

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 16, 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:

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 16, 2022, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter and year ended January 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 February 17, 2022, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter and year ended January 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.

its

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 16, 2022 announcing its financial results.
99.2	Slides to be presented by the Company on February 17, 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: February 16, 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 Fourth Quarter and Fiscal Year 2021 Results Record Revenue, EPS, and Cash Flow in Q4 2021

WESTFORD, Mass., February 16, 2022 - Kadant Inc. (NYSE: KAI) reported its financial results for the fourth quarter and fiscal year ended January 1, 2022.

Fourth Quarter Financial Highlights

- Operating cash flow increased 51% to a record \$61 million.
- Free cash flow increased 47% to a record \$56 million.
- Bookings increased 17% to \$231 million.
- Revenue increased 30% to a record \$219 million.
- GAAP diluted EPS increased 48% to a record \$2.07.
- Adjusted diluted EPS increased 50% to a record \$2.31.
- Net income increased 49% to \$24 million.
- Adjusted EBITDA was a record \$45 million and represented 20.5% of revenue.

Fiscal Year Financial Highlights

Records Achieved in Each of the Following Metrics:

- Operating cash flow increased 75% to \$162 million.
- Free cash flow increased 75% to \$150 million.
- Bookings increased 38% to \$893 million.
- Ending backlog of \$310 million.
- Revenue increased 24% to \$787 million.
- GAAP diluted EPS increased 51% to \$7.21.
- Adjusted diluted EPS increased 57% to \$7.83.
- Net income increased 52% to \$84 million.
- Adjusted EBITDA increased 38% to \$159 million and represented 20.3% 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

"Solid execution by our businesses led to an exceptional finish to a record-setting year," said Jeffrey L. Powell, president and chief executive officer. "Improved operating leverage drove our adjusted EBITDA margin to 20.5 percent and generated record operating cash flow of \$61 million in the fourth quarter. Strong demand for our wood processing equipment and robust aftermarket demand across all our operating segments led to strong bookings and a record backlog. Revenue in the fourth quarter was up 30 percent to a record \$219 million benefiting from strong demand for both capital and parts that continued throughout most of 2021.

"For the full-year 2021, our diluted EPS and adjusted diluted EPS increased more than 50 percent to \$7.21 and \$7.83, respectively. While supply chain issues, labor shortages, and raw materials inflation remain a challenge, our strong focus on operational excellence and our decentralized business structure have proven valuable in offsetting these headwinds. Our global team performed exceptionally well under challenging circumstances, and they deserve a lot of credit for the results we achieved in 2021."

Fourth Quarter 2021 compared to 2020

Revenue increased 30 percent to \$218.5 million compared to \$168.4 million in 2020. Organic revenue increased 18 percent, which excludes 12 percent from acquisitions. Gross margin was 42.4 percent compared to 44.1 percent in 2020.

GAAP diluted earnings per share (EPS) increased 48 percent to \$2.07 compared to \$1.40 in 2020. Adjusted diluted EPS increased 50 percent to \$2.31 compared to \$1.54 in 2020. Adjusted diluted EPS in 2021 excludes \$0.23 of acquisition-related costs, \$0.08 of impairment and restructuring costs, a \$0.04 discrete tax benefit, and a \$0.03 gain on the sale of a building. Adjusted diluted EPS in 2020 excludes \$0.13 of impairment and restructuring costs and \$0.01 of acquired backlog amortization. Net income was \$24.2 million compared to \$16.2 million in 2020. Adjusted EBITDA increased 39 percent to \$44.8 million compared to \$32.1 million in the prior year quarter. Operating cash flow increased 51 percent to a record \$61.0 million compared to \$40.3 million in 2020.

Bookings increased 17 percent to a record \$230.8 million compared to \$196.5 million in 2020. Organic bookings increased six percent, which excludes 11 percent from acquisitions.

Fiscal Year 2021 compared to 2020

Revenue increased 24 percent to \$786.6 million compared to \$635.0 million in 2020. Organic revenue increased 15 percent, which excludes five percent from acquisitions and four percent from the favorable effect of foreign currency translation. Gross margin was 42.9 percent compared to 43.7 percent in 2020.

