

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): April 29, 2019

KADANT INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-11406
(Commission File Number)

52-1762325
(IRS Employer
Identification No.)

One Technology Park Drive
Westford, Massachusetts
(Address of Principal Executive Offices)

01886
(Zip Code)

(978) 776-2000
Registrant's telephone number, including area code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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))

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 April 29, 2019, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter ended March 30, 2019. 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 April 30, 2019, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended March 30, 2019. 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 April 29, 2019 announcing its financial results.
99.2	Slides to be presented by the Company on April 30, 2019.

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: April 29, 2019

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

KADANT

KADANT INC.
One Technology Park Drive
Westford, MA 01886

NEWS

Kadant Reports 2019 First Quarter Results Reports Record Revenue and Bookings

WESTFORD, Mass., April 29, 2019 – Kadant Inc. (NYSE: KAI) reported its financial results for the first quarter ended March 30, 2019.

First Quarter 2019 Highlights

- Revenue increased 15% to a record \$171 million
- GAAP diluted EPS was unchanged at \$0.96
- Adjusted diluted EPS increased 16% to \$1.24
- Net income was unchanged at \$11 million
- Adjusted EBITDA increased 27% to \$30 million and represented 17.5% of revenue
- Gross margin was 41.2%
- Bookings increased 1% to a record \$184 million
- Revenue and bookings for parts and consumables were a record at \$113 million and \$120 million, respectively
- Backlog increased 16% sequentially to a record \$200 million
- Cash flow from operations increased 37% to \$10 million

Note: Adjusted diluted EPS, adjusted EBITDA, and adjusted EBITDA margin 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 a great start to 2019 with record bookings and revenue and a nice EPS beat in the first quarter,” said Jonathan Painter, chief executive officer. “Solid performance by our recent acquisition, Syntron Material Handling Group, contributed to our record-setting quarter and helped drive our backlog to a record \$200 million, a 16 percent sequential increase.

“Strong operating performance across our businesses led to our adjusted EBITDA increasing 27 percent and cash flow from operations increasing 37 percent compared to the first quarter of 2018. We continued to see healthy market conditions in North America, while China experienced slower activity due to restrictions on wastepaper imports and weaker demand. We are seeing strong project activity in Southeast Asia as producers seek to build capacity outside of China.

“Our parts and consumables revenue and bookings in the first quarter were also outstanding, up 18 percent and 17 percent, respectively, compared to the first quarter of 2018. This continues to be a strategic focus of ours and I am pleased to see these positive results.”

First Quarter 2019 Results

Revenue increased 15 percent to \$171.3 million compared to the first quarter of 2018, including \$20.6 million from an acquisition and a \$7.0 million decrease from the unfavorable effect of foreign currency translation. Excluding the impact of an acquisition and foreign currency translation, revenue increased six percent compared to the first quarter of 2018. Gross margin was 41.2 percent, including a 1.3 percent negative impact from the amortization of acquired profit in inventory. Net income was \$10.9 million, or \$0.96 per diluted share, in both the first quarters of 2019 and 2018. Adjusted diluted EPS increased 16 percent to \$1.24 compared to \$1.07 in the first quarter of 2018. Adjusted diluted EPS in the first quarter of 2019 excludes \$0.22 of amortization from acquired profit in inventory and backlog and \$0.06 of acquisition costs. Adjusted diluted EPS in the first quarter of 2018 excludes \$0.05 of restructuring costs, \$0.04 of discrete tax expense, and \$0.02 of amortization from acquired backlog.

Adjusted EBITDA increased 27 percent to \$30.0 million compared to \$23.5 million in the first quarter of 2018. Adjusted EBITDA excludes \$3.3 million of amortization from acquired profit in inventory and backlog and \$0.8 million of acquisition costs in the first quarter of 2019 and \$0.8 million of restructuring costs and \$0.3 million of amortization from acquired backlog in the first quarter of 2018. Cash flows from operations increased 37 percent to \$9.9 million compared to \$7.2 million in the first quarter of 2018. Bookings increased to a record \$183.6 million compared to \$181.9 million in the first quarter of 2018, including \$24.5 million from an acquisition and a \$7.7 million decrease from the unfavorable effect of foreign currency translation. Excluding the impact of an acquisition and foreign currency translation, bookings decreased eight percent compared to the first quarter of 2018.

