

KĀDANT

Second Quarter 2022 Business Review

August 3, 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 August 2, 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 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 second quarter 2022 earnings press release issued August 2, 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

Operational Highlights

- Strong demand continued through the second quarter
- Capital project activity was robust across all operating segments despite macroeconomic headwinds
- Solid execution by our businesses led to record adjusted EBITDA*

Q2 2022 Performance

(\$ in millions, except per share amounts)

	Q2 22	Q2 21	Change
Revenue	\$221.6	\$195.8	+13.2%
Net Income	\$26.2	\$22.9	+14.5%
Adjusted EBITDA*	\$46.0	\$41.3	+11.2%
Adjusted EBITDA Margin*	20.7%	21.1%	-40 bps
Diluted EPS	\$2.24	\$1.96	+14.3%
Adjusted Diluted EPS*	\$2.24	\$2.01	+11.4%
Operating Cash Flow	\$18.8	\$44.4	-57.7%
Bookings	\$265.9	\$213.2	+24.7%

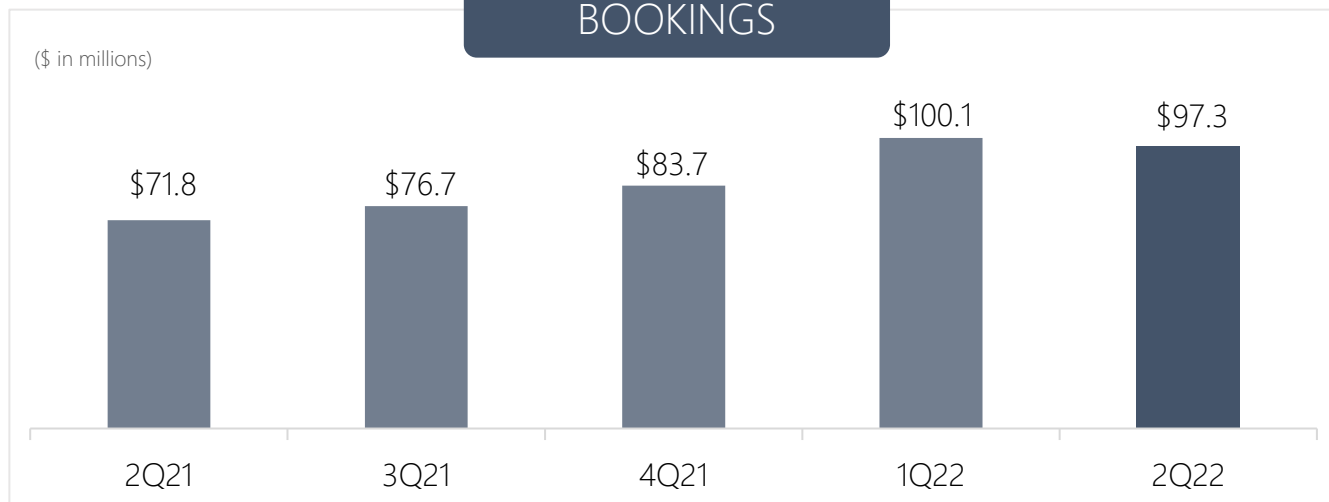
HIGHLIGHTS

- Demand remained strong in the second quarter following a record first quarter bookings
- Aftermarket parts were up 17% and represented 66% of total Q2 revenue
- Strong operating performance led to record adjusted EBITDA*

Flow Control

\$ in millions	Q2 22	Q2 21	Change
Revenue	\$85.2	\$70.8	+20.4%
Bookings	\$97.3	\$71.8	+35.5%
Adjusted EBITDA*	\$25.0	\$21.1	+18.3%
Adjusted EBITDA Margin*	29.3%	29.9%	-60 bps

BOOKINGS



HIGHLIGHTS

- Strong aftermarket demand and capital project activity
- High energy prices and CO₂ reduction targets in Europe are driving capital project activity in the region
- Strong adjusted EBITDA* performance continued in the second quarter
- Supply chain constraints continue to present challenges

Industrial Processing

\$ in millions	Q2 22	Q2 21	Change
Revenue	\$84.4	\$82.7	+2.1%
Bookings	\$109.9	\$101.9	+7.8%
Adjusted EBITDA*	\$18.4	\$20.7	-11.3%
Adjusted EBITDA Margin*	21.8%	25.0%	-320 bps

BOOKINGS



HIGHLIGHTS

- Strong end-market demand drove bookings for both parts and capital
- Aftermarket parts revenue represented 65% of total Q2 revenue
- High level of project activity continued through the second quarter
- Record backlog positions us well for strong performance in 2022