GAAP diluted EPS increased 51 percent to \$7.21 compared to \$4.77 in 2020. Adjusted diluted EPS increased 57 percent to \$7.83 compared to \$5.00 in 2020. Adjusted diluted EPS in 2021 excludes \$0.60 of acquisition-related costs, \$0.08 of impairment and restructuring costs, a \$0.04 discrete tax benefit, and a \$0.03 gain on the sale of a building. Adjusted diluted EPS in 2020 excludes \$0.19 of impairment and restructuring costs, \$0.07 of acquisition-related costs, and a \$0.03 discrete tax benefit. Net income was \$84.0 million compared to \$55.2 million in 2020. Adjusted EBITDA increased 38 percent to \$159.4 million and 20.3 percent of revenue compared to \$115.9 million and 18.3 percent of revenue in 2020. Operating cash flow increased 75 percent to \$162.4 million compared to \$92.9 million in 2020.

Bookings increased 38 percent to \$893.2 million compared to \$648.5 million in 2020. Organic bookings increased 28 percent, which excludes six percent from acquisitions and four percent from the favorable effect of foreign currency translation.

Summary and Outlook

"Our record backlog at the end of 2021 positions us well for a solid start to 2022," Mr. Powell continued. "Project activity remains healthy and demand for parts has continued to show resiliency in the first weeks of 2022. Persistent supply chain challenges and future policy responses to inflationary pressures introduce less visibility into the latter half of 2022. That said, we expect to deliver strong financial performance in the coming year with full year GAAP diluted EPS of \$8.50 to \$8.70 on revenue of \$870 to \$890 million in 2022. Adjusted diluted EPS is expected to be \$8.55 to \$8.75 in 2022, which excludes pre-tax amortization expense associated with acquisition-related backlog of \$0.7 million, or \$0.05 per diluted share. The 2022 guidance includes a negative effect from foreign currency translation, which is lowering revenue by \$12 million and adjusted diluted EPS by \$0.15. For the first quarter of 2022, we expect revenue of \$212 to \$217 million, GAAP diluted EPS of \$1.95 to \$2.05, and excluding \$0.05 per diluted share of amortization expense associated with acquired backlog, adjusted diluted EPS of \$2.00 to \$2.10.

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Thursday, February 17, 2022, 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 9569006. 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 18, 2022.

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.

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. Revenue in the fourth quarter of 2021 included \$19.6 million from acquisitions. Revenue in 2021 included \$32.9 million from acquisitions and a \$22.2 million favorable foreign currency effect.

Our non-GAAP financial measures exclude impairment and restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, gain or loss on sale, 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 \$1.0 million in 2021 and \$2.1 million in 2020.
- Pre-tax gain on sale of \$0.5 million in 2021.
- Pre-tax acquisition costs of \$1.0 million in 2021.
- Pre-tax expense related to acquired backlog amortization of \$0.6 million in 2021 and \$0.2 million in 2020.
- Pre-tax expense related to amortization of acquired profit in inventory of \$2.1 million in 2021.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax impairment and restructuring costs of \$1.0 million in 2021 and \$1.5 million (\$2.1 million net of tax of \$0.6 million) in 2020.
- After-tax gain on sale of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2021.
- After-tax acquisition costs of \$0.7 million (\$1.0 million net of tax of \$0.3 million) in 2021.

- After-tax expense related to acquired backlog amortization of \$0.5 million (\$0.6 million net of tax of \$0.1 million) in 2021 and \$0.1 million (\$0.2 million net of tax of \$0.1 million) in 2020.
- After-tax expense related to amortization of acquired profit in inventory of \$1.5 million (\$2.1 million net of tax of \$0.6 million) in 2021.
- A discrete tax benefit of \$0.4 million in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$5.1 million in 2021 and \$2.2 million in 2020.

