

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 1, 2023

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 August 1, 2023, Kadant Inc. (the “Company”) announced its financial results for the fiscal quarter ended July 1, 2023. 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 2, 2023, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended July 1, 2023. 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	Press Release issued by the Company on August 1, 2023 announcing its financial results.
99.2	Slides to be presented by the Company on August 2, 2023.
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 1, 2023

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 2023 Results
 Reports Record Revenue and Raises Earnings Guidance**

WESTFORD, Mass., August 1, 2023 - Kadant Inc. (NYSE: KAI) reported its financial results for the second quarter ended July 1, 2023.

Second Quarter Financial Highlights

- Revenue increased 11% to a record \$245 million
- Bookings decreased 19% to \$215 million
- Operating cash flow increased 20% to \$22 million
- Net income increased 14% to \$30 million
- GAAP EPS increased 13% to \$2.54
- Adjusted EPS increased 13% to a record \$2.54
- Adjusted EBITDA increased 12% to a record \$52 million and represented 21.0% of revenue
- Backlog was \$363 million

Note: Percent changes above are based on comparison to the prior year period. All references to EPS are to our EPS as calculated on a diluted basis. Adjusted 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

"We had another well-executed quarter with record revenue, record adjusted EBITDA, and record adjusted EPS," said Jeffrey L. Powell, president and chief executive officer of Kadant Inc. "Record aftermarket revenue combined with strong capital business made for an excellent quarter."

"Our operations teams around the globe continued to deliver exceptional value for our customers and executed well, as shown by our improved operating leverage. Despite the macroeconomic headwinds and general slowdown in industrial activity, we achieved excellent results in the second quarter."

Second Quarter 2023 Compared to 2022

Revenue increased 11 percent to a record \$245.1 million compared to \$221.6 million in 2022. Organic revenue increased 12 percent, which excludes a one percent decrease from the unfavorable effect of foreign currency translation. Gross profit margin increased to 43.5 percent compared to 43.3 percent in 2022.

GAAP and adjusted EPS both increased 13 percent to \$2.54 in 2023 compared to \$2.24 in 2022. Net income was \$29.7 million in 2023, increasing 14 percent compared to \$26.2 million in 2022. Adjusted EBITDA increased 12 percent to a record \$51.6 million and represented 21.0 percent of revenue compared to \$46.0 million and 20.7 percent in the prior year. Operating cash flow increased 20 percent to \$22.5 million compared to \$18.8 million in 2022.

Bookings decreased 19 percent to \$215.2 million compared to \$265.9 million in 2022. Organic bookings decreased 18 percent, which excludes a one percent decrease from the unfavorable effect of foreign currency translation.

Summary and Outlook

"We expect industrial demand to continue at current levels and with our excellent start to the year and strong backlog, we are well positioned for record performance in 2023," Mr. Powell continued. "We are raising our revenue and earnings guidance for the full year and now expect revenue of \$925 to \$940 million in 2023, revised from our previous guidance of \$910 to \$935 million, and GAAP EPS of \$9.11 to \$9.31, revised from our previous guidance of \$8.82 to \$9.07. The 2023 guidance includes pre-tax relocation costs of \$0.6 million, or \$0.04 per diluted share, related to the relocation of one of our Chinese facilities. Excluding this expense, we now expect adjusted EPS of \$9.15 to \$9.35 in 2023, revised from our previous guidance of \$8.90 to \$9.15. For the third quarter of 2023, we expect revenue of \$229 to \$236 million, GAAP EPS of \$2.15 to \$2.25 and, excluding \$0.04 per diluted share of relocation costs, adjusted EPS of \$2.19 to \$2.29."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Wednesday, August 2, 2023, at 11:00 a.m. eastern time to discuss its second quarter performance, as well as future expectations. To listen to the call live and view the webcast, go to the "Investors" section of the Company's website at www.kadant.com. Participants interested in joining the call's live question and answer session are required to register by visiting <https://register.vevent.com/register/Bi35cfc9566b7b442cac53391f6196f249> or selecting 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 1, 2023.

