KADANT

Second Quarter 2021 Business Review

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

Use of Non-GAAP Financial Measures

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

Specific non-GAAP financial measures have been marked with an * (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our second quarter earnings press release issued August 3, 2021, which is available in the Investors section of our website at investor.kadant.com under the heading News Releases.

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

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

BUSINESS REVIEW

Jeffrey L. Powell, President & CEO

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Q2 2021 Operational Highlights

- Robust demand across all segments and solid execution by our businesses led to record bookings, revenue, EPS, and operating cash flow
- Capital project activity and aftermarket parts and consumables demand benefited from the broadening economic recovery
- Global supply chain logistical issues continue to be a challenge

Q2 2021 Performance

($ in millions, except per share amounts)

	Q2 21	Q2 20	Change
Revenue	$195.8	$152.9	+28.1%
Net Income	$22.9	$11.6	+97.0%
Adjusted EBITDA*	$41.3	$26.6	+55.6%
Adjusted EBITDA Margin*	21.1%	17.4%	+370 bps
Diluted EPS	$1.96	$1.00	+96.0%
Adjusted Diluted EPS*	$2.01	$1.06	+89.6%
Operating Cash Flow	$44.4	$22.0	+101.4%
Free Cash Flow*	$42.3	$21.1	+100.3%
Bookings	$213.2	$133.0	+60.3%

HIGHLIGHTS

- Record revenue and bookings performance
- Aftermarket parts and consumables revenue was up 28% and made up 64% of Q2 revenue
- Strong adjusted EBITDA margin* expansion across all operating segments
- Record operating cash flow and free cash flow*

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Flow Control

$ in millions	Q2 21	Q2 20	Change
Revenue	$70.8	$51.4	+37.8%
Bookings	$71.8	$49.4	+45.5%
Adjusted EBITDA*	$21.1	$12.3	+71.9%
Adjusted EBITDA Margin*	29.9%	23.9%	+600 bps

BOOKINGS

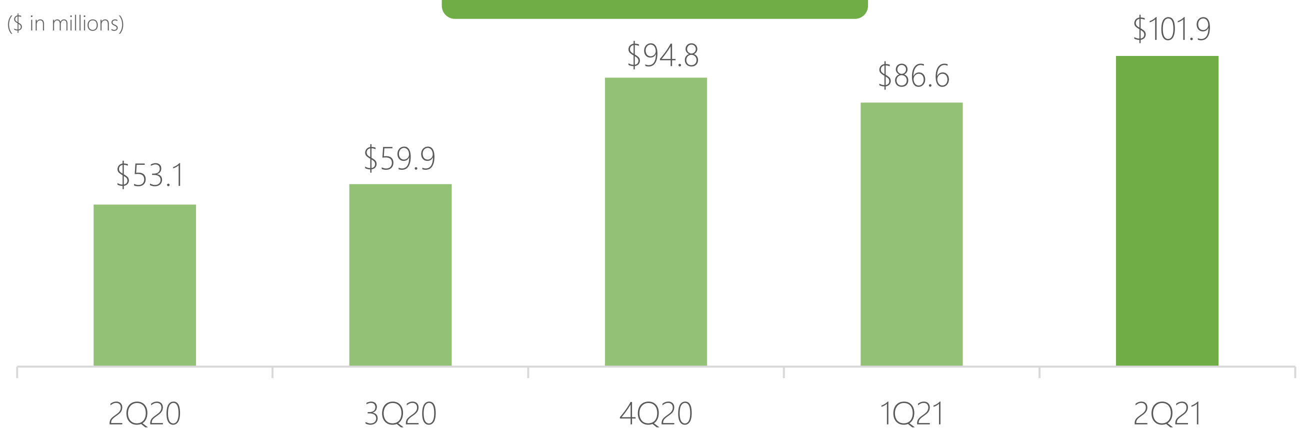
HIGHLIGHTS

- Record revenue and strong bookings performance benefited from strong demand from end markets
- Parts and consumables revenue made up 65% of total Q2 revenue
- Improved operating leverage led to record adjusted EBITDA* with solid adjusted EBITDA margin* improvement