Fiscal Year

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

- Pre-tax impairment and restructuring costs of \$1.0 million in 2021 and \$3.0 million in 2020.
- Pre-tax gain on sale of \$0.5 million.
- Pre-tax acquisition costs of \$3.7 million in 2021 and \$0.5 million in 2020.
- Pre-tax expense related to acquired backlog amortization of \$1.3 million in 2021 and \$0.5 million in 2020.
- Pre-tax expense related to amortization of acquired profit in inventory of \$4.3 million in 2021.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax impairment and restructuring costs of \$1.0 million in 2021 and \$2.2 million (\$3.0 million net of tax of \$0.8 million) in 2020.
- After-tax gain on sale of \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2021.
- After-tax acquisition costs of \$3.1 million (\$3.7 million net of tax of \$0.6 million) in 2021 and \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2020.
- After-tax expense related to acquired backlog amortization of \$1.0 million (\$1.3 million net of tax of \$0.3 million) in 2021 and \$0.4 million (\$0.5 million net of tax of \$0.1 million) in 2020.
- After-tax expense related to amortization of acquired profit in inventory of \$3.0 million (\$4.3 million net of tax of \$1.3 million) in 2019.
- A discrete tax benefit of \$0.4 million in 2021 and \$0.3 million in 2020.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$12.8 million in 2021 and \$7.6 million in 2020.

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. 1, 2022	Jan. 2, 2021	Jan. 1, 2022	Jan. 2, 2021
Revenue	\$ 218,516	\$ 168,431	\$ 786,579	\$ 635,028
Costs and Operating Expenses:				
Cost of revenue	125,877	94,212	449,214	357,722
Selling, general, and administrative expenses	57,773	47,387	208,787	181,905
Research and development expenses	2,856	2,766	11,403	11,298
Impairment and other costs, net (h)	465	2,053	465	2,979
	<u>186,971</u>	<u>146,418</u>	<u>669,869</u>	<u>553,904</u>
Operating Income	31,545	22,013	116,710	81,124
Interest Income	91	41	267	181
Interest Expense	(1,324)	(1,363)	(4,821)	(7,423)
Other Expense, Net	(33)	(100)	(104)	(195)
Income Before Provision for Income Taxes	30,279	20,591	112,052	73,687
Provision for Income Taxes	5,919	4,210	27,171	17,948
Net Income	24,360	16,381	84,881	55,739
Net Income Attributable to Noncontrolling Interest	(203)	(174)	(838)	(543)
Net Income Attributable to Kadant	<u>\$ 24,157</u>	<u>\$ 16,207</u>	<u>\$ 84,043</u>	<u>\$ 55,196</u>
Earnings per Share Attributable to Kadant:				
Basic	\$ 2.08	\$ 1.41	\$ 7.26	\$ 4.81
Diluted	\$ 2.07	\$ 1.40	\$ 7.21	\$ 4.77
Weighted Average Shares:				
Basic	11,606	11,513	11,579	11,482
Diluted	11,689	11,608	11,655	11,564

Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended		Three Months Ended	
	Jan. 1, 2022	Jan. 1, 2022	Jan. 2, 2021	Jan. 2, 2021
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 24,157	\$ 2.07	\$ 16,207	\$ 1.40
Adjustments for the Following:				
Impairment and Restructuring Costs, Net of Tax (h)	980	0.08	1,543	0.13
Gain on Sale, Net of Tax (h)	(391)	(0.03)	—	—
Acquisition Costs, Net of Tax (b)	725	0.06	—	—
Acquired Backlog Amortization, Net of Tax (c)	479	0.04	132	0.01
Acquired Profit in Inventory, Net of Tax (d)	1,484	0.13	—	—
Discrete Tax Items	(419)	(0.04)	—	—
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 27,015</u>	<u>\$ 2.31</u>	<u>\$ 17,882</u>	<u>\$ 1.54</u>

Adjusted Net Income and Adjusted Diluted EPS (a)	Twelve Months Ended		Twelve Months Ended	
	Jan. 1, 2022	Jan. 1, 2022	Jan. 2, 2021	Jan. 2, 2021
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 84,043	\$ 7.21	\$ 55,196	\$ 4.77
Adjustments for the Following:				
Impairment and Restructuring Costs, Net of Tax (h)	980	0.08	2,210	0.19
Gain on Sale, Net of Tax (h)	(391)	(0.03)	—	—
Acquisition Costs, Net of Tax (b)	3,050	0.26	355	0.03
Acquired Backlog Amortization, Net of Tax (c)	973	0.08	407	0.04
Acquired Profit in Inventory, Net of Tax (d)	3,033	0.26	—	—
Discrete Tax Items	(419)	(0.04)	(338)	(0.03)
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 91,269</u>	<u>\$ 7.83</u>	<u>\$ 57,830</u>	<u>\$ 5.00</u>