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. After the webcast, Kadant will post its updated general investor presentation incorporating the second quarter 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 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. Organic revenue excludes revenue from acquisitions for the four quarterly reporting periods following the date of the acquisition and the effect of foreign currency translation. Revenue included an unfavorable foreign currency translation effect of \$2.3 million in the second quarter of 2023 and \$9.7 million in the first six months of 2023. Our other non-GAAP financial measures exclude impairment costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and certain gains or losses, as indicated. 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 indemnification asset reversal of \$0.2 million in 2023.
- Pre-tax relocation costs of \$0.1 million in 2023.

Adjusted net income and adjusted EPS exclude:

- After-tax relocation costs of \$0.1 million in 2023.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$8.8 million in 2023 and \$6.9 million in 2022.

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.
- Pre-tax indemnification asset reversal of \$0.2 million in 2023 and \$0.6 million in 2022.
- Pre-tax relocation costs of \$0.1 million in 2023 and 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.

Adjusted net income and adjusted 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.
- After-tax relocation costs of \$0.1 million in 2023 and 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.

Free cash flow is calculated as operating cash flow less:

- Capital expenditures of \$13.2 million in 2023 and \$9.8 million in 2022.

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 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Consolidated Statement of Income				
Revenue	\$ 245,053	\$ 221,649	\$ 474,811	\$ 448,129
Costs and Operating Expenses:				
Cost of revenue	138,503	125,611	266,215	253,880
Selling, general, and administrative expenses	59,990	55,319	118,552	114,487
Research and development expenses	3,408	3,251	6,778	6,329
Gain on sale and other costs, net (b)	74	—	74	(20,008)
	<u>201,975</u>	<u>184,181</u>	<u>391,619</u>	<u>354,688</u>
Operating Income	43,078	37,468	83,192	93,441
Interest Income	316	277	615	379
Interest Expense	(2,245)	(1,366)	(4,615)	(2,600)
Other Expense, Net	(21)	(19)	(42)	(41)
Income Before Provision for Income Taxes	41,128	36,360	79,150	91,179
Provision for Income Taxes	11,182	9,951	20,945	23,329
Net Income	29,946	26,409	58,205	67,850
Net Income Attributable to Noncontrolling Interest	(212)	(239)	(396)	(488)
Net Income Attributable to Kadant	\$ 29,734	\$ 26,170	\$ 57,809	\$ 67,362
Earnings per Share Attributable to Kadant:				
Basic	\$ 2.54	\$ 2.24	\$ 4.94	\$ 5.78
Diluted	\$ 2.54	\$ 2.24	\$ 4.94	\$ 5.77
Weighted Average Shares:				
Basic	11,704	11,660	11,693	11,645
Diluted	11,723	11,689	11,709	11,672

	Three Months Ended		Three Months Ended	
	July 1, 2023	July 1, 2023	July 2, 2022	July 2, 2022
Adjusted Net Income and Adjusted Diluted EPS (a)				
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 29,734	\$ 2.54	\$ 26,170	\$ 2.24
Adjustment for the Following, Net of Tax:				
Other Costs	56	—	—	—
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 29,790	\$ 2.54	\$ 26,170	\$ 2.24
	Six Months Ended		Six Months Ended	
	July 1, 2023	July 1, 2023	July 2, 2022	July 2, 2022
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 57,809	\$ 4.94	\$ 67,362	\$ 5.77
Adjustments for the Following, Net of Tax:				
Gain on Sale (b)	—	—	(15,143)	(1.30)
Acquisition Costs	—	—	59	0.01
Other Costs	56	—	135	0.01
Acquired Profit in Inventory and Backlog Amortization (c,d)	—	—	387	0.03
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 57,865	\$ 4.94	\$ 52,800	\$ 4.52

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Revenue by Segment	Three Months Ended		Increase	Increase Excluding FX (a,e)
	July 1, 2023	July 2, 2022		
Flow Control	\$ 95,729	\$ 85,220	\$ 10,509	\$ 10,756
Industrial Processing	89,967	84,402	5,565	7,888
Material Handling	59,357	52,027	7,330	7,092
	<u>\$ 245,053</u>	<u>\$ 221,649</u>	<u>\$ 23,404</u>	<u>\$ 25,736</u>

