285</u>	<u>\$ (39,808)</u>	<u>\$ (39,364)</u>
Percentage of Parts and Consumables Bookings	<u>65 %</u>	<u>64 %</u>		

Business Segment Information (d)	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2021	Dec. 28, 2019	Jan. 2, 2021	Dec. 28, 2019
Gross Margin:				
Flow Control	52.5 %	50.5 %	52.9 %	51.4 %
Industrial Processing	42.3 %	36.2 %	41.3 %	38.3 %
Material Handling	34.3 %	35.6 %	33.7 %	32.5 %
	<u>44.1 %</u>	<u>40.9 %</u>	<u>43.7 %</u>	<u>41.7 %</u>

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Business Segment Information (d) (continued)	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2021	Dec. 28, 2019	Jan. 2, 2021	Dec. 28, 2019
Operating Income:				
Flow Control	\$ 14,170	\$ 12,123	\$ 51,530	\$ 55,343
Industrial Processing	10,824	10,769	42,971	49,599
Material Handling	4,034	6,085	14,375	11,600
Corporate	(7,015)	(7,424)	(27,752)	(28,719)
	<u>\$ 22,013</u>	<u>\$ 21,553</u>	<u>\$ 81,124</u>	<u>\$ 87,823</u>
Adjusted Operating Income (a,f):				
Flow Control	\$ 14,108	\$ 12,123	\$ 52,189	\$ 55,343
Industrial Processing	12,840	13,297	45,788	52,127
Material Handling	4,310	6,105	14,907	17,315
Corporate	(7,015)	(7,424)	(27,752)	(28,719)
	<u>\$ 24,243</u>	<u>\$ 24,101</u>	<u>\$ 85,132</u>	<u>\$ 96,066</u>
Capital Expenditures:				
Flow Control	\$ 1,141	\$ 825	\$ 2,808	\$ 2,639
Industrial Processing	663	1,890	3,123	5,113
Material Handling	372	999	1,539	2,144
Corporate	—	7	125	61
	<u>\$ 2,176</u>	<u>\$ 3,721</u>	<u>\$ 7,595</u>	<u>\$ 9,957</u>
Cash Flow and Other Data				
	Jan. 2, 2021	Dec. 28, 2019	Jan. 2, 2021	Dec. 28, 2019
Cash Provided by Operations	\$ 40,283	\$ 39,247	\$ 92,884	\$ 97,413
Less: Capital Expenditures	(2,176)	(3,721)	(7,595)	(9,957)
Free Cash Flow (a)	<u>\$ 38,107</u>	<u>\$ 35,526</u>	<u>\$ 85,289</u>	<u>\$ 87,456</u>
Depreciation and Amortization Expense	\$ 8,074	\$ 8,086	\$ 31,334	\$ 32,390
Balance Sheet Data				
			Jan. 2, 2021	Dec. 28, 2019
Assets				
Cash, Cash Equivalents, and Restricted Cash			\$ 66,640	\$ 68,273
Accounts Receivable, net			91,540	95,740
Inventories			106,814	102,715
Unbilled Revenue			7,576	13,162
Property, Plant, and Equipment, net			84,642	86,032
Intangible Assets			160,965	173,896
Goodwill			351,753	336,032
Other Assets			57,641	63,537
			<u>\$ 927,571</u>	<u>\$ 939,387</u>
Liabilities and Stockholders' Equity				
Accounts Payable			\$ 32,264	\$ 45,852
Debt Obligations			227,963	294,717
Other Borrowings			5,511	6,308
Other Liabilities			164,928	165,431
Total Liabilities			430,666	512,308
Stockholders' Equity			496,905	427,079
			<u>\$ 927,571</u>	<u>\$ 939,387</u>