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Revenue by Segment	Three Months Ended			Increase	Increase Excluding Acquisitions and FX (a,e)
	Jan. 1, 2022	Jan. 2, 2021			
Flow Control	\$ 78,019	\$ 60,115	\$ 17,904	\$ 4,920	
Industrial Processing	95,307	69,109	26,198	25,193	
Material Handling	45,190	39,207	5,983	342	
	<u>\$ 218,516</u>	<u>\$ 168,431</u>	<u>\$ 50,085</u>	<u>\$ 30,455</u>	

Percentage of Parts and Consumables Revenue	<u>63%</u>	<u>67%</u>
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Revenue by Segment	Twelve Months Ended			Increase	Increase Excluding Acquisitions and FX (a,e)
	Jan. 1, 2022	Jan. 2, 2021			
Flow Control	\$ 288,788	\$ 225,444	\$ 63,344	\$ 33,698	
Industrial Processing	328,762	261,577	67,185	53,584	
Material Handling	169,029	148,007	21,022	9,188	
	<u>\$ 786,579</u>	<u>\$ 635,028</u>	<u>\$ 151,551</u>	<u>\$ 96,470</u>	

Percentage of Parts and Consumables Revenue	<u>65%</u>	<u>66%</u>
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Bookings by Segment	Three Months Ended			Increase	Increase (Decrease) Excluding Acquisitions and FX (e)
	Jan. 1, 2022	Jan. 2, 2021			
Flow Control	\$ 83,706	\$ 61,878	\$ 21,828	\$ 8,892	
Industrial Processing	94,924	94,759	165	(1,065)	
Material Handling	52,200	39,898	12,302	4,860	
	<u>\$ 230,830</u>	<u>\$ 196,535</u>	<u>\$ 34,295</u>	<u>\$ 12,687</u>	

Percentage of Parts and Consumables Bookings	<u>61%</u>	<u>61%</u>
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Bookings by Segment	Twelve Months Ended			Increase	Increase Excluding Acquisitions and FX (e)
	Jan. 1, 2022	Jan. 2, 2021			
Flow Control	\$ 308,185	\$ 228,591	\$ 79,594	\$ 49,346	
Industrial Processing	402,325	273,644	128,681	111,280	
Material Handling	182,668	146,242	36,426	20,221	
	<u>\$ 893,178</u>	<u>\$ 648,477</u>	<u>\$ 244,701</u>	<u>\$ 180,847</u>	

Percentage of Parts and Consumables Bookings	<u>59%</u>	<u>65%</u>
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Business Segment Information	Three Months Ended		Twelve Months Ended	
	Jan. 1, 2022	Jan. 2, 2021	Jan. 1, 2022	Jan. 2, 2021
Gross Margin:				
Flow Control	48.9%	52.5%	51.0%	52.9%
Industrial Processing	40.2%	42.3%	40.1%	41.3%
Material Handling	35.8%	34.3%	34.4%	33.7%
	<u>42.4%</u>	<u>44.1%</u>	<u>42.9%</u>	<u>43.7%</u>