Percentage of Parts and Consumables Revenue 62% 66%

Revenue by Segment	Six Months Ended		Increase (Decrease)	Increase Excluding FX (a,e)
	July 1, 2023	July 2, 2022		
Flow Control	\$ 185,250	\$ 171,046	\$ 14,204	\$ 17,006
Industrial Processing	173,509	177,487	(3,978)	2,168
Material Handling	116,052	99,596	16,456	17,232
	<u>\$ 474,811</u>	<u>\$ 448,129</u>	<u>\$ 26,682</u>	<u>\$ 36,406</u>

Percentage of Parts and Consumables Revenue 64% 65%

Bookings by Segment	Three Months Ended		Decrease	Decrease Excluding FX (e)
	July 1, 2023	July 2, 2022		
Flow Control	\$ 88,301	\$ 97,347	\$ (9,046)	\$ (9,019)
Industrial Processing	79,291	109,883	(30,592)	(28,753)
Material Handling	47,635	58,675	(11,040)	(11,261)
	<u>\$ 215,227</u>	<u>\$ 265,905</u>	<u>\$ (50,678)</u>	<u>\$ (49,033)</u>

Percentage of Parts and Consumables Bookings 69% 59%

Bookings by Segment	Six Months Ended		Increase (Decrease)	Increase (Decrease) Excluding FX (e)
	July 1, 2023	July 2, 2022		
Flow Control	\$ 192,857	\$ 197,458	\$ (4,601)	\$ (1,463)
Industrial Processing	175,565	216,227	(40,662)	(33,935)
Material Handling	121,324	118,315	3,009	4,002
	<u>\$ 489,746</u>	<u>\$ 532,000</u>	<u>\$ (42,254)</u>	<u>\$ (31,396)</u>

Percentage of Parts and Consumables Bookings 64% 59%

Business Segment Information	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Gross Profit Margin:				
Flow Control	51.4%	52.8%	52.3%	52.6%
Industrial Processing	39.5%	38.4%	40.0%	38.5%
Material Handling	36.8%	35.9%	36.4%	36.1%
Consolidated	43.5%	43.3%	43.9%	43.3%

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Business Segment Information (continued)	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Operating Income:				
Flow Control	\$ 25,821	\$ 22,707	\$ 50,010	\$ 44,432
Industrial Processing (b)	16,978	15,285	32,945	53,444
Material Handling	10,374	8,701	19,661	14,545
Corporate	(10,095)	(9,225)	(19,424)	(18,980)
	<u>\$ 43,078</u>	<u>\$ 37,468</u>	<u>\$ 83,192</u>	<u>\$ 93,441</u>
Adjusted Operating Income (a,f):				
Flow Control	\$ 25,821	\$ 22,707	\$ 50,010	\$ 44,276
Industrial Processing	17,052	15,285	33,019	34,011
Material Handling	10,551	8,701	19,838	15,262
Corporate	(10,095)	(9,225)	(19,424)	(18,980)
	<u>\$ 43,329</u>	<u>\$ 37,468</u>	<u>\$ 83,443</u>	<u>\$ 74,569</u>
Capital Expenditures:				
Flow Control	\$ 1,290	\$ 1,031	\$ 2,694	\$ 1,556
Industrial Processing (h)	6,129	5,073	8,708	7,025
Material Handling	1,358	843	1,820	1,227
Corporate	—	—	24	7
	<u>\$ 8,777</u>	<u>\$ 6,947</u>	<u>\$ 13,246</u>	<u>\$ 9,815</u>

Cash Flow and Other Data	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Operating Cash Flow	\$ 22,478	\$ 18,797	\$ 59,344	\$ 42,565
Less: Capital Expenditures (h)	(8,777)	(6,947)	(13,246)	(9,815)
Free Cash Flow (a)	<u>\$ 13,701</u>	<u>\$ 11,850</u>	<u>\$ 46,098</u>	<u>\$ 32,750</u>
Depreciation and Amortization Expense	\$ 8,237	\$ 8,486	\$ 16,683	\$ 17,931

