

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): November 1, 2022

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 November 1, 2022, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter ended October 1, 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 November 2, 2022, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended October 1, 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 November 1, 2022 announcing its financial results.
99.2	Slides to be presented by the Company on November 2, 2022.
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: November 1, 2022

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

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PRESS RELEASE**Kadant Reports Third Quarter 2022 Results**

WESTFORD, Mass., November 1, 2022 - Kadant Inc. (NYSE: KAI) reported its financial results for the third quarter ended October 1, 2022.

Third Quarter Financial Highlights

- Revenue increased 12% to \$225 million.
- Bookings decreased 14% to \$211 million.
- Net income increased 34% to \$27 million.
- GAAP diluted EPS increased 34% to \$2.35.
- Adjusted diluted EPS increased 21% to a record \$2.38.
- Adjusted EBITDA increased 17% to a record \$48 million and represented 21.3% of revenue.
- Operating cash flow decreased 34% to \$25 million.
- Backlog was \$350 million.

Note: 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

"We delivered strong revenue and earnings performance in the third quarter despite the challenging macroeconomic environment," said Jeffrey L. Powell, president and chief executive officer of Kadant Inc. "Organic revenue growth was 19 percent in the third quarter with excellent contributions across all operating segments. Solid execution led to a fourth consecutive quarterly record for adjusted EBITDA and record adjusted earnings per share.

"Throughout the quarter we successfully navigated increasingly complex market conditions fueled by inflationary pressures, the strengthening U.S. dollar, lingering global supply chain constraints, and China's zero-COVID policy. Our operations teams around the globe continued to do an excellent job proactively managing these challenges."

Third Quarter 2022 compared to 2021

Revenue increased 12 percent to \$224.5 million compared to \$199.8 million in 2021. Organic revenue increased 19 percent, which excludes a seven percent decrease from the unfavorable effect of foreign currency translation. Gross margin was 42.5 percent compared to 41.9 percent in 2021. Gross margin in 2021 included a negative 110 basis point impact from the amortization of acquired profit in inventory.

GAAP diluted earnings per share (EPS) increased 34 percent to \$2.35 compared to \$1.75 in 2021. Adjusted diluted EPS increased 21 percent to a record \$2.38 compared to \$1.97 in 2021. Adjusted diluted EPS excludes \$0.02 of acquisition costs and \$0.01 of restructuring costs in 2022. Adjusted diluted EPS excludes \$0.22 of acquisition-related costs in 2021. Net income increased 34 percent to \$27.5 million compared to \$20.5 million in 2021. Adjusted EBITDA increased 17 percent to a record \$47.8 million and represented a record 21.3 percent of revenue compared to \$40.9 million and 20.5 percent of revenue in the prior year quarter. Operating cash flow decreased 34 percent to \$24.9 million compared to \$37.9 million in 2021 due to an increase in working capital.

Bookings decreased 14 percent to \$210.9 million compared to \$244.7 million in 2021. Organic bookings decreased ten percent, which excludes a five percent decrease from the unfavorable effect of foreign currency translation and a one percent increase from an acquisition.

Summary and Outlook

"As we look ahead to the remainder of 2022, we are well positioned to finish the year strong," Mr. Powell continued. "We have a significant amount of capital projects to deliver in the upcoming quarter, and our backlog remains at a near-record level. However, we expect macroeconomic headwinds to strengthen and order activity to continue to moderate through the remainder of the year.

"We are narrowing our revenue and adjusted diluted EPS guidance and we now expect revenue of \$890 to \$896 million in 2022, revised from our previous guidance of \$890 to \$905 million. Our GAAP diluted EPS guidance is now \$10.02 to \$10.19 revised from our previous guidance of \$10.05 to \$10.25. This guidance includes a \$1.30 gain on the sale of a facility, \$0.06 of acquisition-related costs, and \$0.02 of impairment and restructuring costs. Excluding these items, we expect adjusted diluted EPS of \$8.80 to \$8.97, revised from our previous guidance of \$8.80 to \$9.00. For the fourth quarter of 2022, we expect GAAP diluted EPS of \$1.90 to \$2.07 on revenue of \$217 to \$223 million."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, November 2, 2022, at 11:00 a.m. eastern time to discuss its third quarter performance, as well as future expectations. To listen to the call live and view the webcast, go to the "Investors" section of the Company's website at www.kadant.com. Participants interested in joining the call's live question and answer session are required to register by clicking <https://register.vevent.com/register/B1ed70b6d3e5a94b4995feb0445031a26> 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 December 2, 2022.

