

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): August 2, 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 August 2, 2022, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter ended July 2, 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 August 3, 2022, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended July 2, 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	<a href="#">Press Release issued by the Company on August 2, 2022 announcing its financial results.</a>
99.2	<a href="#">Slides to be presented by the Company on August 3, 2022.</a>
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: August 2, 2022

By /s/ Michael J. McKenney

\_\_\_\_\_  
Michael J. McKenney  
Executive Vice President and Chief Financial Officer

**KADANT**

**KADANT INC.**  
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**PRESS RELEASE****Kadant Reports Second Quarter 2022 Results**

**WESTFORD, Mass.**, August 2, 2022 - Kadant Inc. (NYSE: KAI) reported its financial results for the second quarter ended July 2, 2022.

**Second Quarter Financial Highlights**

- Bookings increased 25% to \$266 million.
- Revenue increased 13% to \$222 million.
- Net income increased 14% to \$26 million.
- GAAP diluted EPS increased 14% to \$2.24.
- Adjusted diluted EPS increased 11% to \$2.24.
- Adjusted EBITDA increased 11% to a record \$46 million and represented 20.7% of revenue.
- Operating cash flow decreased 58% to \$19 million.
- Backlog was a record \$379 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**

"Our strong performance continued into the second quarter with outstanding bookings and record adjusted EBITDA," said Jeffrey L. Powell, president and chief executive officer of Kadant. "In the second quarter we delivered solid margins and revenue growth of 13 percent led by our Flow Control segment. Our global workforce once again navigated through supply chain constraints and inflationary pressures to deliver remarkable value to our customers. New order activity from both aftermarket parts and capital contributed to a sixth consecutive record quarterly backlog placing us in an excellent position to finish the year strong."

**Second Quarter 2022 compared to 2021**

Revenue increased 13 percent to \$221.6 million compared to \$195.8 million in 2021. Organic revenue increased eight percent, which excludes a 10 percent increase from acquisitions and a five percent decrease from the unfavorable effect of foreign currency translation. Gross margin was 43.3 percent compared to 43.6 percent in 2021.

GAAP diluted earnings per share (EPS) increased 14 percent to \$2.24 compared to \$1.96 in 2021. Adjusted diluted EPS increased 11 percent to \$2.24 compared to \$2.01 in 2021. Adjusted diluted EPS excludes \$0.05 of acquisition costs in 2021. Net income increased 14 percent to \$26.2 million compared to \$22.9 million in 2021. Adjusted EBITDA increased 11 percent to a record \$46.0 million and represented 20.7 percent of revenue compared to \$41.3 million and 21.1 percent of revenue in the prior year quarter. Operating cash flow decreased 58 percent to \$18.8 million compared to \$44.4 million in 2021 due to an increase in working capital to support shipments in the second half of 2022.

Bookings increased 25 percent to \$265.9 million compared to \$213.2 million in 2021. Organic bookings increased 17 percent, which excludes a 12 percent increase from acquisitions and a four percent decrease from the unfavorable effect of foreign currency translation.

### Summary and Outlook

"We are pleased with the exceptionally strong first half of 2022 and our record backlog has us positioned well for the year," Mr. Powell continued. "As we look ahead to the second half of 2022, we continue to see good levels of project activity despite the ongoing macroeconomic challenges. However, we expect industrial demand to moderate as consumer demand slows in response to actions taken by governments and central banks to control inflation.

"We are raising the lower end of our revenue guidance and we now expect revenue of \$890 to \$905 million in 2022, revised from our previous guidance of \$885 to \$905 million. We are maintaining our GAAP diluted EPS guidance of \$10.05 to \$10.25, which includes a \$1.30 gain on the sale of a facility, \$0.04 of acquisition-related costs, and a \$0.01 impairment charge. Excluding these items, we expect adjusted diluted EPS of \$8.80 to \$9.00. The 2022 guidance includes a negative effect from foreign currency translation, lowering revenue guidance by \$45 million and adjusted diluted EPS guidance by \$0.49. For the third quarter of 2022, we expect GAAP diluted EPS of \$1.99 to \$2.09 on revenue of \$211 to \$218 million."

### Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, August 3, 2022, at 11:00 a.m. eastern time to discuss its second quarter performance, as well as future expectations. Please note that there is a new process to access the webcast. To listen to the webcast, go to the "Investors" section of the Company's website at [www.kadant.com](http://www.kadant.com) to access the webcast link. Participants interested in joining the call's live question and answer session are required to register by either visiting <https://register.vevent.com/register/B1405e5e1786334c5f899ed7e6388f2e11> or clicking 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 September 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](http://www.sec.gov). After the webcast, Kadant will post its updated general investor presentation incorporating the second quarter results on its website at [www.kadant.com](http://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. Revenue in the second quarter of 2022 included \$19.9 million from acquisitions and a \$9.1 million unfavorable foreign currency translation effect. Revenue in the first six months of 2022 included \$39.9 million from acquisitions and a \$12.9 million unfavorable foreign currency translation effect. Adjusted operating income, adjusted EBITDA, and adjusted EBITDA margin exclude impairment costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and certain gains or losses. 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.

#### *Second Quarter*

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

- Pre-tax acquisition costs of \$0.6 million in 2021.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax acquisition costs of \$0.6 million in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$6.9 million in 2022 and \$2.1 million in 2021.

#### *First Six 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 \$0.1 million in 2022 and \$1.9 million in 2021.
- Pre-tax indemnification asset reversal of \$0.6 million in 2022.
- Pre-tax impairment costs of \$0.2 million in 2022.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$0.5 million in 2022 and \$0.1 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 \$0.1 million in 2022 and \$1.7 million (\$1.9 million net of tax of \$0.2 million) in 2021.
- After-tax impairment costs of \$0.1 million (\$0.2 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 \$0.1 million in 2021.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$9.8 million in 2022 and \$4.3 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)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Consolidated Statement of Income</b>				
Revenue	\$ 221,649	\$ 195,811	\$ 448,129	\$ 368,274
Costs and Operating Expenses:				
Cost of revenue	125,611	110,493	253,880	207,241
Selling, general, and administrative expenses	55,319	49,267	114,487	98,698
Research and development expenses	3,251	3,041	6,329	5,898
Gain on sale and other expense, net (b)	—	—	(20,008)	—
	<u>184,181</u>	<u>162,801</u>	<u>354,688</u>	<u>311,837</u>
Operating Income	37,468	33,010	93,441	56,437
Interest Income	277	56	379	121
Interest Expense	(1,366)	(1,066)	(2,600)	(2,177)
Other Expense, Net	(19)	(24)	(41)	(48)
Income Before Provision for Income Taxes	36,360	31,976	91,179	54,333
Provision for Income Taxes	9,951	8,949	23,329	14,510
Net Income	26,409	23,027	67,850	39,823
Net Income Attributable to Noncontrolling Interest	(239)	(163)	(488)	(398)
Net Income Attributable to Kadant	<u>\$ 26,170</u>	<u>\$ 22,864</u>	<u>\$ 67,362</u>	<u>\$ 39,425</u>
Earnings per Share Attributable to Kadant:				
Basic	\$ 2.24	\$ 1.97	\$ 5.78	\$ 3.41
Diluted	\$ 2.24	\$ 1.96	\$ 5.77	\$ 3.39
Weighted Average Shares:				
Basic	11,660	11,579	11,645	11,566
Diluted	11,689	11,650	11,672	11,631

	Three Months Ended		Three Months Ended	
	July 2, 2022	July 2, 2022	July 3, 2021	July 3, 2021
<b>Adjusted Net Income and Adjusted Diluted EPS (a)</b>				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 26,170	\$ 2.24	\$ 22,864	\$ 1.96
Adjustments for the Following, Net of Tax:				
Acquisition Costs	—	—	557	0.05
Acquired Profit in Inventory and Backlog Amortization (c,d)	—	—	21	—
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 26,170</u>	<u>\$ 2.24</u>	<u>\$ 23,442</u>	<u>\$ 2.01</u>

	Six Months Ended		Six Months Ended	
	July 2, 2022	July 2, 2022	July 3, 2021	July 3, 2021
<b>Adjusted Net Income and Adjusted Diluted EPS (a)</b>				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 67,362	\$ 5.77	\$ 39,425	\$ 3.39
Adjustments for the Following, Net of Tax:				
Gain on Sale (b)	(15,143)	(1.30)	—	—
Acquisition Costs	59	0.01	1,730	0.15
Impairment Costs	135	0.01	—	—
Acquired Profit in Inventory and Backlog Amortization (c,d)	387	0.03	65	0.01
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 52,800</u>	<u>\$ 4.52</u>	<u>\$ 41,220</u>	<u>\$ 3.54</u>