Balance Sheet Data	July 1, 2023	December 31, 2022
	Assets	
Cash, Cash Equivalents, and Restricted Cash	\$ 70,195	\$ 79,725
Accounts Receivable, net	135,633	130,297
Inventories	176,380	163,672
Contract Assets	11,986	14,898
Property, Plant, and Equipment, net	125,875	118,855
Intangible Assets	167,327	175,645
Goodwill	388,802	385,455
Other Assets	85,224	81,334
	<u>\$ 1,161,422</u>	<u>\$ 1,149,881</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 48,911	\$ 58,060
Debt Obligations	155,116	199,219
Other Borrowings	1,757	1,942
Other Liabilities	242,613	235,089
Total Liabilities	448,397	494,310
Stockholders' Equity	713,025	655,571
	<u>\$ 1,161,422</u>	<u>\$ 1,149,881</u>

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	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Adjusted Operating Income and Adjusted EBITDA Reconciliation (a)				
Consolidated				
Net Income Attributable to Kadant	\$ 29,734	\$ 26,170	\$ 57,809	\$ 67,362
Net Income Attributable to Noncontrolling Interest	212	239	396	488
Provision for Income Taxes	11,182	9,951	20,945	23,329
Interest Expense, Net	1,929	1,089	4,000	2,221
Other Expense, Net	21	19	42	41
Operating Income	43,078	37,468	83,192	93,441
Gain on Sale (b)	—	—	—	(20,190)
Acquisition Costs	—	—	—	76
Indemnification Asset Reversals (g)	177	—	177	575
Other Costs	74	—	74	182
Acquired Backlog Amortization (c)	—	—	—	703
Acquired Profit in Inventory Amortization (d)	—	—	—	(218)
Adjusted Operating Income (a)	43,329	37,468	83,443	74,569
Depreciation and Amortization	8,237	8,486	16,683	17,228
Adjusted EBITDA (a)	\$ 51,566	\$ 45,954	\$ 100,126	\$ 91,797
Adjusted EBITDA Margin (a,i)	21.0%	20.7%	21.1%	20.5%
Flow Control				
Operating Income	\$ 25,821	\$ 22,707	\$ 50,010	\$ 44,432
Acquisition Costs	—	—	—	62
Acquired Profit in Inventory Amortization (d)	—	—	—	(218)
Adjusted Operating Income (a)	25,821	22,707	50,010	44,276
Depreciation and Amortization	2,229	2,297	4,508	4,644
Adjusted EBITDA (a)	\$ 28,050	\$ 25,004	\$ 54,518	\$ 48,920
Adjusted EBITDA Margin (a,i)	29.3%	29.3%	29.4%	28.6%
Industrial Processing				
Operating Income	\$ 16,978	\$ 15,285	\$ 32,945	\$ 53,444
Gain on Sale (b)	—	—	—	(20,190)
Indemnification Asset Reversal (g)	—	—	—	575
Other Costs	74	—	74	182
Adjusted Operating Income (a)	17,052	15,285	33,019	34,011
Depreciation and Amortization	2,945	3,080	5,917	6,354
Adjusted EBITDA (a)	\$ 19,997	\$ 18,365	\$ 38,936	\$ 40,365
Adjusted EBITDA Margin (a,i)	22.2%	21.8%	22.4%	22.7%
Material Handling				
Operating Income	\$ 10,374	\$ 8,701	\$ 19,661	\$ 14,545
Acquisition Costs	—	—	—	14
Indemnification Asset Reversal (g)	177	—	177	—
Acquired Backlog Amortization (c)	—	—	—	703
Adjusted Operating Income (a)	10,551	8,701	19,838	15,262
Depreciation and Amortization	3,044	3,083	6,220	6,179
Adjusted EBITDA (a)	\$ 13,595	\$ 11,784	\$ 26,058	\$ 21,441
Adjusted EBITDA Margin (a,i)	22.9%	22.6%	22.5%	21.5%

