



PRESS RELEASE

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Kennametal Announces Fiscal 2023 Third Quarter Results

- Sales of \$536 million increased 5 percent year-over-year, driven by 8 percent organic growth
- Earnings per diluted share (EPS) of \$0.39
- Returned approximately \$23 million to shareholders; \$7 million in share repurchases and \$16 million in dividends
- Strong cash from operations and FOCF; up 36 percent and 78 percent, respectively, year-over-year
- Raising full year sales and EPS outlook

PITTSBURGH, (May 1, 2023) – Kennametal Inc. (NYSE: KMT) (the "Company") today reported results for its fiscal 2023 third quarter ended March 31, 2023, with earnings per diluted share (EPS) of \$0.39, compared with \$0.42 in the prior year quarter. EPS was not adjusted in the current quarter, whereas adjusted EPS was \$0.47 in the prior year quarter.

"We delivered year-over-year organic sales growth and strong cash flow in the quarter and continued the successful execution of our strategic initiatives, while navigating macroeconomic headwinds, such as a slower recovery in China and high inflation," said Christopher Rossi, President and CEO. "Driven by these results and the continued confidence in our strategic initiatives, we are raising our full year sales and EPS outlook."

Fiscal 2023 Third Quarter Key Developments

Sales of \$536 million increased 5 percent from \$512 million in the prior year quarter, reflecting organic growth of 8 percent and a favorable business days effect of 1 percent, partially offset by an unfavorable currency exchange effect of 4 percent.

Operating income was \$52 million, or 9.8 percent of sales, compared to \$53 million, or 10.4 percent of sales, in the prior year quarter. The slight decrease in operating income was primarily due to higher raw material costs of approximately \$20 million, under-absorption of approximately \$5 million within the Infrastructure segment, higher wages, general inflation and unfavorable foreign currency exchange of approximately \$3 million. These factors were offset by higher price realization and, in the Metal Cutting segment, higher sales volumes. Operating income was not adjusted in the current quarter, whereas adjusted operating income was \$58 million, or 11.4 percent margin, in the prior year quarter.

The reported effective tax rate (ETR) for the quarter was 24.4 percent compared to 28.3 percent in the prior year quarter. The year-over-year change in ETR is primarily due to geographical mix. The ETR was not adjusted in the current quarter, whereas the adjusted ETR was 27.7 percent in the prior year quarter.

Year-to-date net cash flow from operating activities was \$126 million compared to \$93 million in the prior year period. The change in net cash flow from operating activities was driven primarily by working capital changes including improved inventory levels, partially offset by lower net income. Year-to-date free operating cash flow (FOCF) was \$60 million compared to \$34 million in the prior year period. The increase in FOCF was driven primarily by working capital changes including improved inventory levels and proceeds received from the disposal of property, plant and equipment, partially offset by lower net income and higher capital expenditures.

During the quarter, the Company repurchased 262 thousand shares of Kennametal common stock for \$7 million under its share repurchase program. Inception-to-date the Company has repurchased 4 million shares of common stock for \$123 million under the \$200 million three-year program.

The Company paid \$16 million in cash dividends to Kennametal shareholders during the quarter. The Company has a long history of consistently paying dividends to shareholders since its listing on the New York Stock Exchange in 1967.

Outlook

The Company's expectations for the full fiscal year 2023 are as follows:

- Adjusted EPS is expected to be \$1.50 - \$1.70
- Sales expected to be \$2.07 - \$2.1 billion, including a currency headwind of approximately \$100 million
- Pricing actions expected to cover raw material costs, wages and general inflation
- Metal Cutting volume levers at expected rate
- Infrastructure operating margin expected to return in Q4 to approximately Q1 FY23 level
- Free operating cash flow of 100 percent of adjusted net income
- Primary working capital as a percent of sales maintained at 31 - 33 percent throughout the year
- Capital spending expected to be approximately \$100 million
- Adjusted ETR is expected to be approximately 24 percent
- \$200 million three-year share repurchase program to continue

The Company will provide more details regarding its Outlook during its quarterly earnings conference call.

Segment Results

Metal Cutting sales of \$334 million increased 6 percent from \$314 million in the prior year quarter, driven by organic growth of 10 percent and a favorable business days effect of 1 percent, partially offset by an unfavorable currency exchange effect of 5 percent. Operating income was \$44 million, or 13.1 percent of sales, compared to \$30 million, or 9.6 percent of sales, in the prior year quarter. The increase in operating income was primarily due to higher price realization, higher sales volumes and a gain of approximately \$1 million on a property sale. These factors were partially offset by higher raw material costs of approximately \$7 million, higher wages and unfavorable foreign currency exchange of approximately \$2 million. Operating income was not adjusted in the current quarter, whereas adjusted operating income was \$35 million, or 11.1 percent margin, in the prior year quarter.