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Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)	Three Months Ended		Twelve Months Ended	
	Jan. 1, 2022	Jan. 2, 2021	Jan. 1, 2022	Jan. 2, 2021
Consolidated				
Net Income Attributable to Kadant	\$ 24,157	\$ 16,207	\$ 84,043	\$ 55,196
Net Income Attributable to Noncontrolling Interest	203	174	838	543
Provision for Income Taxes	5,919	4,210	27,171	17,948
Interest Expense, Net	1,233	1,322	4,554	7,242
Other Expense, Net	33	100	104	195
Operating Income	31,545	22,013	116,710	81,124
Impairment and Restructuring Costs (h)	980	2,053	980	2,979
Gain on Sale (h)	(515)	—	(515)	—
Acquisition Costs (b)	1,036	—	3,655	485
Acquired Backlog Amortization (c)	635	177	1,326	544
Acquired Profit in Inventory (d)	2,068	—	4,284	—
Adjusted Operating Income (a)	35,749	24,243	126,440	85,132
Depreciation and Amortization	9,070	7,897	32,976	30,790
Adjusted EBITDA (a)	\$ 44,819	\$ 32,140	\$ 159,416	\$ 115,922
Adjusted EBITDA Margin (a,g)	20.5%	19.1%	20.3%	18.3%
Flow Control				
Operating Income	\$ 13,610	\$ 14,170	\$ 65,509	\$ 51,530
Impairment and Restructuring Costs (Income) (h)	980	(62)	980	659
Acquisition Costs (b)	967	—	2,710	—
Acquired Backlog Amortization (c)	46	—	399	—
Acquired Profit in Inventory (d)	1,236	—	3,082	—
Adjusted Operating Income (a)	16,839	14,108	72,680	52,189
Depreciation and Amortization	2,494	1,604	7,967	6,333
Adjusted EBITDA (a)	\$ 19,333	\$ 15,712	\$ 80,647	\$ 58,522
Adjusted EBITDA Margin (a,g)	24.8%	26.1%	27.9%	26.0%
Industrial Processing				
Operating Income	\$ 22,120	\$ 10,824	\$ 66,569	\$ 42,971
Impairment and Restructuring Costs (h)	—	1,933	—	2,138
Gain on Sale (h)	(515)	—	(515)	—
Acquisition Costs (b)	50	—	163	485
Acquired Backlog Amortization (c)	—	83	60	194
Adjusted Operating Income (a)	21,655	12,840	66,277	45,788
Depreciation and Amortization	3,325	3,371	13,407	12,969
Adjusted EBITDA (a)	\$ 24,980	\$ 16,211	\$ 79,684	\$ 58,757
Adjusted EBITDA Margin (a,g)	26.2%	23.5%	24.2%	22.5%
Material Handling				
Operating Income	\$ 4,602	\$ 4,034	\$ 17,543	\$ 14,375
Restructuring Costs	—	182	—	182
Acquisition Costs (b)	19	—	782	—
Acquired Backlog Amortization (c)	589	94	867	350
Acquired Profit in Inventory (d)	832	—	1,202	—
Adjusted Operating Income (a)	6,042	4,310	20,394	14,907
Depreciation and Amortization	3,221	2,862	11,474	11,278
Adjusted EBITDA (a)	\$ 9,263	\$ 7,172	\$ 31,868	\$ 26,185
Adjusted EBITDA Margin (a,g)	20.5%	18.3%	18.9%	17.7%

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Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)	Three Months Ended		Twelve Months Ended	
	Jan. 1, 2022	Jan. 2, 2021	Jan. 1, 2022	Jan. 2, 2021
Corporate				
Operating Loss	\$ (8,787)	\$ (7,015)	\$ (32,911)	\$ (27,752)
Depreciation and Amortization	30	60	128	210
EBITDA (a)	\$ (8,757)	\$ (6,955)	\$ (32,783)	\$ (27,542)

- (a) Represents a non-GAAP financial measure.
- (b) Represents transaction costs associated with our acquisitions.
- (c) Represents intangible amortization expense associated with acquired backlog.
- (d) Represents expense 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) Calculated as adjusted EBITDA divided by revenue in each period.
- (h) The fourth quarter and full-year 2021 include an intangible asset impairment charge of \$499, restructuring and other costs of \$481, and a gain on the sale of a building of \$515 (\$391 after tax). The fourth quarter of 2020 includes an intangible asset impairment charge of \$1,861 (\$1,389 after tax) and 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 (\$621 after tax).

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 2,900 employees in 20 countries worldwide. For more information, visit www.kadant.com.

Safe Harbor Statement

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent our expectations as of the date of this press release. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant's annual report on Form 10-K for the fiscal year ended January 2, 2021 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; 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

-more-

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.