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	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Adjusted Operating Income and Adjusted EBITDA Reconciliation (continued) (a)				
Corporate				
Operating Loss	\$ (10,095)	\$ (9,225)	\$ (19,424)	\$ (18,980)
Depreciation and Amortization	19	26	38	51
EBITDA (a)	\$ (10,076)	\$ (9,199)	\$ (19,386)	\$ (18,929)

- (a) Represents a non-GAAP financial measure.
- (b) Includes a \$20.2 million pre-tax gain on the sale of a manufacturing facility in China in the six months ended July 2, 2022 in our Industrial Processing segment pursuant to a relocation plan.
- (c) Represents intangible amortization expense associated with acquired backlog.
- (d) Represents income within cost of revenue associated with amortization of acquired profit in inventory.
- (e) Represents the increase (decrease) resulting 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 indemnification asset reversals related to the release of tax reserves associated with uncertain tax positions.
- (h) Includes \$3.1 million and \$3.3 million in the three and six months ended July 1, 2023, respectively, and \$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) 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 3,100 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 December 31, 2022 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics and pandemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; supply chain constraints, inflationary pressure, price increases and shortages in raw materials; competition; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; loss of key

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personnel and effective succession planning; protection of intellectual property; climate change; adequacy of our insurance coverage; global operations; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; currency fluctuations; changes to government regulations and policies around the world; compliance with government regulations and policies and compliance with laws; environmental laws and regulations; environmental, health and safety laws and regulations impacting the mining industry; our debt obligations; restrictions in our credit agreement and note purchase agreement; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

Contacts

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Second Quarter 2023 Business Review

KADANT

August 2, 2023

Forward-Looking Statements

The following constitutes a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent our expectations as of August 1, 2023. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading "Risk Factors" in Kadant's annual report on Form 10-K for the fiscal year ended December 31, 2022 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics and pandemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; supply chain constraints, inflationary pressure, price increases and shortages in raw materials; competition; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; loss of key personnel and effective succession planning; protection of intellectual property; climate change; adequacy of our insurance coverage; global operations; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; currency fluctuations; changes to government regulations and policies around the world; compliance with government regulations and policies and compliance with laws; environmental laws and regulations; environmental, health and safety laws and regulations impacting the mining industry; our debt obligations; restrictions in our credit agreement and note purchase agreement; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

Use of Non-GAAP Financial Measures

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

Specific non-GAAP financial measures have been marked with an * (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our second quarter 2023 earnings press release issued August 1, 2023, 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

- Excellent execution by our businesses led to strong financial performance in Q2
- Record revenue, adjusted EBITDA*, and adjusted EPS*
- New order activity reflected macroeconomic headwinds in all regions globally
- Well positioned to capitalize on new opportunities and capital projects as they develop

Q2 2023 Performance

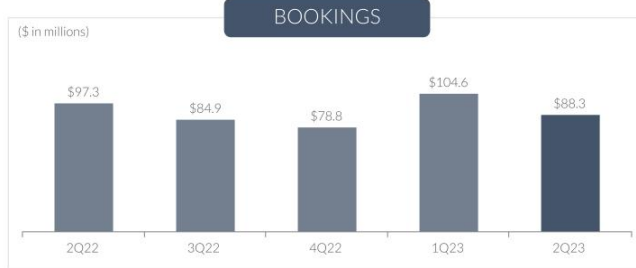
(\$ in millions, except per share amounts)	Q2 23	Q2 22	Change
Revenue	\$245.1	\$221.6	+10.6%
Net Income	\$29.7	\$26.2	+13.6%
Adjusted EBITDA*	\$51.6	\$46.0	+12.2%
Adjusted EBITDA Margin*	21.0%	20.7%	+30 bps
EPS	\$2.54	\$2.24	+13.4%
Adjusted EPS*	\$2.54	\$2.24	+13.4%
Operating Cash Flow	\$22.5	\$18.8	+19.6%
Bookings	\$215.2	\$265.9	-19.1%