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	Three Months Ended		Twelve Months Ended	
	Jan. 2, 2021	Dec. 28, 2019	Jan. 2, 2021	Dec. 28, 2019
Adjusted Operating Income and Adjusted EBITDA Reconciliation (a,d)				
Consolidated				
Net Income Attributable to Kadant	\$ 16,207	\$ 8,749	\$ 55,196	\$ 52,068
Net Income Attributable to Noncontrolling Interest	174	136	543	496
Provision for Income Taxes	4,210	4,048	17,948	16,358
Interest Expense, Net	1,322	2,557	7,242	12,542
Other Expense, Net (c)	100	6,063	195	6,359
Operating Income	22,013	21,553	81,124	87,823
Impairment and Restructuring Costs (b)	2,053	2,528	2,979	2,528
Acquisition Costs	—	—	485	843
Acquired Backlog Amortization (g)	177	20	544	1,323
Acquired Profit in Inventory (h)	—	—	—	3,549
Adjusted Operating Income (a)	24,243	24,101	85,132	96,066
Depreciation and Amortization	7,897	8,066	30,790	31,067
Adjusted EBITDA (a)	\$ 32,140	\$ 32,167	\$ 115,922	\$ 127,133
Adjusted EBITDA Margin (a,j)	19.1 %	17.6 %	18.3 %	18.0 %
Flow Control				
Operating Income	\$ 14,170	\$ 12,123	\$ 51,530	\$ 55,343
Restructuring (Income) Costs	(62)	—	659	—
Adjusted Operating Income (a)	14,108	12,123	52,189	55,343
Depreciation and Amortization	1,604	1,780	6,333	6,603
Adjusted EBITDA (a)	\$ 15,712	\$ 13,903	\$ 58,522	\$ 61,946
Adjusted EBITDA Margin (a,j)	26.1 %	22.6 %	26.0 %	24.7 %
Industrial Processing				
Operating Income	\$ 10,824	\$ 10,769	\$ 42,971	\$ 49,599
Impairment and Restructuring Costs	1,933	2,528	2,138	2,528
Acquisition Costs	—	—	485	—
Acquired Backlog Amortization (g)	83	—	194	—
Adjusted Operating Income (a)	12,840	13,297	45,788	52,127
Depreciation and Amortization	3,371	3,281	12,969	13,012
Adjusted EBITDA (a)	\$ 16,211	\$ 16,578	\$ 58,757	\$ 65,139
Adjusted EBITDA Margin (a,j)	23.5 %	21.0 %	22.5 %	21.6 %
Material Handling				
Operating Income	\$ 4,034	\$ 6,085	\$ 14,375	\$ 11,600
Restructuring Costs	182	—	182	—
Acquisition Costs	—	—	—	843
Acquired Backlog Amortization (g)	94	20	350	1,323
Acquired Profit in Inventory (h)	—	—	—	3,549
Adjusted Operating Income (a)	4,310	6,105	14,907	17,315
Depreciation and Amortization	2,862	2,946	11,278	11,205
Adjusted EBITDA (a)	\$ 7,172	\$ 9,051	\$ 26,185	\$ 28,520
Adjusted EBITDA Margin (a,j)	18.3 %	21.5 %	17.7 %	18.7 %
Corporate				
Operating Loss	\$ (7,015)	\$ (7,424)	\$ (27,752)	\$ (28,719)
Depreciation and Amortization	60	59	210	247
EBITDA (a)	\$ (6,955)	\$ (7,365)	\$ (27,542)	\$ (28,472)

-more-

- (a) Represents a non-GAAP financial measure.
- (b) The fourth quarter of 2020 includes an intangible asset impairment charge of \$1,861 (\$1,389 after tax) related to our Industrial Processing segment's timber-harvesting product line and consolidated restructuring costs of \$192 (\$154 after tax), and the full-year 2020 includes an intangible asset impairment charge of \$1,861 (\$1,389 after tax) and restructuring costs of \$1,118 (\$821 after tax). The fourth quarter and full-year of 2019 includes an intangible asset impairment charge of \$2,336 (\$1,765 after tax) and restructuring costs of \$192 (\$140 after tax) related to our Industrial Processing segment's timber-harvesting product line.
- (c) Includes a settlement loss of \$5,887 (\$6,352 after tax) in the three- and twelve-month periods ended December 28, 2019 associated with the termination of defined benefit plans at one of our U.S. operations.
- (d) Reflects our new reportable operating segments announced on April 22, 2020. Prior period information has been recast to conform to the current period presentation.
- (e) 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.
- (f) See reconciliation to the most directly comparable GAAP financial measure under "Adjusted Operating Income and Adjusted EBITDA Reconciliation."
- (g) Represents intangible amortization expense associated with acquired backlog.
- (h) Represents expense within cost of revenues associated with amortization of acquired profit in inventory.
- (i) The discrete tax benefit of \$1,839, or \$0.16 per diluted share, in the fourth quarter of 2019 and \$3,338, or \$0.29 per diluted share, for the full-year 2019 relates to the exercise of employee stock options, which were significantly higher in these periods than in other comparable reporting periods.
- (j) Calculated as adjusted EBITDA divided by revenue in each period.