Summary and Outlook

"Despite the policy uncertainty on wastepaper imports in China and some weakness in our Wood Processing capital business in North America, we are encouraged by our solid start to 2019," Mr. Painter continued. "For 2019, we are reaffirming our adjusted diluted EPS and revenue guidance and raising our GAAP diluted EPS guidance from our previous guidance of \$4.75 to \$4.90. We now expect to achieve GAAP diluted EPS of \$4.84 to \$4.99 on revenue of \$700 to \$710 million. The 2019 guidance includes pre-tax amortization expense associated with acquired profit in inventory and backlog of \$4.6 million, or \$0.30 per diluted share, and pre-tax acquisition costs of \$0.8 million, or \$0.06 per diluted share. Excluding these expenses, we expect adjusted diluted EPS of \$5.20 to \$5.35 for 2019.

"For the second quarter of 2019, we expect GAAP diluted EPS of \$0.99 to \$1.05 on revenue of \$165 to \$170 million. The second quarter of 2019 guidance includes pre-tax amortization expense associated with acquired profit in inventory and backlog of \$1.1 million, or \$0.08 per diluted share. Excluding this expense, we expect adjusted diluted EPS of \$1.07 to \$1.13 for the second quarter of 2019."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Tuesday, April 30, 2019, at 11:00 a.m. eastern time to discuss its first quarter performance, as well as future expectations. To access the webcast, including the slideshow and accompanying audio, go to www.kadant.com and click on "Investors." To listen to the webcast via teleconference, call 888-326-8410 within the U.S., or +1-704-385-4884 outside the U.S. and reference participant passcode 8759439. 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. An archive of the webcast presentation will be available on our website until May 31, 2019.

Shortly after the webcast, Kadant will post its updated general investor presentation incorporating the first 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, adjusted operating income, adjusted net income, adjusted diluted earnings per share (EPS), earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, and adjusted EBITDA margin.

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.

Revenue in the first quarter of 2019 included \$20.6 million from an acquisition and a \$7.0 million unfavorable foreign currency translation effect. We present increases or decreases in revenue excluding the effect of acquisitions and foreign currency translation to provide investors insight into underlying revenue trends.

Our non-GAAP financial measures exclude restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and discrete tax expense. 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 or income or none at all.

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

- Pre-tax acquisition costs of \$0.8 million in the first quarter of 2019.
- Pre-tax expense related to amortization of acquired profit in inventory and backlog of \$3.3 million in the first quarter of 2019.
- Pre-tax restructuring costs of \$0.8 million in the first quarter of 2018.
- Pre-tax expense related to amortization of acquired backlog of \$0.3 million in the first quarter of 2018.

Adjusted net income and adjusted diluted EPS exclude:

- After-tax acquisition costs of \$0.7 million (\$0.8 million net of tax of \$0.1 million) in the first quarter of 2019.
- After-tax expense related to amortization of acquired profit in inventory and backlog of \$2.5 million (\$3.3 million net of tax of \$0.8 million) in the first quarter of 2019.
- After-tax restructuring costs of \$0.6 million (\$0.8 million net of tax of \$0.2 million) in the first quarter of 2018.
- After-tax expense related to amortization of acquired backlog of \$0.2 million (\$0.3 million net of tax of \$0.1 million) in the first quarter of 2018.
- Discrete tax expense of \$0.4 million in the first quarter of 2018.

Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are set forth in this press release.