Infrastructure sales of \$203 million increased 2 percent from \$198 million in the prior year quarter, driven by organic growth of 5 percent, partially offset by an unfavorable currency exchange effect of 3 percent. Operating income was \$10 million, or 4.8 percent of sales, compared to \$24 million, or 11.9 percent of sales, in the prior year quarter. The decrease in operating income was primarily due to higher raw material costs of approximately \$13 million, under-absorption of approximately \$5 million, general inflation and lower sales volumes. These factors were partially offset by higher price realization. Operating income was not adjusted in the current quarter, whereas adjusted operating income was \$24 million, or 12.0 percent margin, in the prior year quarter.

Dividend Declared

Kennametal announced that its Board of Directors declared a quarterly cash dividend of \$0.20 per share. The dividend is payable on May 23, 2023 to shareholders of record as of the close of business on May 9, 2023.

The Company will host a conference call to discuss its third quarter fiscal 2023 results on Tuesday, May 2, 2023 at 8:00 a.m. Eastern Time. The conference call will be broadcast via real-time audio on Kennametal's investor relations website at <https://investors.kennametal.com/> - click "Event" (located in the blue Quarterly Earnings block).

This earnings release contains non-GAAP financial measures. Reconciliations and descriptions of all non-GAAP financial measures are set forth in the tables that follow.

Certain statements in this release may be forward-looking in nature, or "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. For example, statements about Kennametal's outlook for sales, adjusted operating income, adjusted EPS, FOCF, primary working capital, capital expenditures and adjusted effective tax rate for the full year of fiscal 2023 and our expectations regarding future growth and financial performance are forward-looking statements. Any forward-looking statements are based on current knowledge, expectations and estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: uncertainties related to changes in macroeconomic and/or global conditions, including as a result of increased inflation and Russia's invasion of Ukraine and the resulting sanctions on Russia; uncertainties related to the effects of the ongoing COVID-19 pandemic, including the emergence of more contagious or virulent strains of the virus, its impacts on our business operations, financial results and financial position and on the industries in which we operate and the global economy generally, including as a result of travel restrictions, business and workforce disruptions associated with the pandemic; other economic recession; our ability to achieve all anticipated benefits of restructuring, simplification and modernization initiatives; Commercial Excellence growth initiatives, Operational Excellence initiatives, our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability, including the conflict in Ukraine; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; potential for future goodwill and other intangible asset impairment charges; our ability to protect and defend our intellectual property; continuity of information technology infrastructure; competition; our ability to retain our management and employees; demands on management resources; availability and cost of the raw materials we use to manufacture our products; product liability claims; integrating acquisitions and achieving the expected savings and synergies; global or regional catastrophic events; demand for and market acceptance of our products; business divestitures; energy costs; commodity prices; labor relations; and implementation of environmental remediation matters. Many of these risks and other risks are more fully described in Kennametal's latest annual report on Form 10-K and its other periodic filings with the Securities and Exchange Commission. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.

About Kennametal

With over 80 years as an industrial technology leader, Kennametal Inc. delivers productivity to customers through materials science, tooling and wear-resistant solutions. Customers across aerospace, earthworks, energy, general engineering and transportation turn to Kennametal to help them manufacture with precision and efficiency. Every day approximately 8,700 employees are helping customers in more than 60 countries stay competitive. Kennametal generated \$2 billion in revenues in fiscal 2022. Learn more at www.kennametal.com. Follow @Kennametal: Twitter, Instagram, Facebook, LinkedIn and YouTube.