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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.

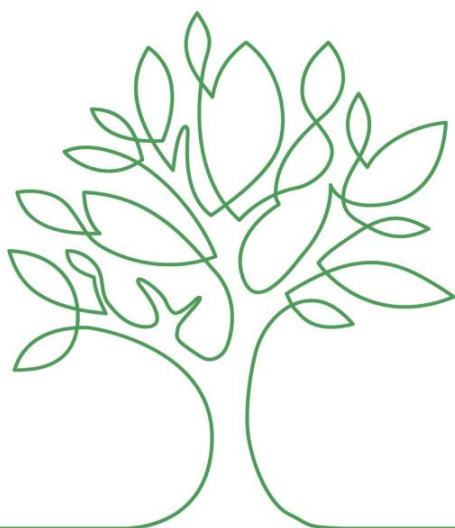
Safe Harbor Statement

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 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.

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Fourth Quarter and Fiscal Year
2020 Business Review

KĀDANT

FEBRUARY 18, 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 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 increases or decreases in revenue excluding the effect of acquisitions and foreign currency translation, adjusted diluted EPS (earnings per share), 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 fourth quarter and fiscal year 2020 earnings press release issued February 17, 2021 and our fourth quarter and fiscal year 2019 earnings press release issued February 12, 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

KADANT

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Operational Highlights

- Solid execution by our businesses led to strong margin performance and record cash flow from operations in the fourth quarter
- Capital project activity and increased demand for parts and consumables led to record bookings in the fourth quarter
- Our balance sheet remains healthy and our liquidity position has improved

Q4 2020 Performance

(\$ in millions, except per share amounts)

	Q4 20	Q4 19	Change
Revenue	\$168.4	\$182.7	-7.8%
Net Income	\$16.2	\$8.7	+85.2%
Adjusted EBITDA*	\$32.1	\$32.2	-0.1%
Adjusted EBITDA Margin*	19.1%	17.6%	+150 bps
Diluted EPS	\$1.40	\$0.76	+84.2%
Adjusted Diluted EPS*	\$1.54	\$1.32	+16.7%
Operating Cash Flow	\$40.3	\$39.2	+2.6%
Free Cash Flow*	\$38.1	\$35.5	+7.3%
Bookings	\$196.5	\$159.8	+23.0%

HIGHLIGHTS

- Excellent bookings performance across all operating segments
- Parts and consumables revenue was up 9% sequentially and made up 67% of Q4 revenue
- Strong performance in our Flow Control and Industrial Processing segments contributed to a solid adjusted EBITDA margin
- Free cash flow* was a record \$38 million

FY 2020 Performance

(\$ in millions, except per share amounts)

	FY 20	FY 19	Change
Revenue	\$635.0	\$704.6	-9.9%
Net Income	\$55.2	\$52.1	+6.0%
Adjusted EBITDA*	\$115.9	\$127.1	-8.8%
Adjusted EBITDA Margin*	18.3%	18.0%	+30 bps
Diluted EPS	\$4.77	\$4.54	+5.1%
Adjusted Diluted EPS*	\$5.00	\$5.36	-6.7%
Operating Cash Flow	\$92.9	\$97.4	-4.6%
Free Cash Flow*	\$85.3	\$87.5	-2.5%
Bookings	\$648.5	\$688.3	-5.8%

HIGHLIGHTS

- Cash flow from operations was exceptionally strong
- Increasing order activity and solid execution in the second half of 2020 led to near-record free cash flow
- Adjusted diluted EPS declined 7% compared to our record performance in 2019
- Record Q4 2020 bookings created positive momentum heading into 2021

Flow Control

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

\$ in millions	Q4 20	Q4 19	Change
Revenue	\$60.1	\$61.5	-2.3%
Bookings	\$61.9	\$57.0	+8.6%
Adjusted EBITDA*	\$15.7	\$13.9	+13.0%
Adjusted EBITDA Margin*	26.1%	22.6%	+350 bps



HIGHLIGHTS

- Solid rebound in Q4 capital project activity in all regions
- Parts and consumables revenue made up 68% of total Q4 revenue
- Product mix and operating leverage drove strong adjusted EBITDA margin
- Capital project activity continued at a robust pace early in Q1 2021