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Financial Highlights (unaudited)

(In thousands, except per share amounts and percentages)

Consolidated Statement of Income	Three Months Ended			
	March 30, 2019	March 31, 2018		
Revenues	\$ 171,316	\$ 149,193		
Costs and Operating Expenses:				
Cost of revenues	100,801	83,114		
Selling, general, and administrative expenses	49,319	45,776		
Research and development expenses	2,621	2,869		
Restructuring costs	—	770		
	<u>152,741</u>	<u>132,529</u>		
Operating Income	18,575	16,664		
Interest Income	56	183		
Interest Expense	(3,504)	(1,732)		
Other Expense, Net	(99)	(246)		
	<u>15,028</u>	<u>14,869</u>		
Income Before Provision for Income Taxes	15,028	14,869		
Provision for Income Taxes	3,963	3,861		
Net Income	11,065	11,008		
Net Income Attributable to Noncontrolling Interest	(165)	(150)		
Net Income Attributable to Kadant	<u>\$ 10,900</u>	<u>\$ 10,858</u>		
Earnings per Share Attributable to Kadant:				
Basic	\$ 0.98	\$ 0.98		
Diluted	<u>\$ 0.96</u>	<u>\$ 0.96</u>		
Weighted Average Shares:				
Basic	11,133	11,042		
Diluted	<u>11,385</u>	<u>11,342</u>		
Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended	Three Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018	March 31, 2018
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 10,900	\$ 0.96	\$ 10,858	\$ 0.96
Adjustments for the Following:				
Restructuring Costs, Net of Tax	—	—	589	0.05
Acquisition Costs, Net of Tax	699	0.06	—	—
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax (e,f)	2,513	0.22	189	0.02
Discrete Tax Items	—	—	444	0.04
Adjusted Net Income and Adjusted Diluted EPS (a)	<u>\$ 14,112</u>	<u>\$ 1.24</u>	<u>\$ 12,080</u>	<u>\$ 1.07</u>

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Revenues by Product Line	Three Months Ended			Increase (Decrease)	Increase (Decrease) Excluding Acquisition and FX (a,b)
	March 30, 2019	March 31, 2018			
Stock-Preparation	\$ 52,048	\$ 45,483	\$ 6,565	\$ 9,129	
Fluid-Handling	32,754	32,886	(132)	1,207	
Doctoring, Cleaning, & Filtration	28,390	27,222	1,168	2,298	
Papermaking Systems	113,192	105,591	7,601	12,634	
Wood Processing Systems	34,049	39,141	(5,092)	(3,117)	
Material Handling Systems	20,584	—	20,584	—	
Fiber-Based Products	3,491	4,461	(970)	(970)	
	<u>\$ 171,316</u>	<u>\$ 149,193</u>	<u>\$ 22,123</u>	<u>\$ 8,547</u>	

Revenues by Geography (c)	Three Months Ended			Increase (Decrease)	Increase (Decrease) Excluding Acquisition and FX (a,b)
	March 30, 2019	March 31, 2018			
North America	\$ 100,876	\$ 77,616	\$ 23,260	\$ 5,803	
Europe	38,985	41,493	(2,508)	739	
Asia	17,078	20,148	(3,070)	(2,643)	
Rest of World	14,377	9,936	4,441	4,648	
	<u>\$ 171,316</u>	<u>\$ 149,193</u>	<u>\$ 22,123</u>	<u>\$ 8,547</u>	

Bookings by Product Line	Three Months Ended			Increase (Decrease)	Increase (Decrease) Excluding Acquisition and FX (b)
	March 30, 2019	March 31, 2018			
Stock-Preparation	\$ 55,828	\$ 56,515	\$ (687)	\$ 2,130	
Fluid-Handling	37,039	39,770	(2,731)	(1,084)	
Doctoring, Cleaning, & Filtration	27,696	28,331	(635)	433	
Papermaking Systems	120,563	124,616	(4,053)	1,479	
Wood Processing Systems	34,882	52,729	(17,847)	(15,642)	
Material Handling Systems	24,475	—	24,475	—	
Fiber-Based Products	3,692	4,575	(883)	(883)	
	<u>\$ 183,612</u>	<u>\$ 181,920</u>	<u>\$ 1,692</u>	<u>\$ (15,046)</u>	