Industrial Processing

$ in millions	Q2 21	Q2 20	Change
Revenue	$82.7	$65.7	+25.9%
Bookings	$101.9	$53.1	+91.7%
Adjusted EBITDA*	$20.7	$14.2	+45.8%
Adjusted EBITDA Margin*	25.0%	21.6%	+340 bps

BOOKINGS



HIGHLIGHTS

- Demand for wood products and packaging remained strong throughout the second quarter
- Strong capital project activity in China led to record bookings in Q2
- Consistently high operating rates continued to drive demand for parts
- Volume and product mix contributed to the strong adjusted EBITDA margin* improvement

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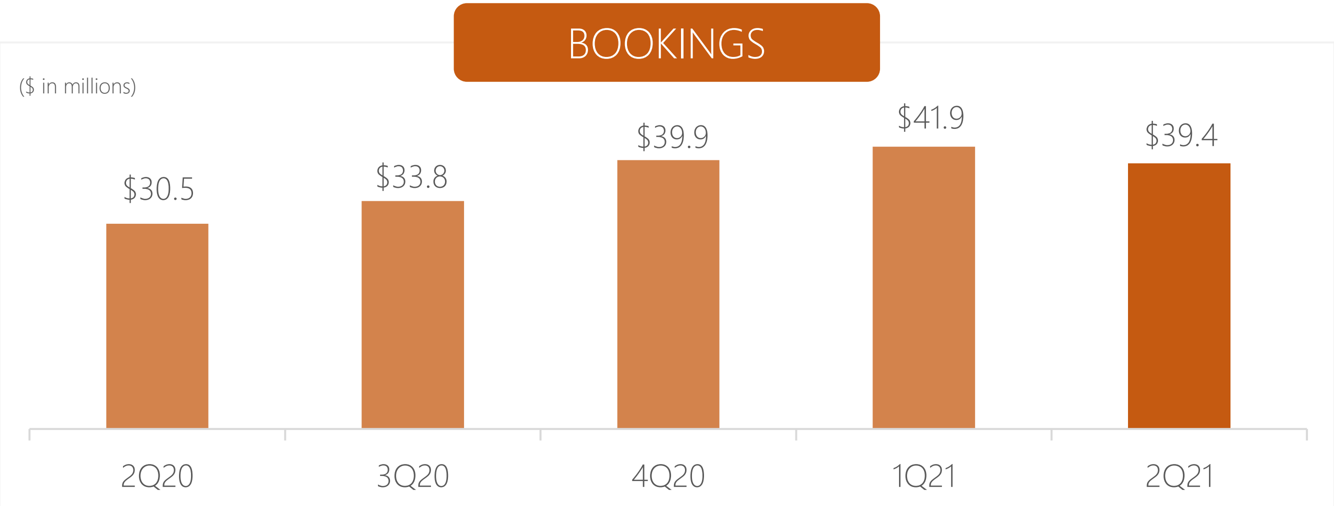
Material Handling

$ in millions	Q2 21	Q2 20	Change
Revenue	$42.4	$35.8	+18.3%
Bookings	$39.4	$30.5	+29.5%
Adjusted EBITDA*	$8.3	$6.4	+29.9%
Adjusted EBITDA Margin*	19.6%	17.8%	+180 bps



HIGHLIGHTS

- Demand from Europe led to record revenue in Q2
- Aftermarket parts made up 60% of total Q2 revenue
- Solid execution and improved operating leverage led to margin improvement
- Capital activity remains healthy going into the second half of 2021

Business Outlook

- Demand expected to remain strong in the second half of 2021
- Healthy levels of industrial activity are expected to reflect the broadening economic recovery, particularly in Europe and Asia
- An increase in COVID-19 infections attributed to the Delta variant is leading to growing uncertainty and could decelerate an economic recovery
- Well-positioned to capitalize on new business opportunities

FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

Q2 2021 Financial Performance

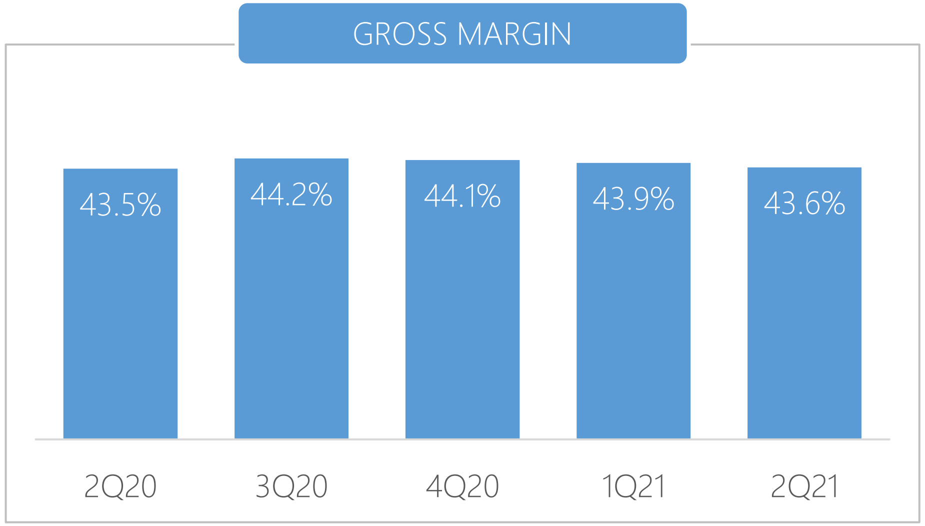
HIGHLIGHTS

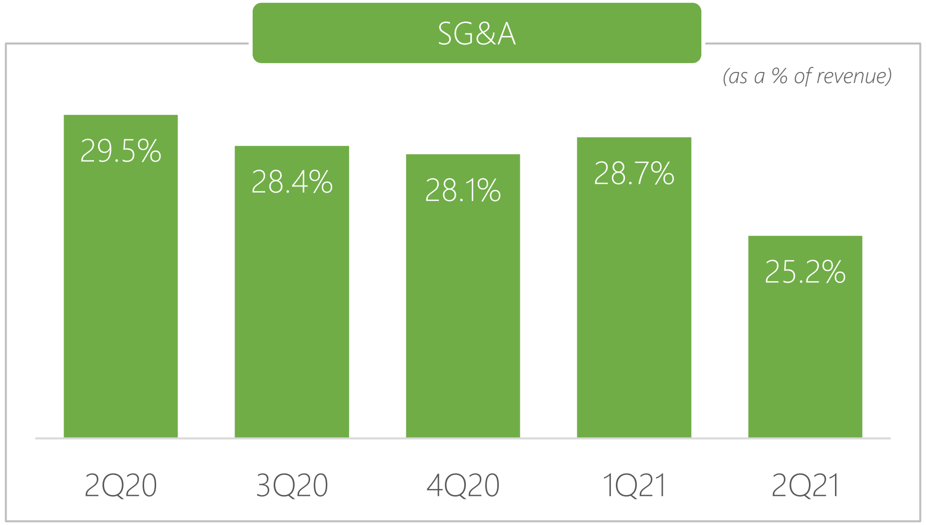
- Adjusted EBITDA margin* of 21.1%
- Operating cash flow of $44.4 million
- Free cash flow* of $42.3 million
- Net debt of $116 million; leverage ratio[1] of 1.71