Industrial Processing

Products used to recycle paper and paperboard and to process timber

\$ in millions	Q4 20	Q4 19	Change
Revenue	\$69.1	\$79.0	-12.6%
Bookings	\$94.8	\$61.9	+53.1%
Adjusted EBITDA*	\$16.2	\$16.6	-2.2%
Adjusted EBITDA Margin*	23.5%	21.0%	+250 bps

BOOKINGS



HIGHLIGHTS

- Strong demand for wood products continued in Q4 as U.S. housing starts remained near all-time highs
- Capital bookings more than doubled sequentially and over Q419
- Parts and consumables revenue made up 70% of total Q4 revenue

Material Handling

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

\$ in millions	Q4 20	Q4 19	Change
Revenue	\$39.2	\$42.1	-6.8%
Bookings	\$39.9	\$40.9	-2.5%
Adjusted EBITDA*	\$7.2	\$9.1	-20.8%
Adjusted EBITDA Margin*	18.3%	21.5%	-320 bps

BOOKINGS



HIGHLIGHTS

- Stable demand and business activity throughout Q4
- Capital orders up 23% from Q419 and 18% sequentially
- Parts and consumables revenue made up 58% of total Q4 revenue

Business Outlook

- Demand expected to improve as industrial activity strengthens
- Uncertainty as to how markets will respond to the pandemic given the variability around vaccine distribution
- Our strong cash flow position enables us to capitalize on new opportunities



FINANCIAL REVIEW

Michael J. McKenney | EVP & CFO

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Q4 2020 Financial Performance

HIGHLIGHTS

- Adjusted EBITDA margin* of 19.1%
- Operating cash flow of \$40.3 million
- Free cash flow* of \$38.1 million
- Net debt of \$166.8 million; leverage ratio¹ of 1.61

(\$ in millions, except per share amounts)

	Q4 20	Q4 19
Gross Margin	44.1%	40.9%
SG&A % of Revenue	28.1%	26.1%
Operating Income	\$22.0	\$21.6
Net Income	\$16.2	\$8.7
Adjusted EBITDA*	\$32.1	\$32.2
Diluted EPS	\$1.40	\$0.76
Adjusted Diluted EPS*	\$1.54	\$1.32

FY 2020 Financial Performance

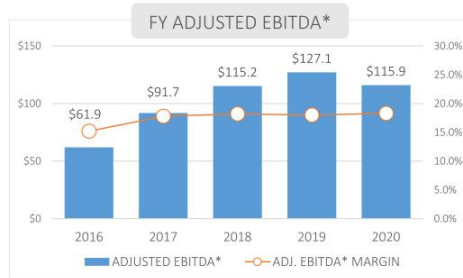
HIGHLIGHTS

- Adjusted EBITDA margin* of 18.3%
- Operating cash flow of \$92.9 million
- Free cash flow* of \$85.3 million

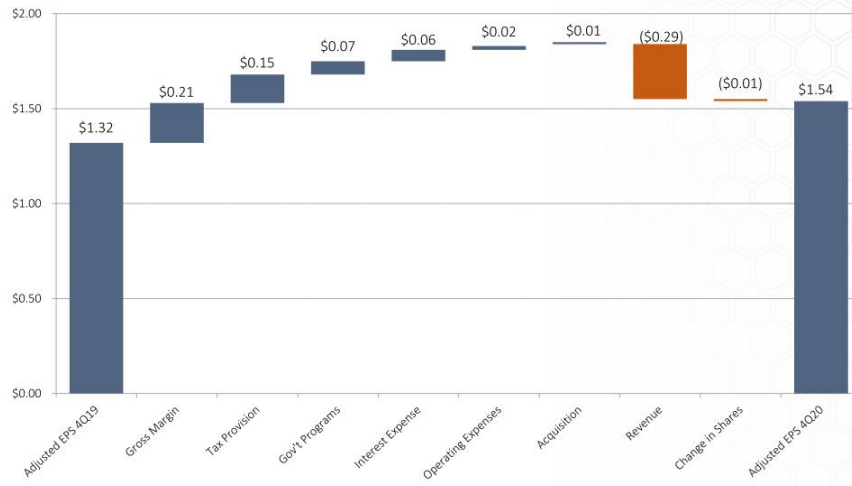
(\$ in millions, except per share amounts)