Material Handling

\$ in millions	Q2 22	Q2 21	Change
Revenue	\$52.0	\$42.4	+22.8%
Bookings	\$58.7	\$39.4	+48.7%
Adjusted EBITDA*	\$11.8	\$8.3	+42.0%
Adjusted EBITDA Margin*	22.6%	19.6%	+300 bps

BOOKINGS



HIGHLIGHTS

- Demand was exceptionally strong for our bulk material handling equipment
- Business activity remains healthy with organic bookings up 24%
- Recent acquisition and improved operating leverage led to record adjusted EBITDA margin*

Business Outlook

- Record backlog has us well positioned for the remainder of the year
- Demand expected to remain solid but softening as macroeconomic headwinds strengthen
- Expecting to generate record earnings in fiscal 2022



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

Q2 2022 Financial Performance

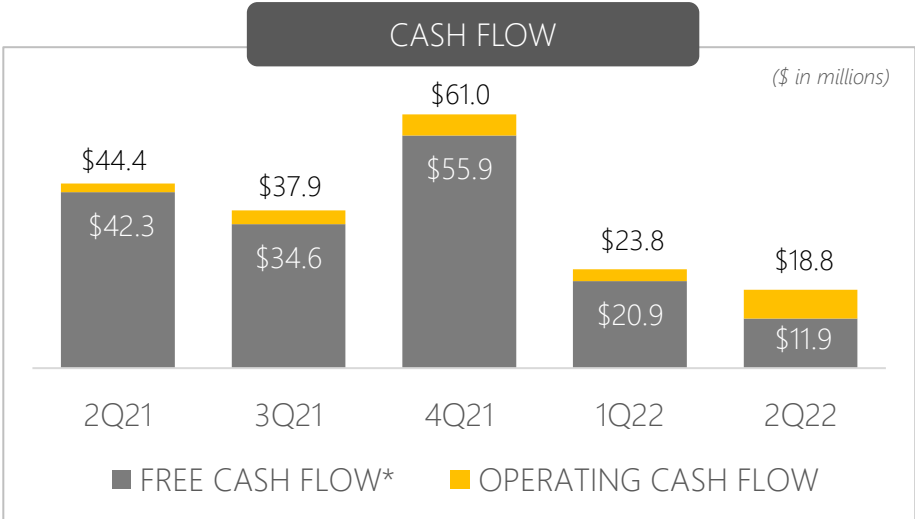
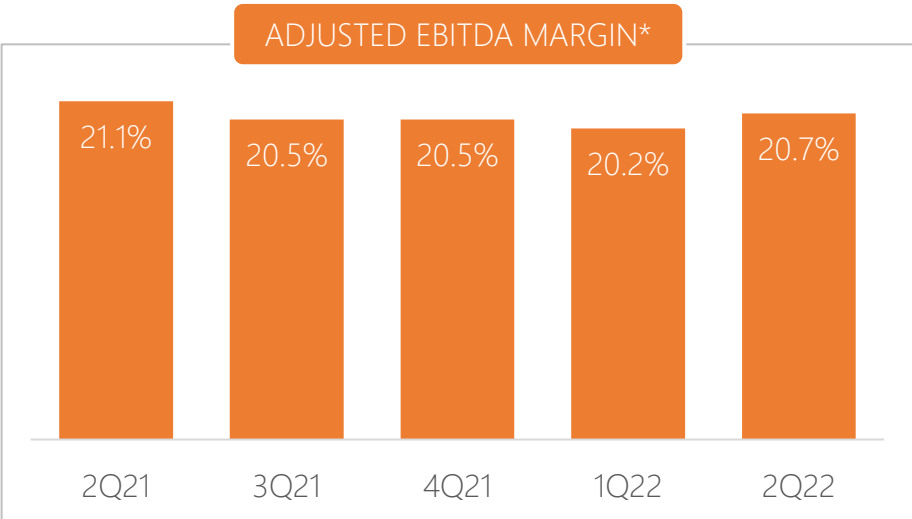
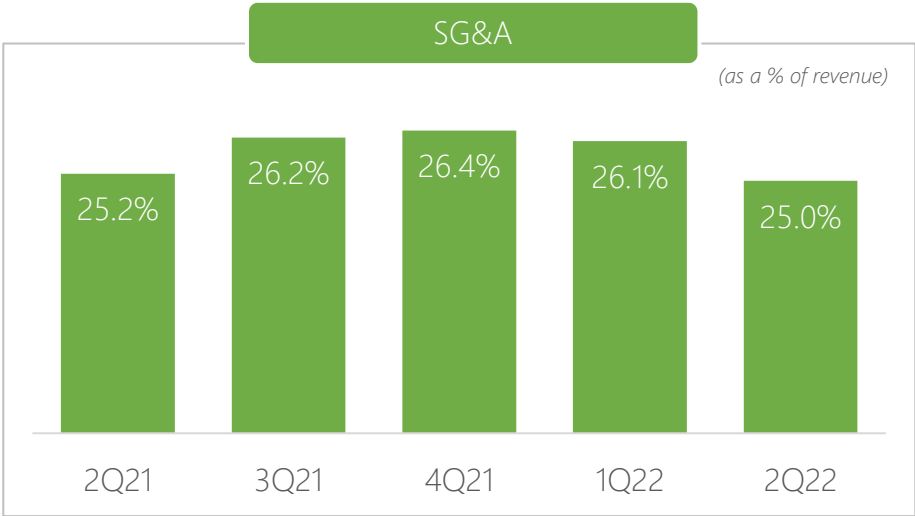
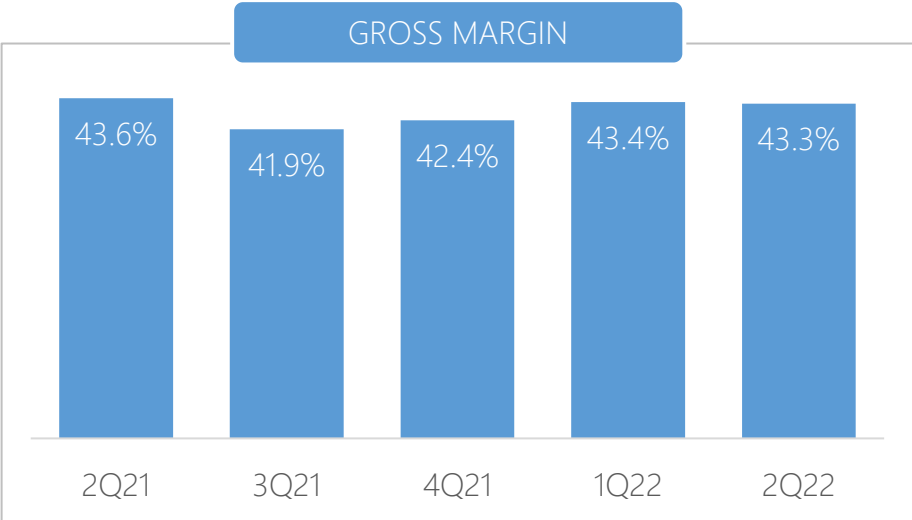
HIGHLIGHTS

