



**KĀDANT**

# First Quarter 2023 Business Review

May 3, 2023

# Forward-Looking Statements

The following constitutes a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent our expectations as of May 2, 2023. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant’s annual report on Form 10-K for the fiscal year ended December 31, 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 and pandemics; 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; 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; 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 EPS (earnings per share), adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, adjusted operating income, and free cash flow. All references to EPS are to our EPS as calculated on a diluted basis.

Specific non-GAAP financial measures have been marked with an \* (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our first quarter 2023 earnings press release issued May 2, 2023, which is available in the Investors section of our website at [investor.kadant.com](https://investor.kadant.com) under the heading News Releases.

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

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



# BUSINESS REVIEW

Jeffrey L. Powell, President & CEO



# Operational Highlights

- Strong demand continued into the first quarter leading to record bookings
- Solid execution by our businesses led to record adjusted EPS\*
- Cash flow reached a new historical high for a first quarter

# Q1 2023 Performance

(\$ in millions, except per share amounts)	Q1 23	Q1 22	Change
Revenue	\$229.8	\$226.5	+1.4%
Net Income	\$28.1	\$41.2	-31.8%
Adjusted EBITDA*	\$48.6	\$45.8	+5.9%
Adjusted EBITDA Margin*	21.1%	20.2%	+90 bps
EPS	\$2.40	\$3.53	-32.0%
Adjusted EPS*	\$2.40	\$2.28	+5.3%
Operating Cash Flow	\$36.9	\$23.8	+55.1%
Bookings	\$274.5	\$266.1	+3.2%

## HIGHLIGHTS

- Record bookings performance despite unfavorable FX
- Aftermarket parts made up 66% of Q1 revenue; up 4% to a record \$152 million
- Strong operating performance led to record adjusted EPS\* and excellent adjusted EBITDA\* and cash flow

# Flow Control

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$89.5	\$85.8	+4.3%
Bookings	\$104.6	\$100.1	+4.4%
Adjusted EBITDA*	\$26.5	\$23.9	+10.7%
Adjusted EBITDA Margin*	29.6%	27.9%	+170 bps

## BOOKINGS



## HIGHLIGHTS

- Strong aftermarket demand and capital project activity drove record bookings
- Excellent execution led to record adjusted EBITDA\* in the first quarter
- End markets remain healthy despite continued uncertainty in the macroeconomy

# Industrial Processing

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$83.5	\$93.1	-10.3%
Bookings	\$96.3	\$106.3	-9.5%
Adjusted EBITDA*	\$18.9	\$22.0	-13.9%
Adjusted EBITDA Margin*	22.7%	23.6%	-90 bps

## BOOKINGS



## HIGHLIGHTS

- Demand for capital equipment softened in Q1 relative to the strong prior year period
- Healthy demand for aftermarket parts represented 65% of total Q1 revenue
- Mill operating rates remain solid while market-related downtime is being taken to balance supply



# Material Handling

(\$ in millions)	Q1 23	Q1 22	Change
Revenue	\$56.7	\$47.6	+19.2%
Bookings	\$73.7	\$59.6	+23.6%
Adjusted EBITDA*	\$12.5	\$9.7	+29.1%
Adjusted EBITDA Margin*	22.0%	20.3%	+170 bps

## BOOKINGS



## HIGHLIGHTS

- Robust demand for our bulk material handling equipment and baling systems
- Business activity remains healthy with record revenue and bookings in Q1
- Excellent execution by our operations teams led to record adjusted EBITDA\*

# Business Outlook

- Project activity continues to be good despite global macroeconomic headwinds
- Industrial demand expected to moderate as the year progresses, particularly in the second half
- Record backlog in the first quarter positions us well for strong performance in 2023



# FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

# Q1 2023 Financial Performance

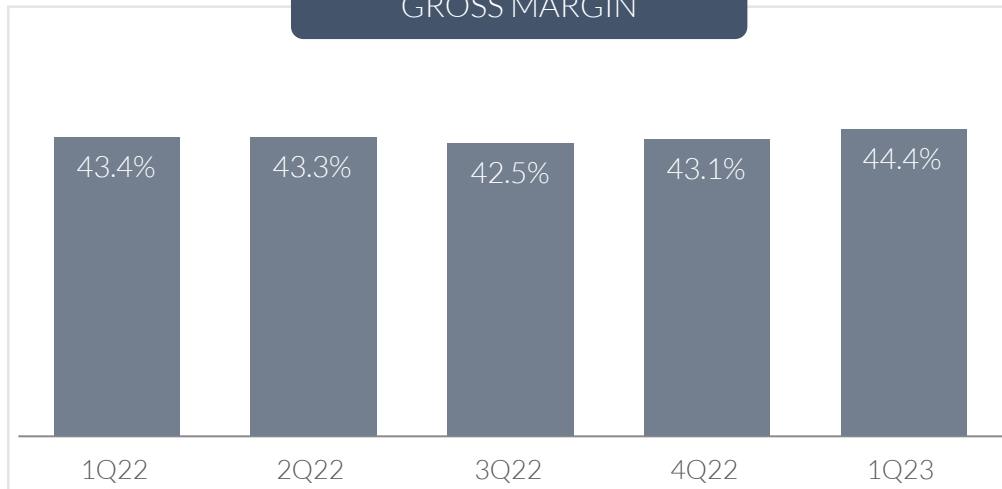
## HIGHLIGHTS

- Adjusted EBITDA margin\* of 21.1%
- Operating cash flow of \$36.9 million
- Free cash flow\* of \$32.4 million
- Net debt of \$96.4 million; leverage ratio<sup>1</sup> of 0.64

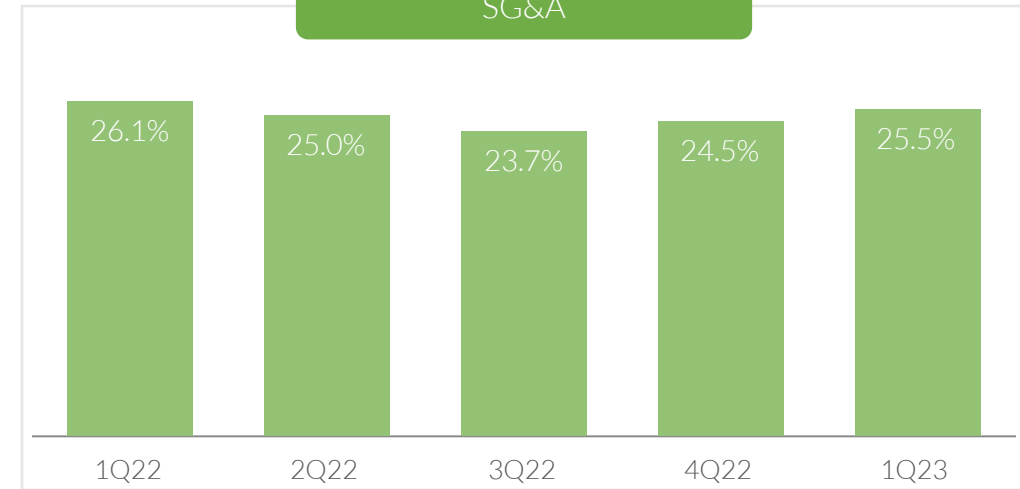
(\$ in millions, except per share amounts)	Q1 23	Q1 22
Gross Margin	44.4%	43.4%
SG&A % of Revenue	25.5%	26.1%
Operating Income	\$40.1	\$56.0
Net Income	\$28.1	\$41.2
Adjusted EBITDA*	\$48.6	\$45.8
EPS	\$2.40	\$3.53
Adjusted EPS*	\$2.40	\$2.28