	FY 20	FY 19
Gross Margin	43.7%	41.7%
SG&A % of Revenue	28.6%	27.3%
Operating Income	\$81.1	\$87.8
Net Income	\$55.2	\$52.1
Adjusted EBITDA*	\$115.9	\$127.1
Diluted EPS	\$4.77	\$4.54
Adjusted Diluted EPS*	\$5.00	\$5.36

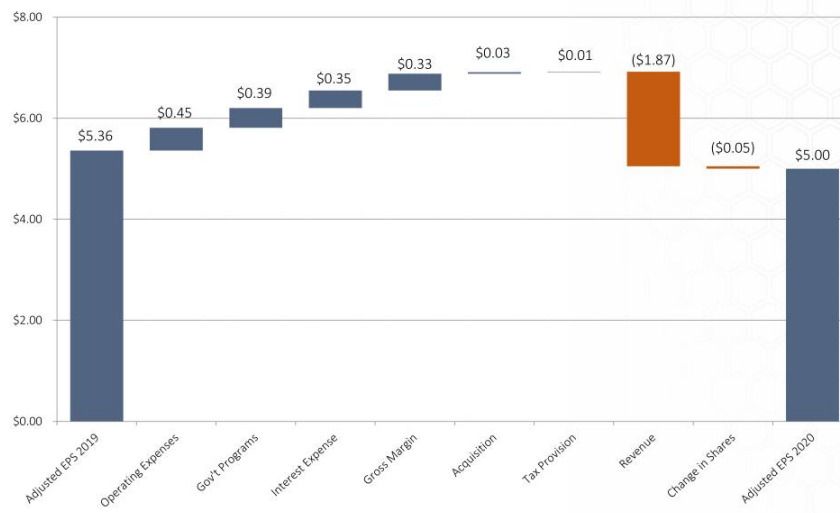
Adjusted EBITDA and Cash Flow Metrics



4Q19 to 4Q20 Adjusted Diluted EPS*



2019 to 2020 Adjusted Diluted EPS*




Key Liquidity Metrics

\$ in millions	Q4 20	Q3 20	Q4 19
Cash, cash equivalents, and restricted cash	\$66.7	\$56.2	\$68.2
Debt	(228.0)	(255.0)	(294.8)
Lease obligations	(5.5)	(5.6)	(6.2)
Net Debt	\$166.8	\$204.4	\$232.8
Leverage ratio ¹	1.61	1.88	2.03
Working capital % LTM revenue ²	14.2%	15.6%	12.2%
Cash conversion days ³	125	140	104

- Net debt decreased 28.3% from Q4 2019
- Paid down \$30 million of debt in the fourth quarter of 2020
- Our liquidity remains solid with \$400 million in borrowing capacity
 - Approximately \$182 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 increasing 9% to 12% over 2020
- Gross margins close to 2020, excluding government assistance programs
- SG&A approximately 27% to 28% of revenue
- Recurring tax rate of 27% to 28%
- Capex spending approximately 2% of revenue
- Depreciation & amortization expense of \$30 to \$31 million



To ask a question, please call 888-326-8410 within the U.S. or
+1 704-385-4884 outside the U.S. and reference 2636925.

Please mute the audio on your device.