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 third 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 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 third quarter of 2022 included \$0.2 million from an acquisition and a \$14.1 million unfavorable foreign currency translation effect. Revenue in the first nine months of 2022 included \$40.1 million from acquisitions and a \$27.0 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, 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.

Third Quarter

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

- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$2.8 million in 2021.
- Pre-tax acquisition costs of \$0.4 million in 2022 and \$0.7 million in 2021.
- Pre-tax restructuring costs of \$0.1 million in 2022.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax expense related to amortization of acquired profit in inventory and backlog of \$2.0 million (\$2.8 million net of tax of \$0.8 million) in 2021.
- After-tax acquisition costs of \$0.3 million (\$0.4 million net of tax of \$0.1 million) in 2022 and \$0.6 million (\$0.7 million net of tax of \$0.1 million) in 2021.
- After-tax restructuring costs of \$0.1 million in 2022.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$6.4 million in 2022 and \$3.4 million in 2021.

First Nine Months

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

- Pre-tax gain on the sale of a facility of \$20.2 million in 2022.
- Pre-tax acquisition costs of \$0.5 million in 2022 and \$2.6 million in 2021.
- Pre-tax indemnification asset reversal of \$0.6 million in 2022.
- Pre-tax impairment and restructuring costs of \$0.3 million in 2022.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$0.5 in 2022 and \$2.9 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.
- After-tax acquisition costs of \$0.3 million (\$0.5 million net of tax of \$0.2 million) in 2022 and \$2.3 million (\$2.6 million net of tax of \$0.3 million) in 2021.
- After-tax impairment and restructuring costs of \$0.2 million (\$0.3 million net of tax of \$0.1 million) in 2022.
- After-tax expense related to amortization of acquired profit in inventory and backlog of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2022 and \$2.0 (\$2.9 million net of tax of \$0.9 million) in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$16.2 million in 2022 and \$7.7 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)

Consolidated Statement of Income	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Revenue	\$ 224,510	\$ 199,789	\$ 672,639	\$ 568,063
Costs and Operating Expenses:				
Cost of revenue	129,154	116,096	383,034	323,337
Selling, general, and administrative expenses	53,153	52,316	167,640	151,014
Research and development expenses	3,245	2,649	9,574	8,547
Gain on sale and other costs, net (b)	72	—	(19,936)	—
	185,624	171,061	540,312	482,898
Operating Income	38,886	28,728	132,327	85,165
Interest Income	271	55	650	176
Interest Expense	(1,721)	(1,320)	(4,321)	(3,497)
Other Expense, Net	(19)	(23)	(60)	(71)
Income Before Provision for Income Taxes	37,417	27,440	128,596	81,773
Provision for Income Taxes	9,746	6,742	33,075	21,252
Net Income	27,671	20,698	95,521	60,521
Net Income Attributable to Noncontrolling Interest	(184)	(237)	(672)	(635)
Net Income Attributable to Kadant	\$ 27,487	\$ 20,461	\$ 94,849	\$ 59,886
Earnings per Share Attributable to Kadant:				
Basic	\$ 2.36	\$ 1.77	\$ 8.14	\$ 5.18
Diluted	\$ 2.35	\$ 1.75	\$ 8.12	\$ 5.14
Weighted Average Shares:				
Basic	11,662	11,580	11,651	11,571
Diluted	11,700	11,668	11,681	11,644

Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended		Three Months Ended	
	October 1, 2022	October 1, 2022	October 2, 2021	October 2, 2021
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 27,487	\$ 2.35	\$ 20,461	\$ 1.75
Adjustments for the Following, Net of Tax:				
Acquisition Costs	276	0.02	595	0.05
Restructuring Costs	72	0.01	—	—
Acquired Profit in Inventory and Backlog Amortization (c,d)	—	—	1,978	0.17
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 27,835	\$ 2.38	\$ 23,034	\$ 1.97

Adjusted Net Income and Adjusted Diluted EPS (a)	Nine Months Ended		Nine Months Ended	
	October 1, 2022	October 1, 2022	October 2, 2021	October 2, 2021
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 94,849	\$ 8.12	\$ 59,886	\$ 5.14
Adjustments for the Following, Net of Tax:				
Gain on Sale (b)	(15,143)	(1.30)	—	—
Acquisition Costs	335	0.03	2,325	0.20
Impairment and Restructuring Costs	207	0.02	—	—
Acquired Profit in Inventory and Backlog Amortization (c,d)	387	0.03	2,043	0.17
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 80,635	\$ 6.90	\$ 64,254	\$ 5.52

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Revenue by Segment	Three Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	October 1, 2022	October 2, 2021		
Flow Control	\$ 86,880	\$ 76,253	\$ 10,627	\$ 16,913
Industrial Processing	86,085	81,620	4,465	9,179
Material Handling	51,545	41,916	9,629	12,493
	<u>\$ 224,510</u>	<u>\$ 199,789</u>	<u>\$ 24,721</u>	<u>\$ 38,585</u>
Percentage of Parts and Consumables Revenue	63%	66%		

Revenue by Segment	Nine Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	October 1, 2022	October 2, 2021		
Flow Control	\$ 257,926	\$ 210,769	\$ 47,157	\$ 33,598
Industrial Processing	263,572	233,455	30,117	39,584
Material Handling	151,141	123,839	27,302	18,289
	<u>\$ 672,639</u>	<u>\$ 568,063</u>	<u>\$ 104,576</u>	<u>\$ 91,471</u>
Percentage of Parts and Consumables Revenue	64%	66%		

Bookings by Segment	Three Months Ended		Increase (Decrease)	Increase (Decrease) Excluding Acquisitions and FX (e)
	October 1, 2022	October 2, 2021		
Flow Control	\$ 84,902	\$ 76,661	\$ 8,241	\$ 14,294
Industrial Processing	77,878	118,896	(41,018)	(39,200)
Material Handling	48,093	49,137	(1,044)	1,250
	<u>\$ 210,873</u>	<u>\$ 244,694</u>	<u>\$ (33,821)</u>	<u>\$ (23,656)</u>
Percentage of Parts and Consumables Bookings	68%	53%		

Bookings by Segment	Nine Months Ended		Increase (Decrease)	Increase (Decrease) Excluding Acquisitions and FX (e)
	October 1, 2022	October 2, 2021		
Flow Control	\$ 282,360	\$ 224,479	\$ 57,881	\$ 42,859
Industrial Processing	294,105	307,401	(13,296)	(6,105)
Material Handling	166,408	130,468	35,940	20,327
	<u>\$ 742,873</u>	<u>\$ 662,348</u>	<u>\$ 80,525</u>	<u>\$ 57,081</u>
Percentage of Parts and Consumables Bookings	62%	59%		

Business Segment Information	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Gross Margin:				
Flow Control	51.6%	49.7%	52.3%	51.8%
Industrial Processing	39.3%	39.7%	38.8%	40.1%
Material Handling	32.3%	31.9%	34.8%	33.8%
	<u>42.5%</u>	<u>41.9%</u>	<u>43.1%</u>	<u>43.1%</u>