HIGHLIGHTS

- Record revenue driven by large capital shipments and aftermarket parts growth
- Solid operating performance led to record adjusted EPS* and adjusted EBITDA*
- Increasing macroeconomic headwinds; softening industrial demand tempering project activity

Flow Control

(\$ in millions)	Q2 23	Q2 22	Change
Revenue	\$95.7	\$85.2	+12.3%
Bookings	\$88.3	\$97.3	-9.3%
Adjusted EBITDA*	\$28.1	\$25.0	+12.2%
Adjusted EBITDA Margin*	29.3%	29.3%	0 bps



HIGHLIGHTS

- Strong capital project activity and aftermarket demand drove record revenue
- Excellent operating performance led to record adjusted EBITDA*
- Strong bookings performance in the first half of 2023 provides momentum for the second half of the year

Industrial Processing

(\$ in millions)	Q2 23	Q2 22	Change
Revenue	\$90.0	\$84.4	+6.6%
Bookings	\$79.3	\$109.9	-27.8%
Adjusted EBITDA*	\$20.0	\$18.4	+8.9%
Adjusted EBITDA Margin*	22.2%	21.8%	+40 bps



HIGHLIGHTS

- Aftermarket parts business remained stable during Q2
- Demand for capital equipment declined in Q2 relative to the strong prior year period
- Producers taking market-related downtime to balance supply, particularly in Europe and Asia

Material Handling

(\$ in millions)	Q2 23	Q2 22	Change
Revenue	\$59.4	\$52.0	+14.1%
Bookings	\$47.6	\$58.7	-18.8%
Adjusted EBITDA*	\$13.6	\$11.8	+15.4%
Adjusted EBITDA Margin*	22.9%	22.6%	+30 bps



HIGHLIGHTS

- Record revenue driven largely by bulk handling equipment and aftermarket parts demand in second quarter
- Excellent execution led to record adjusted EBITDA* and record adjusted EBITDA margin*
- Business activity and outlook for the aggregates market remains strong

Business Outlook

- Project activity continues to be healthy
- Industrial demand expected to continue at current levels
- Strong backlog and solid execution positions us well for new opportunities and growth
- Record financial performance expected in 2023



FINANCIAL REVIEW

Michael J. McKenney, EVP & CFO

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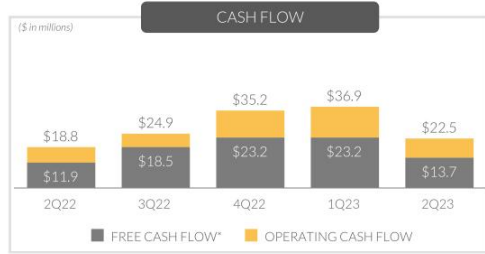
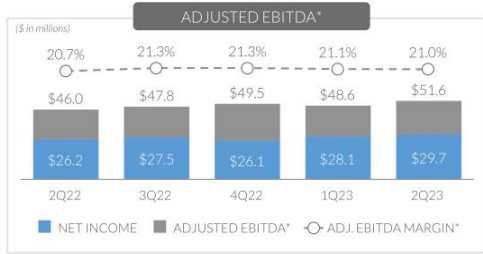
Q2 2023 Financial Performance

HIGHLIGHTS

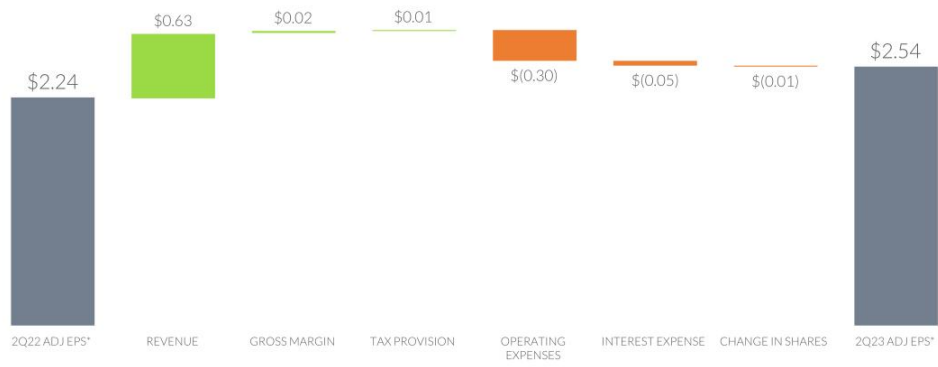
- Adjusted EBITDA margin* of 21.0%
- Operating cash flow of \$22.5 million
- Free cash flow* of \$13.7 million
- Net debt of \$86.7 million; leverage ratio¹ of 0.51