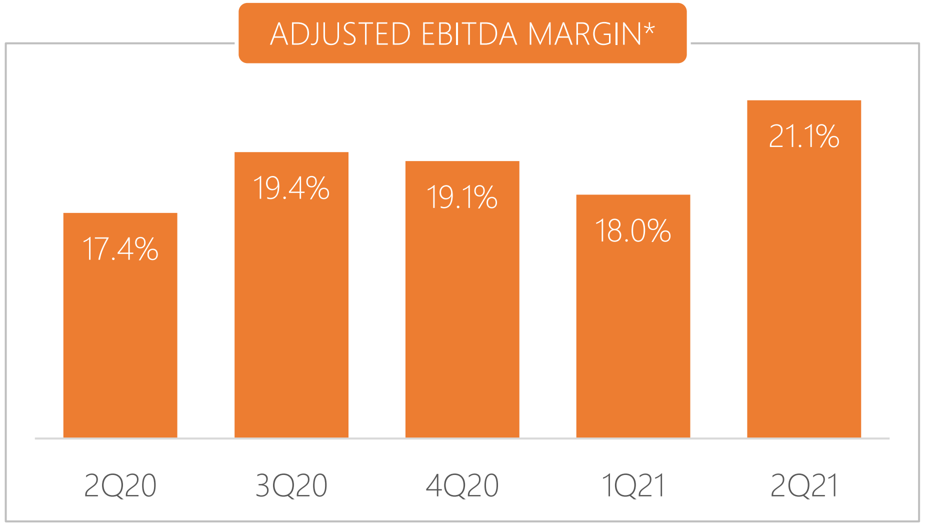
($ in millions, except per share amounts)

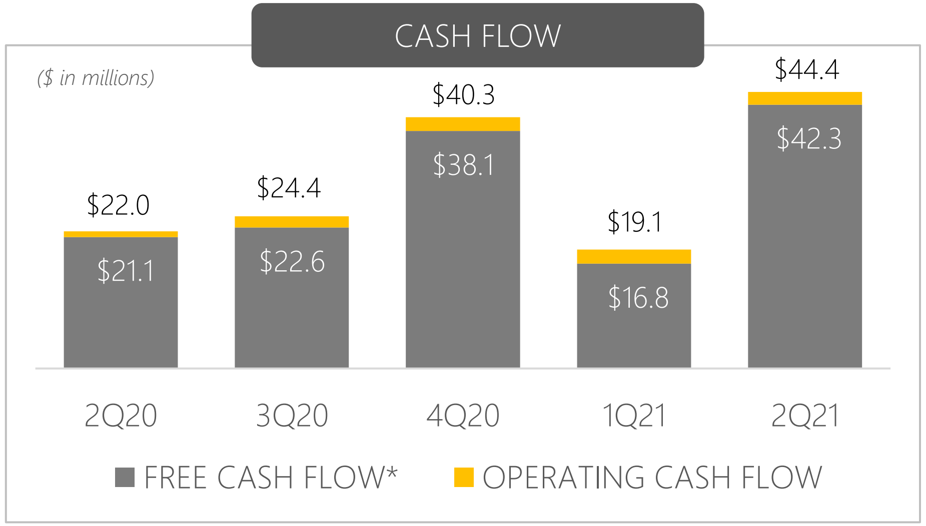
	Q2 21	Q2 20
Gross Margin	43.6%	43.5%
SG&A % of Revenue	25.2%	29.5%
Operating Income	$33.0	$18.1
Net Income	$22.9	$11.6
Adjusted EBITDA*	$41.3	$26.6
Diluted EPS	$1.96	$1.00
Adjusted Diluted EPS*	$2.01	$1.06