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KADANT

Fourth Quarter and FY 2021 Business Review

February 17, 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 February 16, 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 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; 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 fourth quarter and fiscal year 2021 earnings press release issued February 16, 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 strong financial performance and record cash flow from operations in the fourth quarter and FY 2021
- Capital project activity and aftermarket parts demand remained strong in Q4 despite the Omicron variant and supply chain headwinds
- Selected as a winner of the 2021 SEAL Business Sustainability Award and named by Newsweek magazine as one of America's Most Responsible Companies for the second consecutive year

Q4 2021 Performance

(\$ in millions, except per share amounts)

	Q4 21	Q4 20	Change
Revenue	\$218.5	\$168.4	+29.7%
Net Income	\$24.2	\$16.2	+49.1%
Adjusted EBITDA*	\$44.8	\$32.1	+39.4%
Adjusted EBITDA Margin*	20.5%	19.1%	+140 bps
Diluted EPS	\$2.07	\$1.40	+47.9%
Adjusted Diluted EPS*	\$2.31	\$1.54	+50.0%
Operating Cash Flow	\$61.0	\$40.3	+51.5%
Free Cash Flow*	\$55.9	\$38.1	+46.8%

HIGHLIGHTS

- Record revenue performance; record aftermarket parts revenue in Q4
- Aftermarket parts revenue was up 22% and made up 63% of Q4 revenue
- Excellent adjusted EBITDA* across all operating segments

FY 2021 Performance

(\$ in millions, except per share amounts)

	FY 21	FY 20	Change
Revenue	\$786.6	\$635.0	+23.9%
Net Income	\$84.0	\$55.2	+52.3%
Adjusted EBITDA*	\$159.4	\$115.9	+37.5%
Adjusted EBITDA Margin*	20.3%	18.3%	+200 bps
Diluted EPS	\$7.21	\$4.77	+51.2%
Adjusted Diluted EPS*	\$7.83	\$5.00	+56.6%
Operating Cash Flow	\$162.4	\$92.9	+74.9%
Free Cash Flow*	\$149.6	\$85.3	+75.5%
Bookings	\$893.2	\$648.5	+37.7%

HIGHLIGHTS

- Record performance achieved across all financial metrics including revenue and EPS
- Cash flow from operations and free cash flow were exceptionally strong throughout the year
- Macroeconomic challenges and supply chain constraints were successfully navigated to deliver exceptional value to our customers

Flow Control

\$ in millions	Q4 21	Q4 20	Change
Revenue	\$78.0	\$60.1	+29.8%
Bookings	\$83.7	\$61.9	+35.3%
Adjusted EBITDA*	\$19.3	\$15.7	+23.0%
Adjusted EBITDA Margin*	24.8%	26.1%	-130 bps



HIGHLIGHTS

- Strong aftermarket demand and capital project activity
- Recent acquisition put downward pressure on adjusted EBITDA margin*
- Integration of the Clouth acquisition is progressing well

Industrial Processing

\$ in millions	Q4 21	Q4 20	Change
Revenue	\$95.3	\$69.1	+37.9%
Bookings	\$94.9	\$94.8	+0.2%
Adjusted EBITDA*	\$25.0	\$16.2	+54.1%
Adjusted EBITDA Margin*	26.2%	23.5%	+270 bps



HIGHLIGHTS

- Record demand for wood processing equipment drove strong bookings performance
- High operating rates at mills led to solid demand for aftermarket parts
- Excellent adjusted EBITDA margin* driven by improved operating leverage and solid execution in all product lines
- Healthy backlog positions us well for a strong start to 2022

Material Handling

\$ in millions	Q4 21	Q4 20	Change
Revenue	\$45.2	\$39.2	+15.3%
Bookings	\$52.2	\$39.9	+30.8%
Adjusted EBITDA*	\$9.3	\$7.2	+29.2%
Adjusted EBITDA Margin*	20.5%	18.3%	+220 bps



HIGHLIGHTS

- Aftermarket parts demand was strong with record bookings in Q4
- Margin performance was solid despite inflationary pressure for raw materials
- Project activity in waste handling is strengthening
- Integration of Balemaster acquisition is progressing well

Business Outlook

- Demand expected to remain solid as the global economy recovers
- Supply chain constraints and inflationary pressures expected to continue
- Expecting to generate record earnings in fiscal 2022



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO



Q4 2021 Financial Performance

HIGHLIGHTS

- Adjusted EBITDA margin* of 20.5%
- Operating cash flow of \$61.0 million
- Free cash flow* of \$55.9 million
- Net debt of \$175 million; leverage ratio¹ of 1.34