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Business Segment Information (continued)	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Operating Income:				
Flow Control	\$ 22,874	\$ 17,129	\$ 67,306	\$ 51,899
Industrial Processing	17,550	16,095	70,994	44,449
Material Handling	6,945	3,491	21,490	12,941
Corporate	(8,483)	(7,987)	(27,463)	(24,124)
	<u>\$ 38,886</u>	<u>\$ 28,728</u>	<u>\$ 132,327</u>	<u>\$ 85,165</u>
Adjusted Operating Income (a,f):				
Flow Control	\$ 23,356	\$ 19,835	\$ 67,632	\$ 55,841
Industrial Processing	17,550	16,128	51,561	44,622
Material Handling	6,945	4,290	22,207	14,352
Corporate	(8,483)	(7,987)	(27,463)	(24,124)
	<u>\$ 39,368</u>	<u>\$ 32,266</u>	<u>\$ 113,937</u>	<u>\$ 90,691</u>
Capital Expenditures:				
Flow Control	\$ 868	\$ 1,128	\$ 2,424	\$ 1,830
Industrial Processing (h)	4,654	1,725	11,679	4,720
Material Handling	854	505	2,081	1,121
Corporate	—	12	7	17
	<u>\$ 6,376</u>	<u>\$ 3,370</u>	<u>\$ 16,191</u>	<u>\$ 7,688</u>

Cash Flow and Other Data	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Operating Cash Flow	\$ 24,897	\$ 37,932	\$ 67,462	\$ 101,410
Less: Capital Expenditures (h)	(6,376)	(3,370)	(16,191)	(7,688)
Free Cash Flow (a)	<u>\$ 18,521</u>	<u>\$ 34,562</u>	<u>\$ 51,271</u>	<u>\$ 93,722</u>
Depreciation and Amortization Expense	\$ 8,456	\$ 9,195	\$ 26,387	\$ 24,597

Balance Sheet Data	October 1, 2022	January 1, 2022
	Assets	
Cash, Cash Equivalents, and Restricted Cash	\$ 75,114	\$ 94,161
Accounts Receivable, net	128,253	117,209
Inventories	156,567	134,356
Contract Assets	16,064	8,626
Property, Plant, and Equipment, net	105,439	107,989
Intangible Assets	173,707	199,343
Goodwill	372,966	396,887
Other Assets	78,743	73,641
	<u>\$ 1,106,853</u>	<u>\$ 1,132,212</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 53,495	\$ 59,250
Debt Obligations	207,885	264,597
Other Borrowings	1,782	4,917
Other Liabilities	234,187	237,832
Total Liabilities	497,349	566,596
Stockholders' Equity	609,504	565,616
	<u>\$ 1,106,853</u>	<u>\$ 1,132,212</u>

