Kadant Inc. (KAI)

Updated August 4th, 2025, by Kody Kester

Key Metrics

Current Price:	$328	**5 Year CAGR Estimate:**	3.9%	**Market Cap:**	$3.9B
Fair Value Price:	$241	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	10/09/25[1]
% Fair Value:	136%	**5 Year Valuation Multipl e Estimate:**	-6.0%	**Dividend Payment Date:**	11/06/25[1]
Dividend Yield:	0.4%	**5 Year Price Target**	$387	**Years Of Dividend Growth:**	12
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Kadant Inc. is a supplier of technologies and engineered systems worldwide. In 1991, the company (then Thermo Fibertek Inc.) was incorporated as a wholly owned subsidiary of Thermo Electron (now Thermo Fisher Scientific). Nine years later, Thermo opted to spin off the business to prioritize its scientific instruments business. In August 2001, the spinoff to become a completely independent company was completed. KAI operates in the following three segments:

1. Flow Control: This segment designs, manufactures, and markets fluid-handling systems and equipment, including syphons, rotary joints, and turbulator bars. The segment also sells doctoring, cleaning, and filtration systems like doctor blades, cleaning shower and fabric-conditioning systems, and water filtration systems. These products are purchased by customers from the packaging, food, and metals industries. The segment made up 38.1% of the $494.5 million in total revenue through the first six months of 2025.
2. Industrial Processing: This segment develops, manufactures, and sells chippers, industrial automation and control systems, and recycling and approach flow systems. Products are sold to customers in the packaging, tissue, wood products, and alternative fuel industries. The segment comprised 37.5% of H1 2025 revenue.
3. Material Handling: The Material Handling segment designs, manufactures, and markets conveying and vibratory equipment to the mining, food processing, packaging, and paper industries. This segment chipped in the remaining 24.4% of revenue through the first six months of 2025.

On July 29th, KAI shared its financial results for the second quarter ended June 28th, 2025. The company's total revenue decreased by 7.1% year-over-year to $255.3 million during the quarter. Strong aftermarket demand led the Flow Control segment to post $94.9 million in revenue in the quarter, which was up 4% over the year-ago period. That was more than offset by weaker capital shipments in the Industrial Processing and Material Handling segments for the quarter. This led the respective segments to post 16.4% and 6.4% revenue declines ($95.9 million and $63.4 million) during the quarter. KAI's adjusted diluted EPS dropped by 17.8% year-over-year to $2.31 in the quarter. That surpassed the analyst consensus for the quarter by $0.37.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.13	$3.10	$4.49	$5.34	$5.36	$5.00	$7.83	$9.24	$10.04	$10.28	***$9.25***	***$14.90***
DPS	$0.66	$0.74	$0.82	$0.87	$0.91	$0.95	$0.99	$1.03	$1.13	$1.25	***$1.36***	***$2.19***
Shares[2]	10.8	10.9	11.0	11.1	11.4	11.5	11.6	11.7	11.7	11.8	***11.8***	***12.1***

[1] Estimated based on past dividend dates.
[2] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Since 2015, KAI's adjusted EPS has compounded at a low-teens rate annually. In the years ahead, we continue to think that adjusted diluted EPS can grow by 10% annually off an anticipated adjusted diluted EPS base of $9.25 for 2025. KAI has room to grow adjusted diluted EPS further through a combination of acquisitions and organic growth over a complete economic cycle.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	13.0	19.7	22.4	15.2	20.2	28.2	29.4	19.2	27.9	33.6	***35.5***	***26.0***
Avg. Yld.	1.6%	1.2%	0.8%	1.1%	0.8%	0.7%	0.4%	0.6%	0.4%	0.4%	***0.4%***	***0.6%***

Over the past decade, KAI's P/E ratio has ranged from as little as the low teens to as much as the low 30s. The 10-year average P/E ratio over that time was 22.9. In the past five years, it has been 27.7. Moving forward, we believe that a multiple of around 26 remains warranted. The continued rally in shares of KAI has further inflated the valuation multiple to 35.5.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	21%	24%	18%	16%	17%	19%	13%	11%	11%	12%	***15%***	***15%***

KAI possesses several factors which set it apart from its peers. These include a worldwide customer base, a reputation for high-performance, high-reliability products, product innovation, and competitive pricing.