2021 Key Priorities



MEET OUR
CUSTOMERS' NEEDS



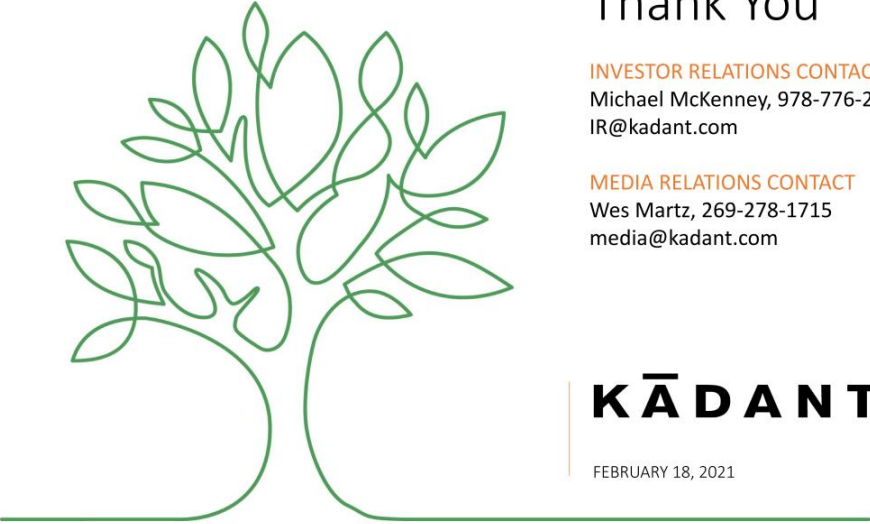
ACCELERATE OUR
REVENUE GROWTH



MAINTAIN STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES



Thank You

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FEBRUARY 18, 2021

APPENDIX

Fourth Quarter and Fiscal Year 2020 Business Review



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
- \$225 million revenue (2020)



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
- \$262 million revenue (2020)



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
- \$148 million revenue (2020)

Revenue by Customer Location

\$ in thousands	Q4 20	Q4 19	Change	Change Excl. Acquisition and FX*
North America	\$90,154	\$95,368	\$(5,214)	\$(5,703)
Europe	48,646	48,944	(298)	(3,784)
Asia	21,276	22,960	(1,684)	(2,810)
Rest of World	8,355	15,387	(7,032)	(6,241)
TOTAL	\$168,431	\$182,659	\$(14,228)	\$(18,538)

\$ in thousands	FY 20	FY 19	Change	Change Excl. Acquisition and FX*
North America	\$360,061	\$386,952	\$(26,891)	\$(26,476)
Europe	161,527	180,888	(19,361)	(22,752)
Asia	72,268	84,705	(12,437)	(12,767)
Rest of World	41,172	52,099	(10,927)	(7,003)
TOTAL	\$635,028	\$704,644	\$(69,616)	\$(68,998)

Quarterly Gross Margin and SG&A



Adjusted Diluted EPS Reconciliation

Adjusted diluted EPS is a non-GAAP financial measure.

	Q4 20	Q4 19	FY 20	FY 19
Diluted EPS, as reported	\$1.40	\$0.76	\$4.77	\$4.54
Settlement Loss, Net of Tax	-	0.55	-	0.55
Impairment and Restructuring Costs, Net of Tax	0.13	0.17	0.19	0.17
Acquisition Costs, Net of Tax	-	-	0.03	0.06
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax	0.01	-	0.04	0.32
Discrete Tax Items	-	(0.16)	(0.03)	(0.29)
Adjusted Diluted EPS	\$1.54	\$1.32	\$5.00	\$5.36

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q4 20	Q4 19
Cash Provided by Operations	\$40,283	\$39,247
Capital Expenditures	(2,176)	(3,721)
Free Cash Flow	\$38,107	\$35,526

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Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in millions)	2013	2014	2015	2016	2017	2018	2019	2020
Cash Provided by Continuing Operations, as reported	\$ 39.9	\$ 51.1	\$ 40.4	\$ 51.0	\$ 65.2	\$ 63.0	\$ 97.4	\$ 92.9
Capital Expenditures	\$ (6.2)	\$ (6.7)	\$ (5.5)	\$ (5.8)	\$ (17.3)	\$ (16.6)	\$ (9.9)	\$ (7.6)
Free Cash Flow	\$ 33.7	\$ 44.4	\$ 34.9	\$ 45.2	\$ 47.9	\$ 46.4	\$ 87.5	\$ 85.3

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 20	Q4 19	FY 20	FY 19
Net Income Attributable to Kadant	\$16,207	\$8,749	\$55,196	\$52,068
Net Income Attributable to Noncontrolling Interest	174	136	543	496
Provision for Income Taxes	4,210	4,048	17,948	16,358
Interest Expense, Net	1,322	2,557	7,242	12,542
Other Expense, Net	100	6,063	195	6,359
Impairment and Restructuring Costs	2,053	2,528	2,979	2,528
Acquisition Costs	-	-	485	843
Acquired Backlog Amortization	177	20	544	1,323
Acquired Profit in Inventory	-	-	-	3,549
Depreciation and Amortization	7,897	8,066	30,790	31,067
Adjusted EBITDA	\$32,140	\$32,167	\$115,922	\$127,133
Adjusted EBITDA Margin	19.1%	17.6%	18.3%	18.0%

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 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 17, 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.