(\$ in millions, except per share amounts)	Q2 23	Q2 22
Gross Margin	43.5%	43.3%
SG&A % of Revenue	24.5%	25.0%
Operating Income	\$43.1	\$37.5
Net Income	\$29.7	\$26.2
Adjusted EBITDA*	\$51.6	\$46.0
EPS	\$2.54	\$2.24
Adjusted EPS*	\$2.54	\$2.24

Key Consolidated Financial Metrics



2Q22 to 2Q23 Adjusted EPS*



Key Liquidity Metrics

(\$ in millions)	Q2 23	Q1 23	Q2 22
Cash, cash equivalents, and restricted cash	\$70.2	\$85.5	\$78.0
Debt	\$155.1	\$180.1	\$223.8
Lease obligations	\$1.8	\$1.8	\$4.5
Net Debt	\$86.7	\$96.4	\$150.3
Leverage ratio ¹	0.51	0.64	1.05
Working capital % LTM revenue ²	16.7%	15.6%	12.4%
Cash conversion days ³	138	136	123

Guidance

- FY 2023 revenue of \$925 to \$940 million, revised from \$910 to \$935 million
- FY 2023 GAAP EPS of \$9.11 to \$9.31, revised from \$8.82 to \$9.07
- FY 2023 adjusted EPS* of \$9.15 to \$9.35, revised from \$8.90 to \$9.15

- Q3 2023 revenue of \$229 to \$236 million
- Q3 2023 GAAP EPS of \$2.15 to \$2.25
- Q3 2023 adjusted EPS* of \$2.19 to \$2.29



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.

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2023 Key Priorities



ENABLE SUSTAINABLE
INDUSTRIAL PROCESSING



DELIVER EXCEPTIONAL
STAKEHOLDER VALUE



PROVIDE STRONG
CASH FLOW



CAPITALIZE ON NEW
OPPORTUNITIES

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August 2, 2023



APPENDIX

Second Quarter 2023 Business Review

KADANT

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Revenue by Customer Location

(\$ in thousands)	Q2 23	Q2 22	Change	Change Excluding FX*
North America	\$135,385	\$124,080	\$11,305	\$12,658
Europe	60,625	58,489	2,136	1,677
Asia	32,867	28,976	3,891	5,227
Rest of World	16,176	10,104	6,072	6,174
Total	\$245,053	\$221,649	\$23,404	\$25,736

Adjusted EPS Reconciliation

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

	Q2 23	Q2 22
EPS, as Reported	\$2.54	\$2.24
Adjustment, Net of Tax		
Other Costs	—	—
Adjusted EPS*	\$2.54	\$2.24

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

(\$ in thousands)	Q2 23	Q2 22
Operating Cash Flow	\$22,478	\$18,797
Less Capital Expenditures	(8,777)	(6,947)
Free Cash Flow*	\$13,701	\$11,850

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 23	Q2 22
Net Income Attributable to Kadant	\$29,734	\$26,170
Net Income Attributable to Noncontrolling Interest	212	239
Provision for Income Taxes	11,182	9,951
Interest Expense, Net	1,929	1,089
Other Expense, Net	21	19
Indemnification Asset Reversal	177	—
Other Costs	74	—
Depreciation and Amortization	8,237	8,486
Adjusted EBITDA*	\$51,566	\$45,954
Adjusted EBITDA Margin*	21.0%	20.7%

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 1, 2023.

FOOTNOTES

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