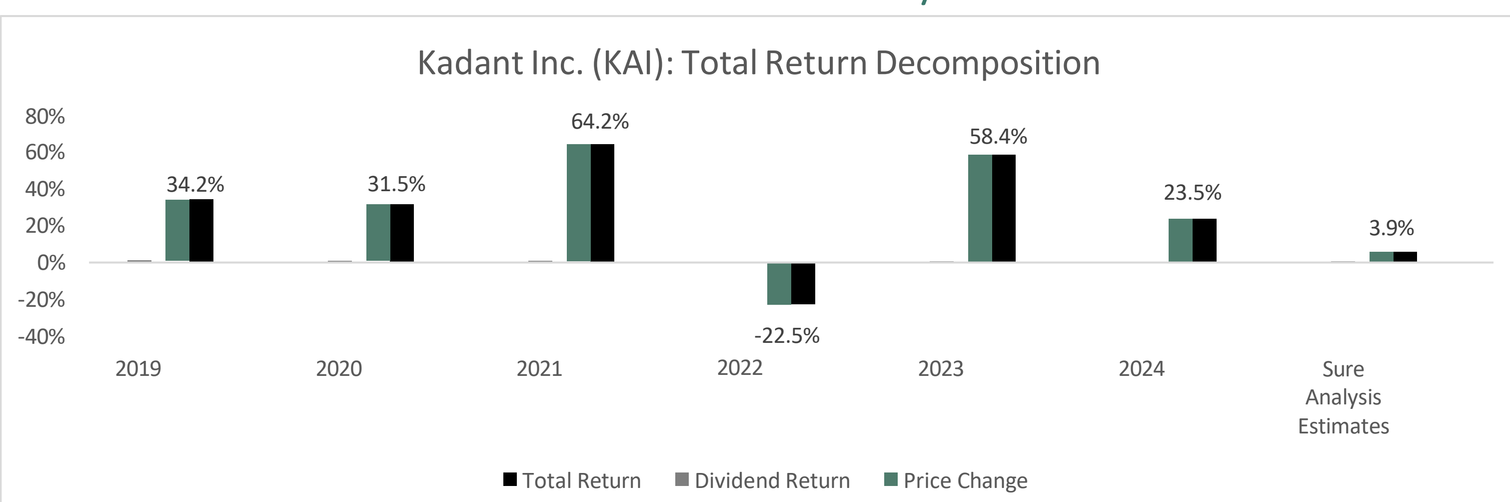
For an industrial firm, KAI consistently grows its adjusted EPS. And when earnings have declined, the drop has been by modest single-digit amounts. This has enabled it to bounce back quickly after any temporary decrease in earnings.

KAI's interest coverage ratio of 12.1x through the first half of 2025 also indicates that the company is financially stable. The payout ratio also remains poised to be in the mid-teens in 2025. That puts KAI's dividend in a position to keep rising over the next few years.

Final Thoughts & Recommendation

KAI's 0.4% dividend yield, 10.0% annual adjusted EPS growth potential, and 6.0% annual valuation multiple contraction could generate 3.9% annual total returns through 2030. The lofty valuation remains the deciding factor that's preventing us from issuing a buy rating. Thus, we're maintaining our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	390	414	515	634	705	635	787	905	958	1,053
Gross Profit	180	189	231	278	294	277	337	390	416	466
Gross Margin	46.2%	45.5%	44.9%	43.9%	41.7%	43.7%	42.9%	43.1%	43.5%	44.3%
SG&A Exp.	123	135	160	177	193	182	209	224	236	280
D&A Exp.	11	14	19	24	32	31	34	35	33	38
Operating Profi	51	46	62	90	90	84	117	152	166	172
Operating Margi	13.0%	11.2%	12.0%	14.3%	12.8%	13.2%	14.9%	16.8%	17.4%	16.3%
Net Profit	34	32	31	60	52	55	84	121	116	112
Net Margin	8.8%	7.7%	6.0%	9.5%	7.4%	8.7%	10.7%	13.4%	12.1%	10.6%
Free Cash Flow	35	45	48	46	87	85	150	74	134	118
Income Tax	15	12	26	18	16	18	27	44	42	41

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	415	471	761	726	939	928	1,132	1,150	1,176	1,430
Cash & Equivalent	66	71	75	46	67	66	91	76	104	95
Accounts Receivable	64	66	90	93	96	92	117	130	134	161
Inventories	57	55	85	86	103	107	134	164	153	146
Goodwill & Int.	157	204	401	372	510	513	596	561	551	758
Total Liabilities	148	186	429	351	512	431	567	494	399	572
Accounts Payable	24	24	35	36	46	32	59	58	42	51
Long-Term Debt	31	66	242	176	301	233	270	201	111	285
Shareholder's Equity	267	283	331	373	426	495	564	654	774	858
LTD/E Ratio	0.12	0.24	0.73	0.47	0.71	0.47	0.48	0.31	0.14	0.33

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.3%	7.2%	5.0%	8.1%	6.3%	5.9%	8.2%	10.6%	10.0%	8.6%
Return on Equity	12.9%	11.6%	10.1%	17.1%	13.0%	11.9%	15.8%	19.8%	16.2%	13.8%
ROIC	11.6%	9.9%	6.7%	10.7%	8.1%	7.6%	10.7%	14.3%	13.3%	10.9%
Shares Out.	10.8	10.9	11.0	11.1	11.4	11.5	11.6	11.7	11.7	11.7
Revenue/Share	35.16	37.14	45.53	55.60	61.50	54.91	67.49	77.41	81.65	90.00
FCF/Share	3.15	4.05	4.23	4.07	7.63	7.38	12.84	6.37	11.40	10.09

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.