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Business Segment Information	Three Months Ended	
	March 30, 2019	March 31, 2018
Gross Margin:		
Papermaking Systems	44.2%	45.6%
Wood Processing Systems	41.4%	39.5%
Material Handling Systems	22.5%	—%
Fiber-Based Products	50.3%	56.0%
	<u>41.2%</u>	<u>44.3%</u>
Operating Income:		
Papermaking Systems	\$ 18,509	\$ 14,584
Wood Processing Systems	7,270	7,363
Material Handling Systems	(1,353)	—
Corporate and Other	(5,851)	(5,283)
	<u>\$ 18,575</u>	<u>\$ 16,664</u>
Adjusted Operating Income (a.d):		
Papermaking Systems	\$ 18,509	\$ 15,354
Wood Processing Systems	7,270	7,615
Material Handling Systems	2,798	—
Corporate and Other	(5,851)	(5,283)
	<u>\$ 22,726</u>	<u>\$ 17,686</u>
Capital Expenditures:		
Papermaking Systems	\$ 1,357	\$ 4,649
Wood Processing Systems	551	376
Material Handling Systems	38	—
Corporate and Other	222	126
	<u>\$ 2,168</u>	<u>\$ 5,151</u>
Cash Flow and Other Data		
	March 30, 2019	March 31, 2018
Cash Provided by Operations	\$ 9,876	\$ 7,216
Depreciation and Amortization Expense	8,231	6,099
Balance Sheet Data		
	March 30, 2019	Dec. 29, 2018
Assets		
Cash, Cash Equivalents, and Restricted Cash	\$ 57,175	\$ 46,117
Accounts Receivable, net	104,120	92,624
Inventories	103,029	86,373
Unbilled Revenues	16,996	15,741
Property, Plant and Equipment, net	87,732	80,157
Intangible Assets	184,596	113,347
Goodwill	343,768	258,174
Other Assets	60,824	33,216
	<u>\$ 958,240</u>	<u>\$ 725,749</u>
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 43,571	\$ 35,720
Debt Obligations	354,790	171,434
Other Borrowings	6,127	4,387
Other Liabilities	171,756	139,637
Total Liabilities	<u>576,244</u>	<u>351,178</u>
Stockholders' Equity	381,996	374,571
	<u>\$ 958,240</u>	<u>\$ 725,749</u>

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Adjusted Operating Income and Adjusted EBITDA Reconciliation	Three Months Ended	
	March 30, 2019	March 31, 2018
Consolidated		
Net Income Attributable to Kadant	\$ 10,900	\$ 10,858
Net Income Attributable to Noncontrolling Interest	165	150
Provision for Income Taxes	3,963	3,861
Interest Expense, Net	3,448	1,549
Other Expense, Net	99	246
Operating Income	18,575	16,664
Restructuring Costs	—	770
Acquisition Costs	843	—
Acquired Backlog Amortization (e)	998	252
Acquired Profit in Inventory (f)	2,310	—
Adjusted Operating Income (a)	22,726	17,686
Depreciation and Amortization	7,233	5,847
Adjusted EBITDA (a)	\$ 29,959	\$ 23,533
Adjusted EBITDA Margin (a,g)	17.5%	15.8%
Papermaking Systems		
Operating Income	\$ 18,509	\$ 14,584
Restructuring costs	—	770
Adjusted Operating Income (a)	18,509	15,354
Depreciation and Amortization	3,188	3,136
Adjusted EBITDA (a)	\$ 21,697	\$ 18,490
Wood Processing Systems		
Operating Income	\$ 7,270	\$ 7,363
Acquired Backlog Amortization (e)	—	252
Adjusted Operating Income (a)	7,270	7,615
Depreciation and Amortization	2,387	2,544
Adjusted EBITDA (a)	\$ 9,657	\$ 10,159
Material Handling Systems		
Operating Loss	\$ (1,353)	\$ —
Acquisition Costs	843	—
Acquired Backlog Amortization (e)	998	—
Acquired Profit in Inventory (f)	2,310	—
Adjusted Operating Income (a)	2,798	—
Depreciation and Amortization	1,466	—
Adjusted EBITDA (a)	\$ 4,264	\$ —
Corporate and Other		
Operating Loss	\$ (5,851)	\$ (5,283)
Depreciation and Amortization	192	167
EBITDA (a)	\$ (5,659)	\$ (5,116)

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- (a) Represents a non-GAAP financial measure.
- (b) Represents the increase (decrease) resulting from the exclusion of an acquisition 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.
- (c) Geographic revenues are attributed to regions based on customer location.
- (d) See reconciliation to the most directly comparable GAAP financial measure under "Adjusted Operating Income and Adjusted EBITDA Reconciliation."
- (e) Represents intangible amortization expense associated with acquired backlog.
- (f) Represents expense within cost of revenues associated with amortization of acquired profit in inventory.
- (g) Calculated as adjusted EBITDA divided by revenue in each period.