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Revenue by Segment	Three Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	July 2, 2022	July 3, 2021		
Flow Control	\$ 85,220	\$ 70,762	\$ 14,458	\$ 5,458
Industrial Processing	84,402	82,681	1,721	5,219
Material Handling	52,027	42,368	9,659	4,312
	<u>\$ 221,649</u>	<u>\$ 195,811</u>	<u>\$ 25,838</u>	<u>\$ 14,989</u>
Percentage of Parts and Consumables Revenue	66%	64%		

Revenue by Segment	Six Months Ended		Increase	Increase Excluding Acquisitions and FX (a,e)
	July 2, 2022	July 3, 2021		
Flow Control	\$ 171,046	\$ 134,516	\$ 36,530	\$ 16,685
Industrial Processing	177,487	151,835	25,652	30,405
Material Handling	99,596	81,923	17,673	5,796
	<u>\$ 448,129</u>	<u>\$ 368,274</u>	<u>\$ 79,855</u>	<u>\$ 52,886</u>
Percentage of Parts and Consumables Revenue	65%	66%		

Bookings by Segment	Three Months Ended		Increase	Increase Excluding Acquisitions and FX (e)
	July 2, 2022	July 3, 2021		
Flow Control	\$ 97,347	\$ 71,819	\$ 25,528	\$ 15,187
Industrial Processing	109,883	101,899	7,984	11,946
Material Handling	58,675	39,447	19,228	9,610
	<u>\$ 265,905</u>	<u>\$ 213,165</u>	<u>\$ 52,740</u>	<u>\$ 36,743</u>
Percentage of Parts and Consumables Bookings	59%	60%		

Bookings by Segment	Six Months Ended		Increase	Increase Excluding Acquisitions and FX (e)
	July 2, 2022	July 3, 2021		
Flow Control	\$ 197,458	\$ 147,818	\$ 49,640	\$ 28,565
Industrial Processing	216,227	188,505	27,722	33,095
Material Handling	118,315	81,331	36,984	19,077
	<u>\$ 532,000</u>	<u>\$ 417,654</u>	<u>\$ 114,346</u>	<u>\$ 80,737</u>
Percentage of Parts and Consumables Bookings	59%	62%		

Business Segment Information	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Gross Margin:				
Flow Control	52.8%	52.8%	52.6%	53.0%
Industrial Processing	38.4%	40.1%	38.5%	40.3%
Material Handling	35.9%	34.9%	36.1%	34.8%
	<u>43.3%</u>	<u>43.6%</u>	<u>43.3%</u>	<u>43.7%</u>

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	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Business Segment Information (continued)</b>				
<b>Operating Income:</b>				
Flow Control	\$ 22,707	\$ 19,324	\$ 44,432	\$ 34,770
Industrial Processing (i)	15,285	17,248	53,444	28,354
Material Handling (i)	8,701	5,281	14,545	9,450
Corporate (i)	(9,225)	(8,843)	(18,980)	(16,137)
	<u>\$ 37,468</u>	<u>\$ 33,010</u>	<u>\$ 93,441</u>	<u>\$ 56,437</u>
<b>Adjusted Operating Income (a,f):</b>				
Flow Control	\$ 22,707	\$ 19,563	\$ 44,276	\$ 36,006
Industrial Processing	15,285	17,301	34,011	28,494
Material Handling	8,701	5,619	15,262	10,062
Corporate	(9,225)	(8,843)	(18,980)	(16,137)
	<u>\$ 37,468</u>	<u>\$ 33,640</u>	<u>\$ 74,569</u>	<u>\$ 58,425</u>
<b>Capital Expenditures:</b>				
Flow Control	\$ 1,031	\$ 368	\$ 1,556	\$ 702
Industrial Processing (h)	5,073	1,191	7,025	2,995
Material Handling	843	495	1,227	616
Corporate	—	5	7	5
	<u>\$ 6,947</u>	<u>\$ 2,059</u>	<u>\$ 9,815</u>	<u>\$ 4,318</u>

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Cash Flow and Other Data</b>				
Operating Cash Flow	\$ 18,797	\$ 44,386	\$ 42,565	\$ 63,478
Less: Capital Expenditures (h)	(6,947)	(2,059)	(9,815)	(4,318)
Free Cash Flow (a)	<u>\$ 11,850</u>	<u>\$ 42,327</u>	<u>\$ 32,750</u>	<u>\$ 59,160</u>
Depreciation and Amortization Expense	\$ 8,486	\$ 7,716	\$ 17,931	\$ 15,402