# Key Consolidated Financial Metrics

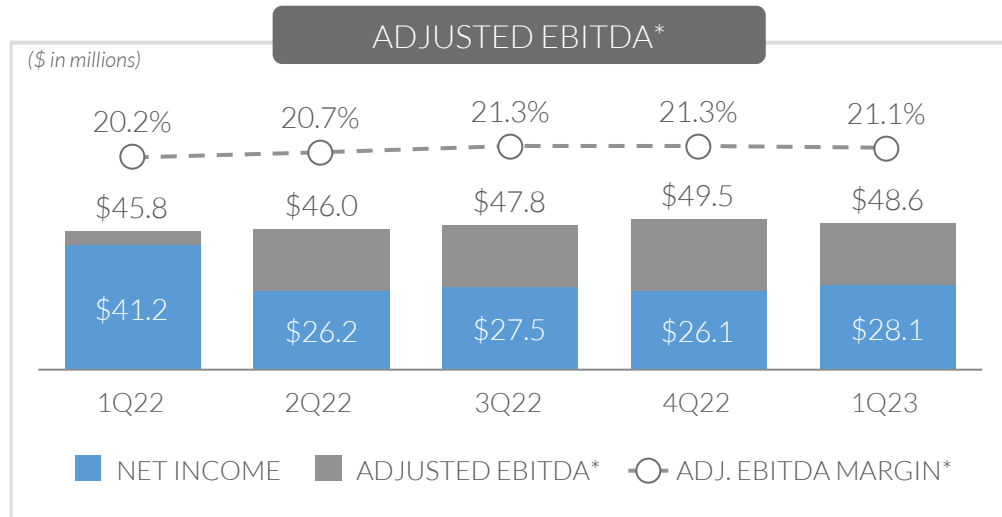
GROSS MARGIN



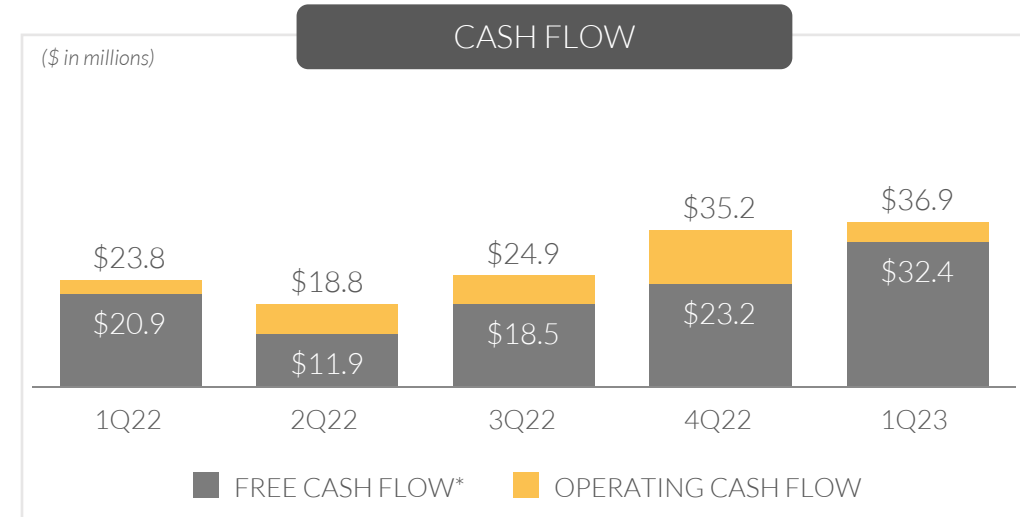
SG&A



ADJUSTED EBITDA\*

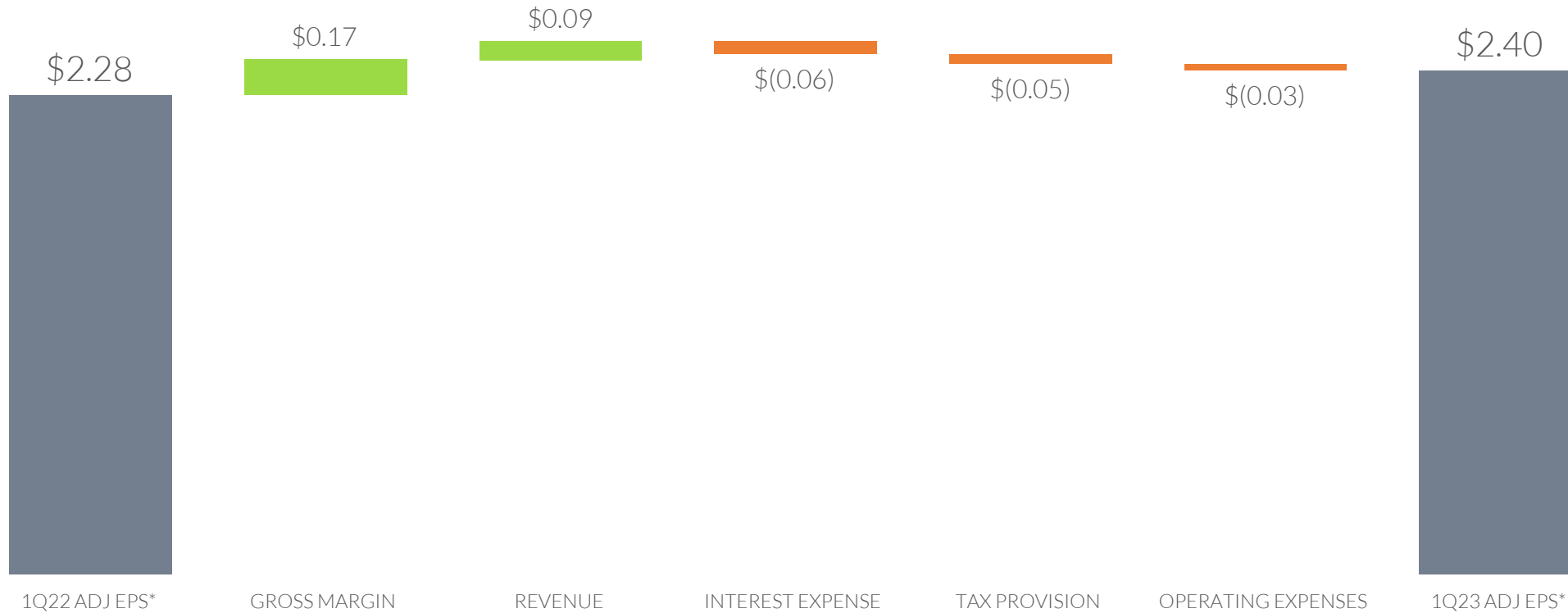


CASH FLOW





# 1Q22 to 1Q23 Adjusted EPS\*



# Key Liquidity Metrics

(\$ in millions)	Q1 23	Q4 22	Q1 22
Cash, cash equivalents, and restricted cash	\$85.5	\$79.7	\$89.0
Debt	\$180.1	\$199.2	\$243.4
Lease obligations	\$1.8	\$1.9	\$4.5
Net Debt	\$96.4	\$121.4	\$158.9
Leverage ratio <sup>1</sup>	0.64	0.74	1.16
Working capital % LTM revenue <sup>2</sup>	15.6%	13.9%	10.8%
Cash conversion days <sup>3</sup>	136	126	104

# Guidance

- FY 2023 revenue of \$910 to \$935 million, revised from \$900 to \$925 million
  - FY 2023 GAAP EPS of \$8.82 to \$9.07, revised from \$8.72 to \$8.97
  - FY 2023 adjusted EPS\* of \$8.90 to \$9.15, revised from \$8.80 to \$9.05
- 
- Q2 2023 revenue of \$230 to \$235 million
  - Q2 2023 GAAP EPS of \$2.01 to \$2.11
  - Q2 2023 adjusted EPS\* of \$2.05 to \$2.15



# Questions & Answers

To participate in the live Q&A session, please go to [investor.kadant.com](https://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.

# 2023 Key Priorities



ENABLE SUSTAINABLE  
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL  
STAKEHOLDER VALUE



PROVIDE STRONG  
CASH FLOW



CAPITALIZE ON NEW  
OPPORTUNITIES



# KĀDANT

## INVESTOR RELATIONS CONTACT

Michael McKenney, 978-776-2000  
[IR@kadant.com](mailto:IR@kadant.com)

## MEDIA RELATIONS CONTACT

Wes Martz, 269-278-1715  
[media@kadant.com](mailto:media@kadant.com)

May 3, 2023





# APPENDIX

## First Quarter 2023 Business Review

# Revenue by Customer Location

(\$ in thousands)	Q1 23	Q1 22	Change	Change Excluding FX*
North America	\$132,453	\$124,336	\$8,117	\$9,833
Europe	54,157	58,366	(4,209)	(1,027)
Asia	27,770	31,987	(4,217)	(2,168)
Rest of World	15,378	11,791	3,587	4,032
Total	\$229,758	\$226,480	\$3,278	\$10,670