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About Kadant

Kadant Inc. is a global supplier of high-value, critical components and engineered systems used in process industries worldwide. The Company's products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries. Kadant is based in Westford, Massachusetts, with approximately 2,800 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 year ended December 29, 2018 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; our customers' ability to obtain financing for capital equipment projects; international sales and operations; the variability and uncertainties in sales of capital equipment in China; the oriented strand board market and levels of residential construction activity; development and use of digital media; currency fluctuations; cyclical economic conditions affecting the global mining industry and the continued demand for coal; price increases or shortages of raw materials; dependence on certain suppliers; our acquisition strategy; failure of our information systems or breaches of data security and cybertheft; changes in government regulations and policies and compliance with laws; our internal growth strategy; competition; soundness of suppliers and customers; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union; our debt obligations; restrictions in our credit agreement and note purchase agreement; loss of key personnel and effective succession planning; protection of intellectual property; fluctuations in our share price; soundness of financial institutions; environmental laws and regulations; climate change; environmental, health and safety laws and regulations; adequacy of our insurance coverage; anti-takeover provisions; and reliance on third-party research.

Contacts

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First Quarter 2019 Business Review

April 30, 2019

KĀDANT

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 Kadant's expectations as of the date of this presentation. We undertake no obligation to publicly update a 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 year ended December 29, 2018 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; our customers' ability to obtain financing for capital equipment projects; international sales and operations; the variability and uncertainties in sales of capital equipment in China; the oriented strand board market and levels of residential construction activity; development and use of digital media; currency fluctuations; cyclical economic conditions affecting the global mining industry and the continued demand for coal; price increases or shortages of raw materials; dependence on certain suppliers; our acquisition strategy; failure of our information systems or breaches of data security and cybertheft; changes in government regulations and policies and compliance with laws; our internal growth strategy; competition; soundness of suppliers and customers; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union; our debt obligations; restrictions in our credit agreement and note purchase agreement; loss of key personnel and effective succession planning; protection of intellectual property; fluctuations in our share price; soundness of financial institutions; environmental laws and regulations; climate change; environmental, health and safety laws and regulations; adequacy of our insurance coverage; anti-takeover provisions; and reliance on third-party research.

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 revenues that exclude the effect of acquisitions and foreign currency translation, adjusted operating income, adjusted net income, adjusted diluted EPS, adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, and free cash flow.

A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in our 2019 first quarter earnings press release issued April 29, 2019, 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 help 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

Jonathan W. Painter | Chief Executive Officer

KADANT

KAI Q119 Business Review—April 30, 2019 | © 2019 Kadant Inc. All rights reserved.

Q1 2019 Financial Highlights

(\$ Millions, except per share amounts)	Q1 2019	Q1 2018	% Change ²
Bookings	\$183.6	\$181.9	0.9%
Revenue	\$171.3	\$149.2	14.8%
Gross Margin	41.2%	44.3%	n.m.
Net Income	\$10.9	\$10.9	n.m.
Adjusted EBITDA ¹	\$30.0	\$23.5	27.3%
Adjusted EBITDA Margin ¹	17.5%	15.8%	n.m.
Diluted EPS	\$0.96	\$0.96	n.m.
Adjusted Diluted EPS ¹	\$1.24	\$1.07	15.9%
Cash Flow from Operations	\$9.9	\$7.2	36.8%
Net Debt	\$303.7	\$167.2	81.7%

¹ Adjusted EBITDA, adjusted EBITDA/revenue (margin), and adjusted diluted EPS are non-GAAP financial measures that exclude certain items as detailed in our press release dated April 29, 2019.