	July 2, 2022	January 1, 2022
	<b>Balance Sheet Data</b>	
<b>Assets</b>		
Cash, Cash Equivalents, and Restricted Cash	\$ 78,026	\$ 94,161
Accounts Receivable, net	124,704	117,209
Inventories	156,426	134,356
Contract Assets	11,861	8,626
Property, Plant, and Equipment, net	105,919	107,989
Intangible Assets	183,317	199,343
Goodwill	384,109	396,887
Other Assets	79,641	73,641
	<u>\$ 1,124,003</u>	<u>\$ 1,132,212</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts Payable	\$ 55,924	\$ 59,250
Debt Obligations	223,817	264,597
Other Borrowings	4,495	4,917
Other Liabilities	233,603	237,832
Total Liabilities	517,839	566,596
Stockholders' Equity	606,164	565,616
	<u>\$ 1,124,003</u>	<u>\$ 1,132,212</u>

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	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)</b>				
<b>Consolidated</b>				
Net Income Attributable to Kadant	\$ 26,170	\$ 22,864	\$ 67,362	\$ 39,425
Net Income Attributable to Noncontrolling Interest	239	163	488	398
Provision for Income Taxes	9,951	8,949	23,329	14,510
Interest Expense, Net	1,089	1,010	2,221	2,056
Other Expense, Net	19	24	41	48
Operating Income	37,468	33,010	93,441	56,437
Gain on Sale (b)	—	—	(20,190)	—
Acquisition Costs	—	603	76	1,901
Indemnification Asset Reversal (g)	—	—	575	—
Impairment Costs	—	—	182	—
Acquired Backlog Amortization (c)	—	27	703	87
Acquired Profit in Inventory Amortization (d)	—	—	(218)	—
Adjusted Operating Income (a)	37,468	33,640	74,569	58,425
Depreciation and Amortization	8,486	7,689	17,228	15,315
Adjusted EBITDA (a)	\$ 45,954	\$ 41,329	\$ 91,797	\$ 73,740
Adjusted EBITDA Margin (a,j)	20.7%	21.1%	20.5%	20.0%
<b>Flow Control</b>				
Operating Income	\$ 22,707	\$ 19,324	\$ 44,432	\$ 34,770
Acquisition Costs	—	239	62	1,236
Acquired Profit in Inventory Amortization (d)	—	—	(218)	—
Adjusted Operating Income (a)	22,707	19,563	44,276	36,006
Depreciation and Amortization	2,297	1,568	4,644	3,140
Adjusted EBITDA (a)	\$ 25,004	\$ 21,131	\$ 48,920	\$ 39,146
Adjusted EBITDA Margin (a,j)	29.3%	29.9%	28.6%	29.1%
<b>Industrial Processing</b>				
Operating Income (i)	\$ 15,285	\$ 17,248	\$ 53,444	\$ 28,354
Gain on Sale (b)	—	—	(20,190)	—
Indemnification Asset Reversal (g)	—	—	575	—
Impairment Costs	—	—	182	—
Acquisition Costs	—	53	—	80
Acquired Backlog Amortization (c)	—	—	—	60
Adjusted Operating Income (a)	15,285	17,301	34,011	28,494
Depreciation and Amortization	3,080	3,403	6,354	6,741
Adjusted EBITDA (a)	\$ 18,365	\$ 20,704	\$ 40,365	\$ 35,235
Adjusted EBITDA Margin (a,j)	21.8%	25.0%	22.7%	23.2%
<b>Material Handling</b>				
Operating Income (i)	\$ 8,701	\$ 5,281	\$ 14,545	\$ 9,450
Acquisition Costs	—	311	14	585
Acquired Backlog Amortization (c)	—	27	703	27
Adjusted Operating Income (a)	8,701	5,619	15,262	10,062
Depreciation and Amortization	3,083	2,682	6,179	5,368
Adjusted EBITDA (a)	\$ 11,784	\$ 8,301	\$ 21,441	\$ 15,430
Adjusted EBITDA Margin (a,j)	22.6%	19.6%	21.5%	18.8%

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	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)</b>				
<b>Corporate</b>				
Operating Loss (i)	\$ (9,225)	\$ (8,843)	\$ (18,980)	\$ (16,137)
Depreciation and Amortization	26	36	51	66
<b>EBITDA (a)</b>	<b>\$ (9,199)</b>	<b>\$ (8,807)</b>	<b>\$ (18,929)</b>	<b>\$ (16,071)</b>

- (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 income within the 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 \$3.1 million and \$3.2 million in the three and six months ended July 2, 2022, respectively, related to the construction of a new manufacturing facility in China.
- (i) Operating income by segment has been recast in the first six months of 2021 to include acquisition costs of \$0.5 million and \$0.1 million in our Material Handling and Industrial Processing segments, respectively, which were previously included in Corporate.
- (j) 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](http://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;

-more-

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.