(\$ in millions, except per share amounts)

	Q4 21	Q4 20
Gross Margin	42.4%	44.1%
SG&A % of Revenue	26.4%	28.1%
Operating Income	\$31.5	\$22.0
Net Income	\$24.2	\$16.2
Adjusted EBITDA*	\$44.8	\$32.1
Diluted EPS	\$2.07	\$1.40
Adjusted Diluted EPS*	\$2.31	\$1.54

FY 2021 Financial Performance

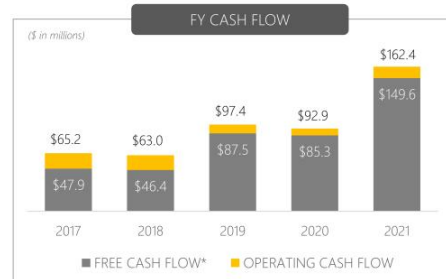
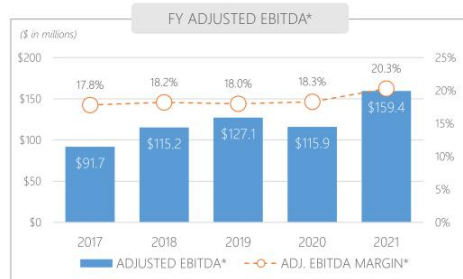
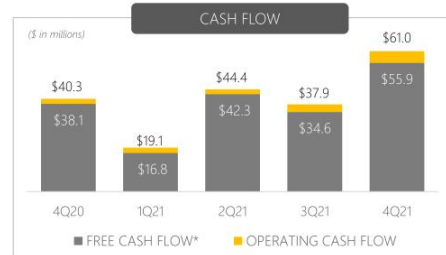
HIGHLIGHTS

- Adjusted EBITDA margin* of 20.3%
- Operating cash flow of \$162.4 million
- Free cash flow* of \$149.6 million

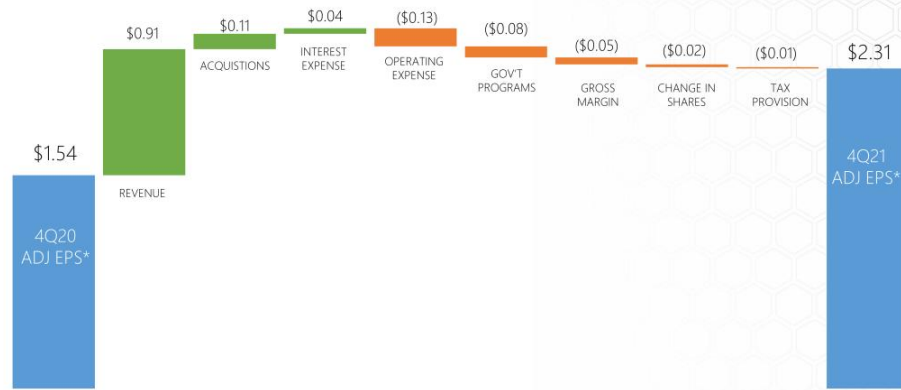
(\$ in millions, except per share amounts)

	FY 21	FY 20
Gross Margin	42.9%	43.7%
SG&A % of Revenue	26.5%	28.6%
Operating Income	\$116.7	\$81.1
Net Income	\$84.0	\$55.2
Adjusted EBITDA*	\$159.4	\$115.9
Diluted EPS	\$7.21	\$4.77
Adjusted Diluted EPS*	\$7.83	\$5.00

Adjusted EBITDA and Cash Flow Metrics



4Q20 to 4Q21 Adjusted Diluted EPS*



2020 to 2021 Adjusted Diluted EPS*



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Key Liquidity Metrics

\$ in millions	Q4 21	Q3 21	Q4 20
Cash, cash equivalents, and restricted cash	\$94.2	\$83.7	\$66.6
Debt	\$264.6	\$309.4	\$228.0
Lease obligations	\$4.9	\$5.1	\$5.5
Net Debt	\$175.4	\$230.8	\$166.8
Leverage ratio ¹	1.34	1.69	1.61
Working capital % LTM revenue ²	9.4%	13.5%	14.2%
Cash conversion days ³	106	113	125

Guidance for 2022

- Q1 2022 revenue of \$212 to \$217 million
- Q1 2022 adjusted diluted EPS of \$2.00 to \$2.10

- FY 2022 revenue of \$870 to \$890 million
- FY 2022 adjusted diluted EPS of \$8.55 to \$8.75
- Gross margins 43.0% to 43.5%
- SG&A approximately 25.0% to 25.5% of revenue
- Recurring tax rate of 28%
- Capex spending approximately 2% of revenue
- Depreciation & amortization expense of \$36 to \$37 million



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 956 9006.