² Percent change calculated using actual numbers reported in our press release dated April 29, 2019.

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FX Translation and Acquisition Impact

Q1 2019				
(\$ in millions)	Revenue	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$171.3	\$183.6	\$112.9	\$120.2
Growth ¹	14.8%	0.9%	17.6%	16.8%
Growth excluding FX ²	19.5%	5.2%	22.1%	21.3%
Growth excluding FX and Acquisitions ³	5.7%	-8.3%	4.5%	3.6%

1 Growth is the year-over-year percent change between the current period and the comparable prior period.

2 Represents the year-over-year percent change excluding the impact of current period versus prior period exchange rates.

3 Represents the year-over-year percent change excluding the impact of acquisitions and current period versus prior period exchange rates. Acquired businesses are classified as Acquisitions for the first four quarters after acquisition.

Bookings and Revenue



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Parts and Consumables Bookings and Revenue



North America Bookings and Revenue



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Europe Bookings and Revenue



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Asia Bookings and Revenue



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Rest-of-World Bookings and Revenue



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Guidance

- FY 2019 GAAP diluted EPS of \$4.84 to \$4.99
- FY 2019 adjusted diluted EPS* of \$5.20 to \$5.35
- FY 2019 revenue of \$700 to \$710 million

- Q2 2019 GAAP diluted EPS of \$0.99 to \$1.05
- Q2 2019 adjusted diluted EPS* of \$1.07 to \$1.13
- Q2 2019 revenue of \$165 to \$170 million

* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated April 29, 2019.