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**KADANT**

# 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](http://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

- 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)

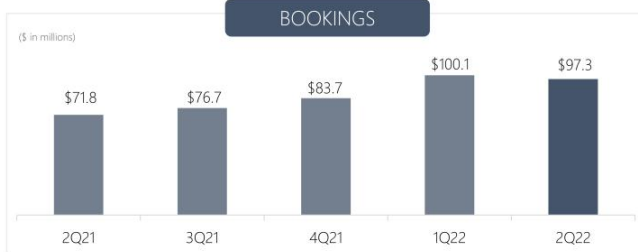
	Q2 22	Q2 21	Change
Revenue	\$221.6	\$195.8	+13.2%
Net Income	\$26.2	\$22.9	+14.5%
Adjusted EBITDA*	\$46.0	\$41.3	+11.2%
Adjusted EBITDA Margin*	20.7%	21.1%	-40 bps
Diluted EPS	\$2.24	\$1.96	+14.3%
Adjusted Diluted EPS*	\$2.24	\$2.01	+11.4%
Operating Cash Flow	\$18.8	\$44.4	-57.7%
Bookings	\$265.9	\$213.2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



## HIGHLIGHTS

- Strong aftermarket demand and capital project activity
- High energy prices and CO<sub>2</sub> 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



## 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



## 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

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



# FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

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# Q2 2022 Financial Performance

## HIGHLIGHTS

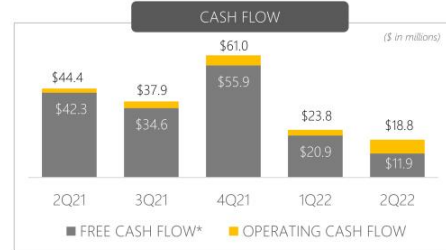
- Adjusted EBITDA margin\* of 20.7%
- Operating cash flow of \$18.8 million
- Free cash flow\* of \$11.9 million
- Net debt of \$150 million; leverage ratio<sup>1</sup> of 1.05

(\$ in millions, except per share amounts)

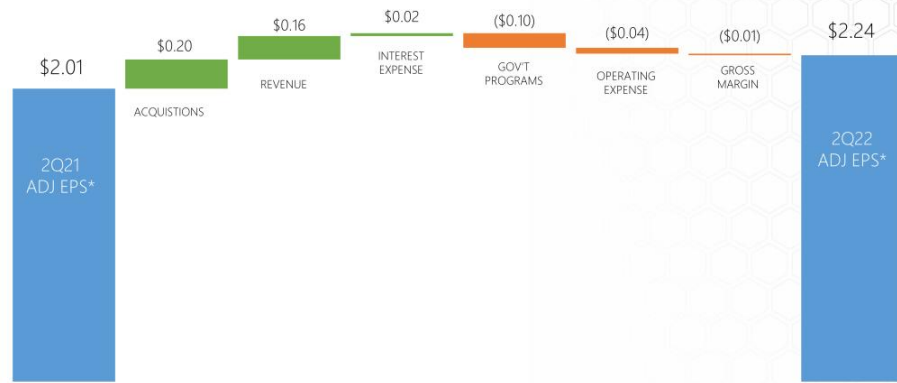
	Q2 22	Q2 21
Gross Margin	43.3%	43.6%
SG&A % of Revenue	25.0%	25.2%
Operating Income	\$37.5	\$33.0
Net Income	\$26.2	\$22.9
Adjusted EBITDA*	\$46.0	\$41.3
Diluted EPS	\$2.24	\$1.96
Adjusted Diluted EPS*	\$2.24	\$2.01



# 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 <sup>1</sup>	1.05	1.16	1.71
Working capital % LTM revenue <sup>2</sup>	12.4%	10.8%	12.7%
Cash conversion days <sup>3</sup>	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](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.

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## 2022 Key Priorities



ACCELERATE SUSTAINABLE  
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL  
STAKEHOLDER VALUE



MAINTAIN STRONG  
CASH FLOW



CAPITALIZE ON NEW  
OPPORTUNITIES

# KADANT



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August 3, 2022

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# APPENDIX

## Second Quarter 2022 Business Review

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## 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.