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	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)				
Consolidated				
Net Income Attributable to Kadant	\$ 27,487	\$ 20,461	\$ 94,849	\$ 59,886
Net Income Attributable to Noncontrolling Interest	184	237	672	635
Provision for Income Taxes	9,746	6,742	33,075	21,252
Interest Expense, Net	1,450	1,265	3,671	3,321
Other Expense, Net	19	23	60	71
Operating Income	38,886	28,728	132,327	85,165
Gain on Sale (b)	—	—	(20,190)	—
Acquisition Costs	410	718	486	2,619
Indemnification Asset Reversal (g)	—	—	575	—
Impairment and Restructuring Costs	72	—	254	—
Acquired Backlog Amortization (c)	—	604	703	691
Acquired Profit in Inventory Amortization (d)	—	2,216	(218)	2,216
Adjusted Operating Income (a)	39,368	32,266	113,937	90,691
Depreciation and Amortization	8,456	8,591	25,684	23,906
Adjusted EBITDA (a)	\$ 47,824	\$ 40,857	\$ 139,621	\$ 114,597
Adjusted EBITDA Margin (a,i)	21.3%	20.5%	20.8%	20.2%
Flow Control				
Operating Income	\$ 22,874	\$ 17,129	\$ 67,306	\$ 51,899
Acquisition Costs	410	507	472	1,743
Restructuring Costs	72	—	72	—
Acquired Backlog Amortization (c)	—	353	—	353
Acquired Profit in Inventory Amortization (d)	—	1,846	(218)	1,846
Adjusted Operating Income (a)	23,356	19,835	67,632	55,841
Depreciation and Amortization	2,229	2,333	6,873	5,473
Adjusted EBITDA (a)	\$ 25,585	\$ 22,168	\$ 74,505	\$ 61,314
Adjusted EBITDA Margin (a,i)	29.4%	29.1%	28.9%	29.1%
Industrial Processing				
Operating Income	\$ 17,550	\$ 16,095	\$ 70,994	\$ 44,449
Gain on Sale (b)	—	—	(20,190)	—
Indemnification Asset Reversal (g)	—	—	575	—
Impairment Costs	—	—	182	—
Acquisition Costs	—	33	—	113
Acquired Backlog Amortization (c)	—	—	—	60
Adjusted Operating Income (a)	17,550	16,128	51,561	44,622
Depreciation and Amortization	3,122	3,341	9,476	10,082
Adjusted EBITDA (a)	\$ 20,672	\$ 19,469	\$ 61,037	\$ 54,704
Adjusted EBITDA Margin (a,i)	24.0%	23.9%	23.2%	23.4%
Material Handling				
Operating Income	\$ 6,945	\$ 3,491	\$ 21,490	\$ 12,941
Acquisition Costs	—	178	14	763
Acquired Backlog Amortization (c)	—	251	703	278
Acquired Profit in Inventory Amortization (d)	—	370	—	370
Adjusted Operating Income (a)	6,945	4,290	22,207	14,352
Depreciation and Amortization	3,083	2,885	9,262	8,253
Adjusted EBITDA (a)	\$ 10,028	\$ 7,175	\$ 31,469	\$ 22,605
Adjusted EBITDA Margin (a,i)	19.5%	17.1%	20.8%	18.3%

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	Three Months Ended		Nine Months Ended	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)				
Corporate				
Operating Loss	\$ (8,483)	\$ (7,987)	\$ (27,463)	\$ (24,124)
Depreciation and Amortization	22	32	73	98
EBITDA (a)	\$ (8,461)	\$ (7,955)	\$ (27,390)	\$ (24,026)

- (a) Represents a non-GAAP financial measure.
- (b) Includes a \$20.2 million gain on 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 an indemnification asset reversal related to the release of tax reserves associated with uncertain tax positions.
- (h) Includes \$2.2 million and \$5.4 million in the three and nine months ended October 1, 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 3,000 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.

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KADANT

Third Quarter 2022 Business Review

November 2, 2022



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 November 1, 2022. 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 Kadam'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 third quarter 2022 earnings press release issued November 1, 2022, 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

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Operational Highlights

- Solid execution by our businesses led to record adjusted EPS* and adjusted EBITDA*
- Strong aftermarket parts demand continued into Q3
- Capital project activity moderated across certain segments and product lines

Q3 2022 Performance

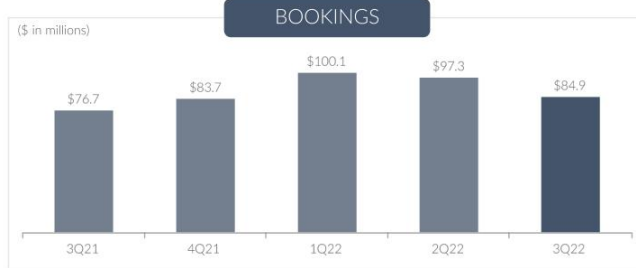
(\$ in millions, except per share amounts)	Q3 22	Q3 21	Change
Revenue	\$224.5	\$199.8	+12.4%
Net Income	\$27.5	\$20.5	+34.3%
Adjusted EBITDA*	\$47.8	\$40.9	+17.1%
Adjusted EBITDA Margin*	21.3%	20.5%	+80 bps
Diluted EPS	\$2.35	\$1.75	+34.3%
Adjusted Diluted EPS*	\$2.38	\$1.97	+20.8%
Operating Cash Flow	\$24.9	\$37.9	-34.4%
Bookings	\$210.9	\$244.7	-13.8%