- Adjusted EBITDA margin* of 20.7%
- Operating cash flow of \$18.8 million
- Free cash flow* of \$11.9 million
- Net debt of \$150 million; leverage ratio¹ of 1.05

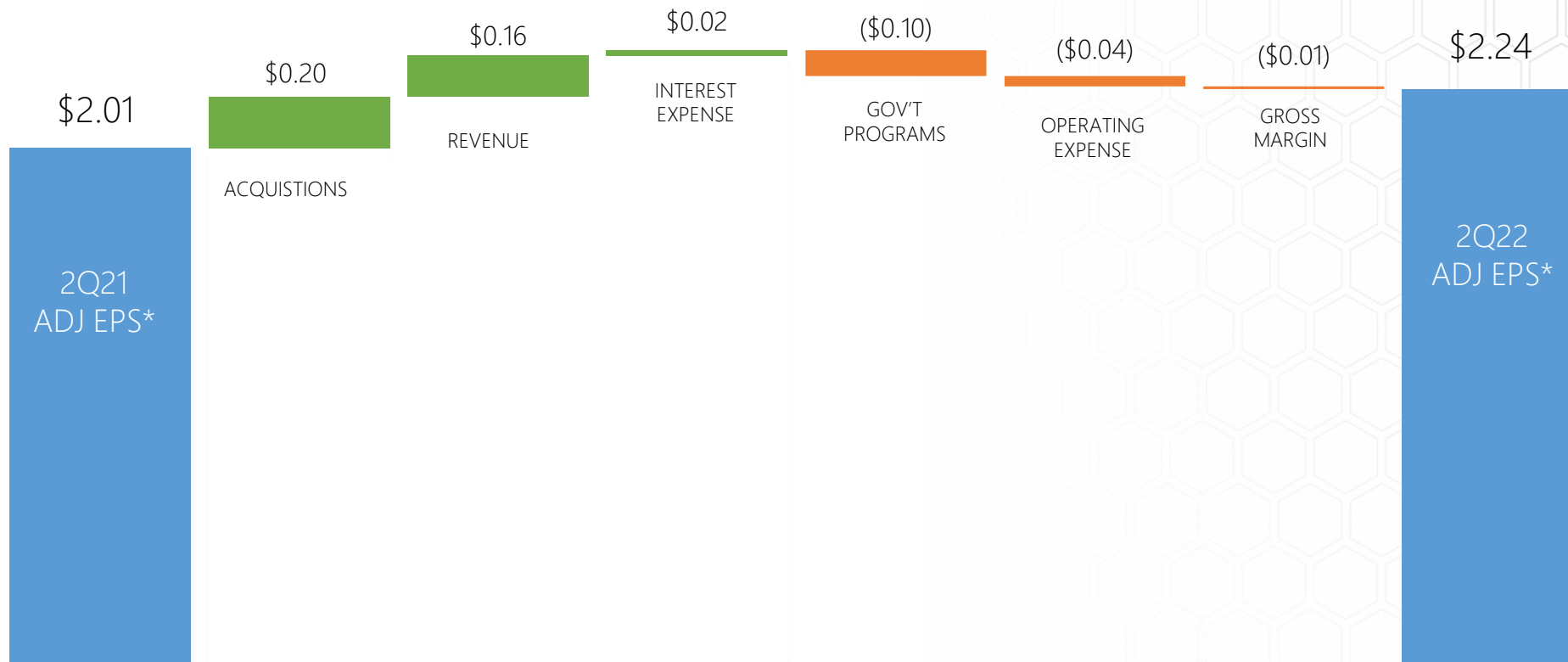
(\$ in millions, except per share amounts)