Key Consolidated Financial Metrics

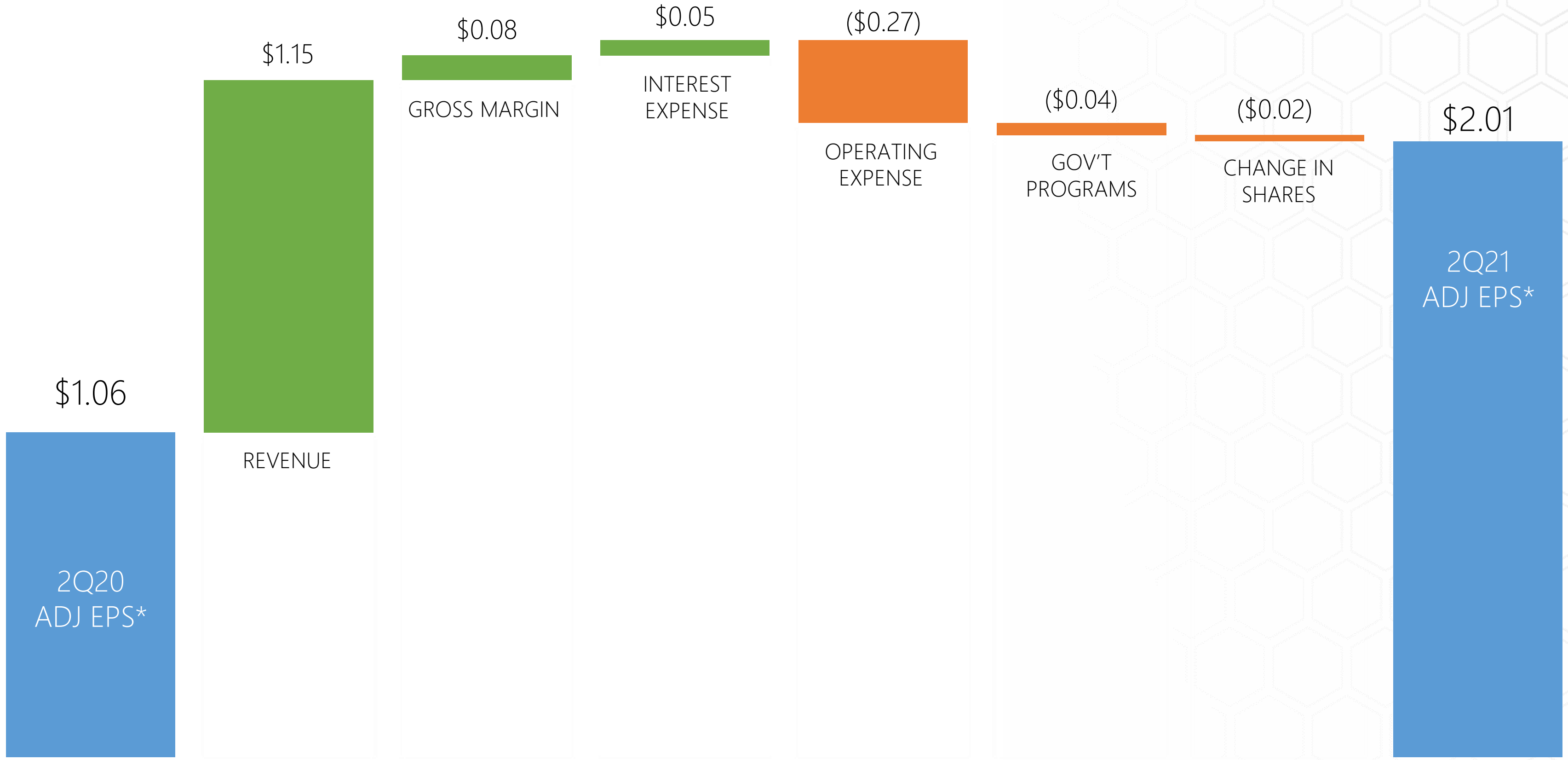








2Q20 to 2Q21 Adjusted Diluted EPS*



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Key Liquidity Metrics

$ in millions	Q2 21	Q1 21	Q2 20
Cash, cash equivalents, and restricted cash	$158.1	$66.7	$60.9
Debt	$268.7	$217.3	$277.5
Lease obligations	$5.0	$5.2	$5.6
Net Debt	$115.6	$155.8	$222.2
Leverage ratio[1]	1.71	1.50	2.01
Working capital % LTM revenue[2]	12.7%	15.1%	14.8%
Cash conversion days[3]	109	123	128