# Adjusted EPS Reconciliation

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

	Q1 23	Q1 22
EPS, as Reported	\$2.40	\$3.53
Adjustments, Net of Tax		
Gain on Sale	—	(1.30)
Acquisition Costs	—	0.01
Impairment Costs	—	0.01
Acquired Profit in Inventory and Backlog Amortization	—	0.03
Adjusted EPS*	\$2.40	\$2.28

# Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in thousands)	Q1 23	Q1 22
Operating Cash Flow	\$36,866	\$23,768
Less Capital Expenditures	(4,469)	(2,868)
Free Cash Flow*	\$32,397	\$20,900

# Adjusted EBITDA Reconciliation

Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA in a given period by revenue in the same period.

(\$ in thousands)	Q1 23	Q1 22
Net Income Attributable to Kadant	\$28,075	\$41,192
Net Income Attributable to Noncontrolling Interest	184	249
Provision for Income Taxes	9,763	13,378
Interest Expense, Net	2,071	1,132
Other Expense, Net	21	22
Gain on Sale	—	(20,190)
Acquisition Costs	—	76
Indemnification Asset Reversal	—	575
Impairment Costs	—	182
Acquired Backlog Amortization	—	703
Acquired Profit in Inventory Amortization	—	(218)
Depreciation and Amortization	8,446	8,742
Adjusted EBITDA*	\$48,560	\$45,843
Adjusted EBITDA Margin*	21.1%	20.2%



# Notes

## PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6-9 is calculated using actual numbers reported in our press release dated May 2, 2023.

## FOOTNOTES

- 1) Leverage ratio is calculated by dividing total debt by EBITDA. For purposes of this calculation, EBITDA is calculated by adding or subtracting certain items from Adjusted EBITDA, as required by our amended and restated credit facility ("Credit Facility"). Our Credit Facility defines total debt as debt less worldwide cash of up to \$50 million.
- 2) Working capital is defined as current assets less current liabilities, excluding cash and debt. LTM is defined as last 12 months.
- 3) Cash conversion days is based on days in receivables plus days in inventory less days in accounts payable.