	Q2 22	Q2 21
Gross Margin	43.3%	43.6%
SG&A % of Revenue	25.0%	25.2%
Operating Income	\$37.5	\$33.0
Net Income	\$26.2	\$22.9
Adjusted EBITDA*	\$46.0	\$41.3
Diluted EPS	\$2.24	\$1.96
Adjusted Diluted EPS*	\$2.24	\$2.01

Key Consolidated Financial Metrics



2Q21 to 2Q22 Adjusted Diluted EPS*



Key Liquidity Metrics

\$ in millions	Q2 22	Q1 22	Q2 21
Cash, cash equivalents, and restricted cash	\$78.0	\$89.0	\$158.1
Debt	\$223.8	\$243.4	\$268.7
Lease obligations	\$4.5	\$4.5	\$5.0
Net Debt	\$150.3	\$158.9	\$115.6
Leverage ratio ¹	1.05	1.16	1.71
Working capital % LTM revenue ²	12.4%	10.8%	12.7%
Cash conversion days ³	123	104	109

Guidance

- FY 2022 GAAP diluted EPS of \$10.05 to \$10.25
- FY 2022 adjusted diluted EPS* of \$8.80 to \$9.00
- FY 2022 revenue of \$890 to \$905 million

- Q3 2022 GAAP diluted EPS of \$1.99 to \$2.09
- Q3 2022 revenue of \$211 to \$218 million

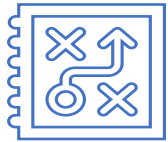


Questions & Answers

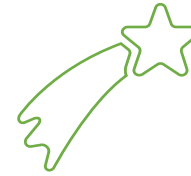
To participate in the live Q&A session, please go to investor.kadant.com and click on the Q&A session link to receive a dial-in number and unique PIN.

Please mute the audio on your computer.

2022 Key Priorities



ACCELERATE SUSTAINABLE
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL
STAKEHOLDER VALUE



MAINTAIN STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

KĀDANT

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August 3, 2022





APPENDIX

Second Quarter 2022 Business Review

Revenue by Customer Location

\$ in thousands	Q2 22	Q2 21	Change	Change Excl. Acquisitions and FX*
North America	\$123,964	\$106,767	\$17,197	9,352
Europe	52,249	55,827	(3,578)	(5,082)
Asia	30,851	24,729	6,122	4,877
Rest of World	14,585	8,488	6,097	5,788
TOTAL	\$221,649	\$195,811	\$25,838	\$14,989

Adjusted Diluted EPS Reconciliation

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

	Q2 22	Q2 21
Diluted EPS, as reported	\$2.24	\$1.96
Acquisition Costs, Net of Tax	-	0.05
Adjusted Diluted EPS*	\$2.24	\$2.01

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q2 22	Q2 21
Operating Cash Flow	\$18,797	\$44,386
Less Capital Expenditures	6,947	2,059
Free Cash Flow*	\$11,850	\$42,327

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 22	Q2 21
Net Income Attributable to Kadant	\$26,170	\$22,864
Net Income Attributable to Noncontrolling Interest	239	163
Provision for Income Taxes	9,951	8,949
Interest Expense, Net	1,089	1,010
Other Expense, Net	19	24
Acquisition Costs	-	603
Acquired Backlog Amortization	-	27
Depreciation and Amortization	8,486	7,689
Adjusted EBITDA*	\$45,954	\$41,329
Adjusted EBITDA Margin*	20.7%	21.1%

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 2, 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.