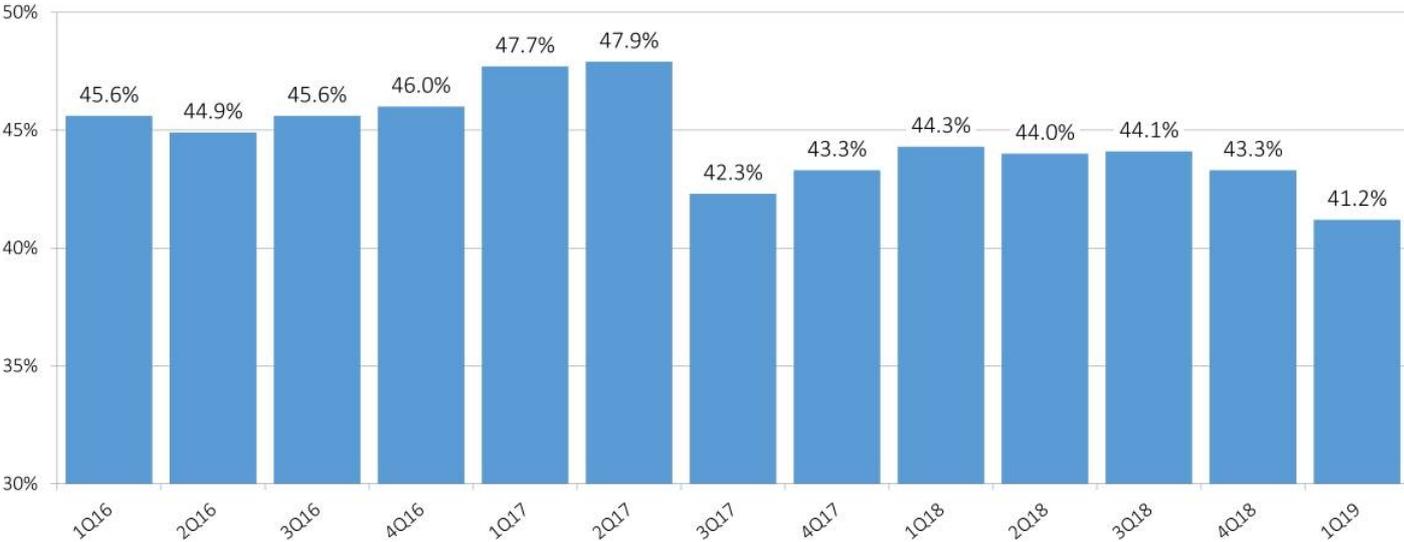
FINANCIAL REVIEW

Michael J. McKenney | Executive Vice President & CFO

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Gross Margin

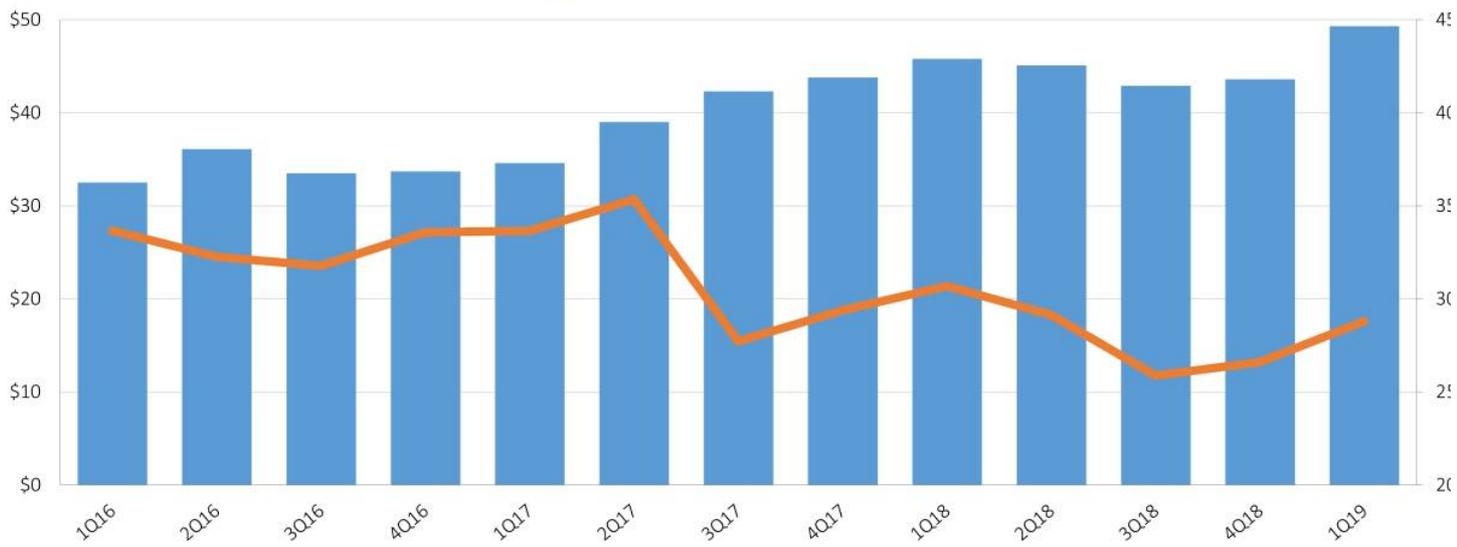


All data for 2017, 2018, and 2019 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

SG&A

US\$ (millions)