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Sales	\$ 536,036	\$ 512,259	\$1,527,949	\$1,482,441
Cost of goods sold	368,122	347,639	1,057,177	1,004,116
Gross profit	167,914	164,620	470,772	478,325
Operating expense	113,273	107,075	327,308	316,423
Restructuring and other charges, net	(994)	947	(2,499)	(2,323)
Gain on divestiture	—	—	—	(1,001)
Amortization of intangibles	3,164	3,234	9,476	9,751
Operating income	52,471	53,364	136,487	155,475
Interest expense	7,747	6,436	21,399	19,217
Other expense (income), net	986	(4,528)	2,584	(11,129)
Income before income taxes	43,738	51,456	112,504	147,387
Provision for income taxes	10,672	14,578	26,878	40,031
Net income	33,066	36,878	85,626	107,356
Less: Net income attributable to noncontrolling interests	1,129	1,583	3,594	4,443
Net income attributable to Kennametal	\$ 31,937	\$ 35,295	\$ 82,032	\$ 102,913
PER SHARE DATA ATTRIBUTABLE TO KENNAMETAL SHAREHOLDERS				
Basic earnings per share	\$ 0.40	\$ 0.42	\$ 1.01	\$ 1.23
Diluted earnings per share	\$ 0.39	\$ 0.42	\$ 1.01	\$ 1.22
Basic weighted average shares outstanding	80,611	83,084	80,967	83,538
Diluted weighted average shares outstanding	81,281	83,807	81,525	84,268

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)	March 31, 2023		June 30, 2022	
ASSETS				
Cash and cash equivalents	\$	93,474	\$	85,586
Accounts receivable, net		313,866		295,346
Inventories		595,088		570,836
Other current assets		76,607		72,940
Total current assets		1,079,035		1,024,708
Property, plant and equipment, net		974,917		1,002,041
Goodwill and other intangible assets, net		365,346		369,955
Other assets		184,283		176,820
Total assets	\$	2,603,581	\$	2,573,524
LIABILITIES				
Revolving and other lines of credit and notes payable	\$	64,055	\$	21,186
Accounts payable		197,158		227,887
Other current liabilities		227,516		236,576
Total current liabilities		488,729		485,649
Long-term debt		594,970		594,364
Other liabilities		203,566		202,264
Total liabilities		1,287,265		1,282,277
KENNAMETAL SHAREHOLDERS' EQUITY		1,276,019		1,252,577
NONCONTROLLING INTERESTS		40,297		38,670
Total liabilities and equity	\$	2,603,581	\$	2,573,524

SEGMENT DATA (UNAUDITED) (in thousands)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
<i>Outside Sales:</i>				
Metal Cutting	\$ 333,507	\$ 313,813	\$ 932,912	\$ 910,824
Infrastructure	202,529	198,446	595,037	571,617
Total sales	\$ 536,036	\$ 512,259	\$ 1,527,949	\$ 1,482,441
<i>Sales By Geographic Region:</i>				
Americas	\$ 269,498	\$ 250,035	\$ 773,252	\$ 701,633
EMEA	163,888	152,637	437,548	448,243
Asia Pacific	102,650	109,587	317,149	332,565
Total sales	\$ 536,036	\$ 512,259	\$ 1,527,949	\$ 1,482,441
<i>Operating income:</i>				
Metal Cutting	\$ 43,765	\$ 30,232	\$ 98,593	\$ 87,292
Infrastructure	9,658	23,673	40,543	69,680
Corporate ⁽¹⁾	(952)	(541)	(2,649)	(1,497)
Total operating income	\$ 52,471	\$ 53,364	\$ 136,487	\$ 155,475

⁽¹⁾ Represents unallocated corporate expenses.

NON-GAAP RECONCILIATIONS (UNAUDITED)

In addition to reported results under generally accepted accounting principles in the United States of America (GAAP), the following financial highlight tables include, where appropriate, a reconciliation of adjusted results including: operating income and margin; ETR; net income attributable to Kennametal; diluted EPS; Metal Cutting operating income and margin; Infrastructure operating income and margin; FOCF; and consolidated and segment organic sales growth (all of which are non-GAAP financial measures), to the most directly comparable GAAP financial measures. There were no adjustments for the three months ended March 31, 2023. Adjustments for the three months ended March 31, 2022 include restructuring and related charges, charges related to Russian and Ukrainian operations and differences in projected annual tax rates. For those adjustments that are presented 'net of tax', the tax effect of the adjustment can be derived by calculating the difference between the pre-tax and the post-tax adjustments presented. The tax effect on adjustments is calculated by preparing an overall tax calculation including the adjustments and then a tax calculation excluding the adjustments. The difference between these calculations results in the tax impact of the adjustments.

Management believes that presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current and past periods. Management believes that investors should have available the same information that management uses to assess operating performance, determine compensation and assess the capital structure of the Company. These non-GAAP financial measures should not be considered in isolation or as a substitute for the most comparable GAAP financial measures. Investors are cautioned that non-GAAP financial measures used by management may not be comparable to non-GAAP financial measures used by other companies. Reconciliations and descriptions of all non-GAAP financial measures are set forth in the disclosures below.