HIGHLIGHTS

- Strong revenue performance despite unfavorable FX impact
- Aftermarket parts were up 8% and represented 63% of total Q3 revenue
- Strong operating performance led to record adjusted EPS* and adjusted EBITDA*

Flow Control

(\$ in millions)	Q3 22	Q3 21	Change
Revenue	\$86.9	\$76.3	+13.9%
Bookings	\$84.9	\$76.7	+10.7%
Adjusted EBITDA*	\$25.6	\$22.2	+15.4%
Adjusted EBITDA Margin*	29.4%	29.1%	+30 bps



HIGHLIGHTS

- Strong aftermarket demand and capital project activity
- Organic bookings up 19%
- Record adjusted EBITDA* performance in the third quarter
- Supply chain constraints continue to present challenges

Industrial Processing

(\$ in millions)	Q3 22	Q3 21	Change
Revenue	\$86.1	\$81.6	+5.5%
Bookings	\$77.9	\$118.9	-34.5%
Adjusted EBITDA*	\$20.7	\$19.5	+6.2%
Adjusted EBITDA Margin*	24.0%	23.9%	+10 bps



HIGHLIGHTS

- Capital bookings down from a record Q3 21
- Strong demand for aftermarket parts
- Aftermarket parts revenue represented 61% of total Q3 revenue
- Mill operating rates remained strong

Material Handling

(\$ in millions)	Q3 22	Q3 21	Change
Revenue	\$51.5	\$41.9	+23.0%
Bookings	\$48.1	\$49.1	-2.1%
Adjusted EBITDA*	\$10.0	\$7.2	+39.8%
Adjusted EBITDA Margin*	19.5%	17.1%	+240 bps



HIGHLIGHTS

- Demand was exceptionally strong for our bulk material handling equipment for both parts and capital, offset by softening demand for balers in Europe
- Business activity remains healthy with organic revenue up 30%
- Improved operating leverage led to strong adjusted EBITDA* performance

Business Outlook

- Demand expected to moderate as macroeconomic headwinds strengthen
- Supply chain constraints and inflationary pressures continue to be a challenge
- Expecting to generate record earnings in fiscal 2022



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

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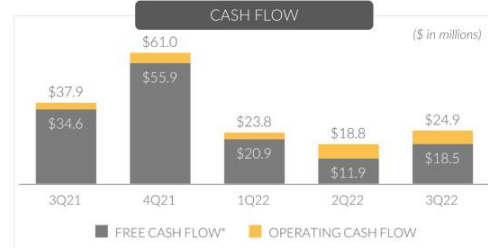
Q3 2022 Financial Performance

HIGHLIGHTS

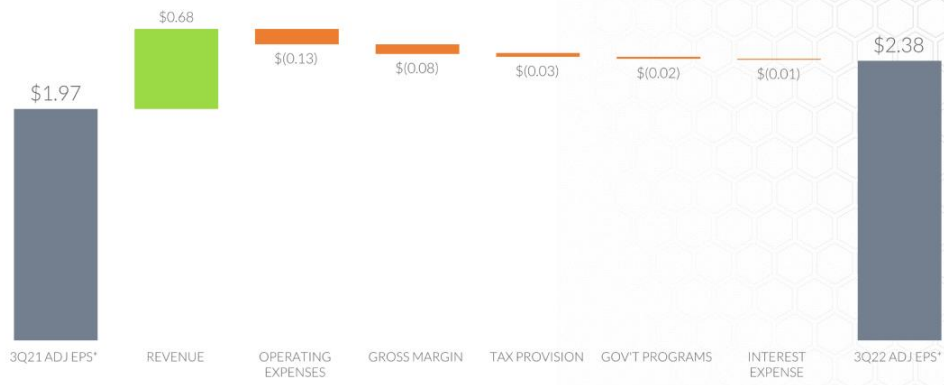
- Adjusted EBITDA margin* of 21.3%
- Operating cash flow of \$24.9 million
- Free cash flow* of \$18.5 million
- Net debt of \$134.6 million; leverage ratio¹ of 0.94