Please mute the audio on your computer.

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2022 Key Priorities



ACCELERATE SUSTAINABLE
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL
STAKEHOLDER VALUE



MAINTAIN STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

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February 17, 2022



APPENDIX

Fourth Quarter and FY 2021 Business Review

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Revenue by Customer Location

\$ in thousands	Q4 21	Q4 20	Change	Change Excl. Acquisitions and FX*
North America	\$113,139	\$90,154	\$22,985	\$14,192
Europe	62,297	48,646	12,651	6,338
Asia	31,764	21,276	10,488	6,515
Rest of World	12,316	8,355	3,961	3,410
TOTAL	\$218,516	\$168,431	\$50,085	\$30,455

\$ in thousands	FY 21	FY 20	Change	Change Excl. Acquisitions and FX*
North America	\$420,382	360,061	\$60,321	\$41,221
Europe	220,578	161,527	59,051	36,340
Asia	103,810	72,268	31,542	19,827
Rest of World	41,809	41,172	637	(918)
TOTAL	\$786,579	\$635,028	\$151,551	\$96,470

Quarterly Gross Margin and SG&A



Adjusted Diluted EPS Reconciliation

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

	Q4 21	Q4 20	FY 21	FY 20
Diluted EPS, as reported	\$2.07	\$1.40	\$7.21	\$4.77
Impairment and Restructuring Costs, Net of Tax	0.08	0.13	0.08	0.19
Gain on Sale, Net of Tax	(0.03)	-	(0.03)	-
Acquisition Costs, Net of Tax	0.06	-	0.26	0.03
Acquired Backlog Amortization, Net of Tax	0.04	0.01	0.08	0.04
Acquired Profit in Inventory, Net of Tax	0.13	-	0.26	-
Discrete Tax Items	(0.04)	-	(0.04)	(0.03)
Adjusted Diluted EPS*	\$2.31	\$1.54	\$7.83	\$5.00

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q4 21	Q4 20
Operating Cash Flow	\$61,010	\$40,283
Less Capital Expenditures	5,083	2,176
Free Cash Flow*	\$55,927	\$38,107

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Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in millions)	2017	2018	2019	2020	2021
Operating Cash Flow, as reported	\$ 65.2	\$ 63.0	\$ 97.4	\$ 92.9	\$ 162.4
Capital Expenditures	\$ (17.3)	\$ (16.6)	\$ (9.9)	\$ (7.6)	\$ (12.8)
Free Cash Flow*	\$ 47.9	\$ 46.4	\$ 87.5	\$ 85.3	\$ 149.6

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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	Q4 21	Q4 20	FY 21	FY 20
Net Income Attributable to Kadant	\$24,157	\$16,207	\$84,043	\$55,196
Net Income Attributable to Noncontrolling Interest	203	174	838	543
Provision for Income Taxes	5,919	4,210	27,171	17,948
Interest Expense, Net	1,233	1,322	4,554	7,242
Other Expense, Net	33	100	104	195
Impairment and Restructuring Costs	980	2,053	980	2,979
Gain on Sale	(515)	-	(515)	-
Acquisition Costs	1,036	-	3,655	485
Acquired Backlog Amortization	635	177	1,326	544
Acquired Profit in Inventory	2,068	-	4,284	-
Depreciation and Amortization	9,070	7,897	32,976	30,790
Adjusted EBITDA*	\$44,819	\$32,140	\$159,416	\$115,922
Adjusted EBITDA Margin*	20.5%	19.1%	20.3%	18.3%

Notes

PRESENTATION NOTES

- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6-10 is calculated using actual numbers reported in our press release dated February 16, 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.