Reconciliations to the most directly comparable GAAP financial measures for the following forward-looking non-GAAP financial measures for the full fiscal year of 2023 have not been provided, including but not limited to: FOCF, adjusted operating income, adjusted net income, adjusted EPS, adjusted ETR and primary working capital. The most comparable GAAP financial measures are net cash flow from operating activities, operating income, net income attributable to Kennametal, ETR and working capital (defined as current assets less current liabilities), respectively. Primary working capital is defined as accounts receivable, net plus inventories, net minus accounts payable. Because the non-GAAP financial measures on a forward-looking basis are subject to uncertainty and variability as they are dependent on many factors - including, but not limited to, the effect of foreign currency exchange fluctuations, impacts from potential acquisitions or divestitures, gains or losses on the potential sale of businesses or other assets, restructuring costs, asset impairment charges, gains or losses from early extinguishment of debt, the tax impact of the items above and the impact of tax law changes or other tax matters - reconciliations to the most directly comparable forward-looking GAAP financial measures are not available without unreasonable effort.

THREE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

(in thousands, except percents and per share data)	Sales	Operating income	ETR	Net income ⁽²⁾	Diluted EPS
Reported results	\$ 512,259	\$ 53,364	28.3 %	\$ 35,295	\$ 0.42
Reported operating margin		10.4 %			
Restructuring and related charges	—	3,014	21.0	2,381	0.03
Charges related to Russian and Ukrainian operations ⁽³⁾	—	1,817	—	1,817	0.02
Differences in projected annual tax rates	—	—	(21.6)	(376)	—
Adjusted results	\$ 512,259	\$ 58,195	27.7 %	\$ 39,117	\$ 0.47
Adjusted operating margin		11.4 %			

⁽²⁾ Attributable to Kennametal.

⁽³⁾ During the third quarter of fiscal 2022, the Company ceased operations in Russia. The related charges represent the expected risk of loss related to accounts receivables and the impairment of inventory in connection with the Company's Russian and Ukrainian operations.

THREE MONTHS ENDED MARCH 31, 2022 (UNAUDITED)

(in thousands, except percents)	Metal Cutting		Infrastructure	
	Sales	Operating income	Sales	Operating income
Reported results	\$ 313,813	\$ 30,232	\$ 198,446	\$ 23,673
Reported operating margin		9.6 %		11.9 %
Restructuring and related charges	—	3,017	—	(3)
Charges related to Russian and Ukrainian operations	—	1,626	—	191
Adjusted results	\$ 313,813	\$ 34,875	\$ 198,446	\$ 23,861
Adjusted operating margin		11.1 %		12.0 %

Free Operating Cash Flow (FOCF)

FOCF is a non-GAAP financial measure and is defined by the Company as net cash flow provided by operating activities (which is the most directly comparable GAAP financial measure) less capital expenditures plus proceeds from disposals of fixed assets. Management considers FOCF to be an important indicator of the Company's cash generating capability because it better represents cash generated from operations that can be used for dividends, debt repayment, strategic initiatives (such as acquisitions) and other investing and financing activities.

FREE OPERATING CASH FLOW (UNAUDITED) (in thousands)	Nine Months Ended March 31,	
	2023	2022
Net cash flow provided by operating activities	\$ 126,182	\$ 93,023
Purchases of property, plant and equipment	(71,083)	(60,151)
Disposals of property, plant and equipment	4,774	765
Free operating cash flow	\$ 59,873	\$ 33,637

Organic Sales Growth

Organic sales growth is a non-GAAP financial measure of sales growth (which is the most directly comparable GAAP measure) excluding the effects of acquisitions, divestitures, business days and foreign currency exchange from year-over-year comparisons. Management believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Management reports organic sales growth at the consolidated and segment levels.

ORGANIC SALES GROWTH (UNAUDITED)

Three Months Ended March 31, 2023	Metal Cutting	Infrastructure	Total
Organic sales growth	10%	5%	8%
Foreign currency exchange effect ⁽⁴⁾	(5)	(3)	(4)
Business days effect ⁽⁵⁾	1	—	1
Sales growth	6%	2%	5%

⁽⁴⁾ Foreign currency exchange effect is calculated by dividing the difference between current period sales and current period sales at prior period foreign exchange rates by prior period sales.

⁽⁵⁾ Business days effect is calculated by dividing the year-over-year change in weighted average working days (based on mix of sales by country) by prior period weighted average working days.