(\$ in millions, except per share amounts)	Q3 22	Q3 21
Gross Margin	42.5%	41.9%
SG&A % of Revenue	23.7%	26.2%
Operating Income	\$38.9	\$28.7
Net Income	\$27.5	\$20.5
Adjusted EBITDA*	\$47.8	\$40.9
Diluted EPS	\$2.35	\$1.75
Adjusted Diluted EPS*	\$2.38	\$1.97

Key Consolidated Financial Metrics



3Q21 to 3Q22 Adjusted Diluted EPS*



Key Liquidity Metrics

(\$ in millions)	Q3 22	Q2 22	Q3 21
Cash, cash equivalents, and restricted cash	\$75.1	\$78.0	\$83.7
Debt	\$207.9	\$223.8	\$309.4
Lease obligations	\$1.8	\$4.5	\$5.1
Net Debt	\$134.6	\$150.3	\$230.8
Leverage ratio ¹	0.94	1.05	1.69
Working capital % LTM revenue ²	12.8%	12.4%	13.5%
Cash conversion days ³	130	123	113

Guidance

- FY 2022 GAAP diluted EPS of \$10.02 to \$10.19
- FY 2022 adjusted diluted EPS* of \$8.80 to \$8.97
- FY 2022 revenue of \$890 to \$896 million

- Q4 2022 GAAP diluted EPS of \$1.90 to \$2.07
- Q4 2022 revenue of \$217 to \$223 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.

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2022 Key Priorities



ACCELERATE SUSTAINABLE
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL
STAKEHOLDER VALUE



PROVIDE STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

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November 2, 2022



APPENDIX

Third Quarter 2022 Business Review

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Revenue by Customer Location

(\$ in thousands)	Q3 22	Q3 21	Change	Change Excluding Acquisitions and FX*
North America	\$126,699	\$105,384	\$21,315	\$22,577
Europe	57,409	58,813	(1,404)	8,308
Asia	26,953	25,504	1,449	3,585
Rest of World	13,449	10,088	3,361	4,115
TOTAL	\$224,510	\$199,789	\$24,721	\$38,585

(\$ in thousands)	Q3 22 YTD	Q3 21 YTD	Change	Change Excluding Acquisitions and FX*
North America	\$375,115	\$307,243	\$67,872	\$52,484
Europe	174,264	159,281	14,983	20,440
Asia	87,916	72,046	15,870	13,425
Rest of World	35,344	29,493	5,851	5,122
TOTAL	\$672,639	\$568,063	\$104,576	\$91,471

Adjusted Diluted EPS Reconciliation

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

	Q3 22	Q3 21
Diluted EPS, as reported	\$2.35	\$1.75
Acquisition Costs, Net of Tax	0.02	0.05
Restructuring Costs, Net of Tax	0.01	—
Acquired Backlog Amortization, Net of Tax	—	0.04
Acquired Profit in Inventory Amortization, Net of Tax	—	0.13
Adjusted Diluted EPS*	\$2.38	\$1.97

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in thousands)	Q3 22	Q3 21
Operating Cash Flow	\$24,897	\$37,932
Less Capital Expenditures	(6,376)	(3,370)
Free Cash Flow*	\$18,521	\$34,562

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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)	Q3 22	Q3 21
Net Income Attributable to Kadant	\$27,487	\$20,461
Net Income Attributable to Noncontrolling Interest	184	237
Provision for Income Taxes	9,746	6,742
Interest Expense, Net	1,450	1,265
Other Expense, Net	19	23
Acquisition Costs	410	718
Restructuring Costs	72	—
Acquired Backlog Amortization	—	604
Acquired Profit in Inventory Amortization	—	2,216
Depreciation and Amortization	8,456	8,591
Adjusted EBITDA*	\$47,824	\$40,857
Adjusted EBITDA Margin*	21.3%	20.5%

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 November 1, 2022.

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.