- Net debt decreased 48% from Q2 2020
- Paid down $27 million of debt in the second quarter of 2021
- Our liquidity remains solid with over $400 million in borrowing capacity
  - Approximately $141 million under our revolving credit facility; an additional uncommitted $150 million
  - Up to $115 million through our note purchase agreement

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Financial Outlook for 2021

- Revenue of $783 to $793 million, up 23% to 25% over 2020
- Gross margin of 42.5%
- SG&A at 26% of revenue
- Interest expense up $0.5 million in second half of 2021

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Questions & Answers

To ask a question, please call 888-326-8410 within the U.S. or +1 704-385-4884 outside the U.S. and reference 308 3302.

Please mute the audio on your computer.

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2021 Key Priorities

MEET OUR CUSTOMERS' NEEDS

ACCELERATE OUR REVENUE GROWTH

MAINTAIN STRONG CASH FLOW

CAPITALIZE ON NEW OPPORTUNITIES

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August 4, 2021

APPENDIX

Second Quarter 2021 Business Review

Adjusted Diluted EPS Reconciliation

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

	Q2 21	Q1 21 [4]	Q2 20
Diluted EPS, as reported	$1.96	$1.43	$1.00
Restructuring Costs, Net of Tax	-	-	0.03
Acquisition Costs, Net of Tax	0.05	0.10	0.03
Adjusted Diluted EPS*	$2.01	$1.53	$1.06

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

$ in thousands	Q2 21	Q2 20
Operating Cash Flow	$44,386	$22,039
Less Capital Expenditures	(2,059)	(911)
Free Cash Flow*	$42,327	$21,128

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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	Q2 21	Q1 21 [4]	Q2 20
Net Income Attributable to Kadant	$22,864	$16,561	$11,607
Net Income Attributable to Noncontrolling Interest	163	235	115
Provision for Income Taxes	8,949	5,561	4,474
Interest Expense, Net	1,010	1,046	1,894
Other Expense, Net	24	24	31
Restructuring Costs	-	-	456
Acquisition Costs	603	1,298	407
Acquired Backlog Amortization	27	60	28
Depreciation and Amortization	7,689	7,626	7,548
Adjusted EBITDA*	$41,329	$32,411	$26,560
Adjusted EBITDA Margin*	21.1%	18.8%	17.4%

Select Segment Information (with Q1 2021 recast)

Operating Income

$ in thousands	Q2 21	Q1 21 [4]	Q2 20
Flow Control	$19,324	$15,446	$10,260
Industrial Processing	17,301	11,133	10,639
Material Handling	5,592	4,443	3,593
Corporate	(9,207)	(7,595)	(6,371)
	$33,010	$23,427	$18,121

Adjusted Operating Income*

$ in thousands	Q2 21	Q1 21 [4]	Q2 20
Flow Control	$19,563	$16,443	$10,716
Industrial Processing	17,301	11,193	11,074
Material Handling	5,619	4,443	3,593
Corporate	(8,843)	(7,294)	(6,371)
	33,640	$24,785	$19,012

Adjusted EBITDA*

$ in thousands	Q2 21	Q1 21 [4]	Q2 20
Flow Control	$21,131	$18,015	$12,295
Industrial Processing	20,704	14,531	14,200
Material Handling	8,301	7,129	6,388
Corporate	(8,807)	(7,264)	(6,323)
	$41,329	$32,411	$26,560

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Revenue by Customer Location

$ in thousands	Q2 21	Q2 20	Change	Change Excl. Acquisition and FX*
North America	$106,767	$88,718	$18,049	$14,631
Europe	55,827	37,916	17,911	12,489
Asia	24,729	16,237	8,492	6,229
Rest of World	8,488	9,989	(1,501)	(1,972)
TOTAL	$195,811	$152,860	$42,951	$31,377

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 August 3, 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.
4) Non-GAAP financial measures and the results by segment for the first quarter of 2021 have been recast to reflect acquisition costs incurred of $1.3 million or $0.10 per diluted share.

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