SG&A SG&A as a % of Revenues

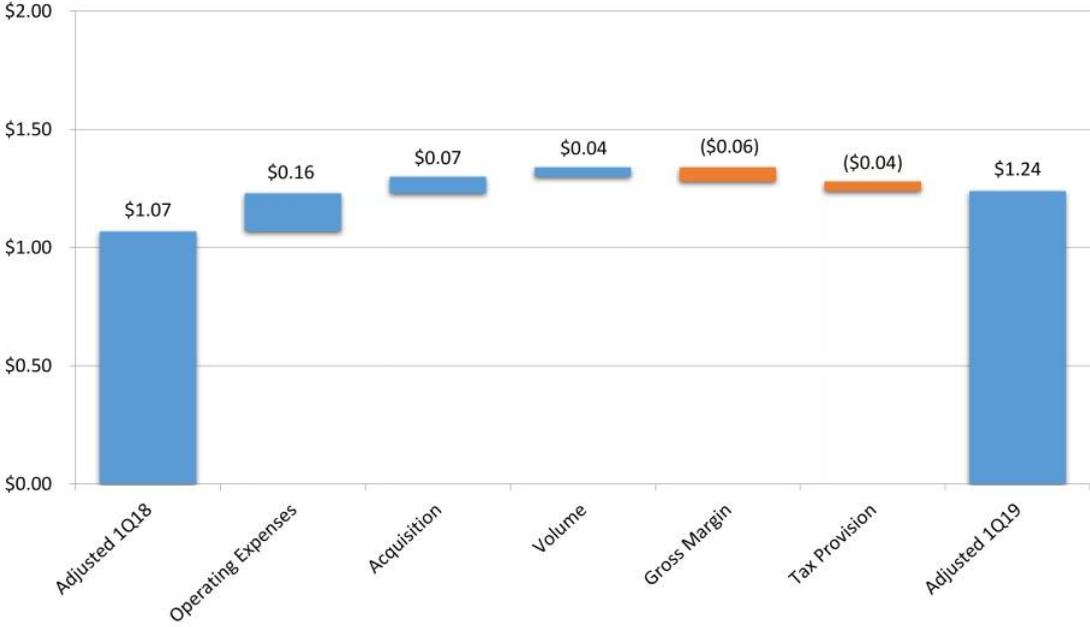


All data for 2017, 2018, and 2019 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

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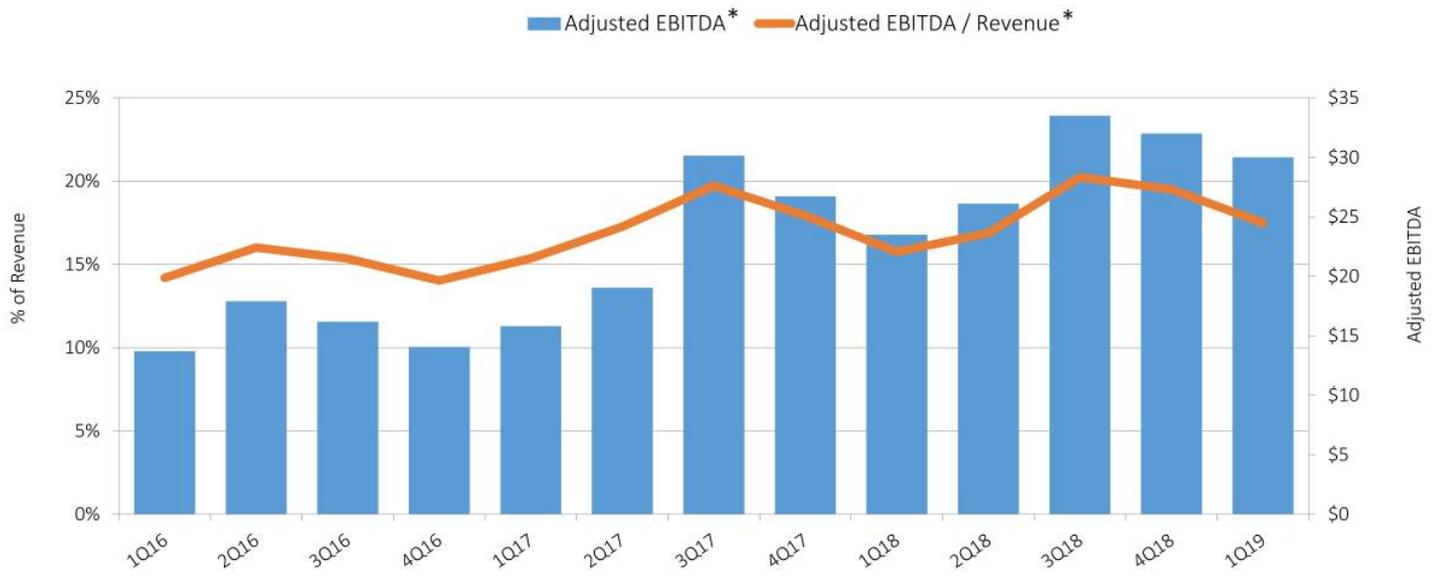
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1Q18 to 1Q19 Adjusted Diluted EPS*



* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated April 29, 2019.

Adjusted EBITDA*



* Adjusted EBITDA and adjusted EBITDA/revenue (margin) are non-GAAP financial measures that exclude certain items as detailed in our press release dated April 29, 2019.

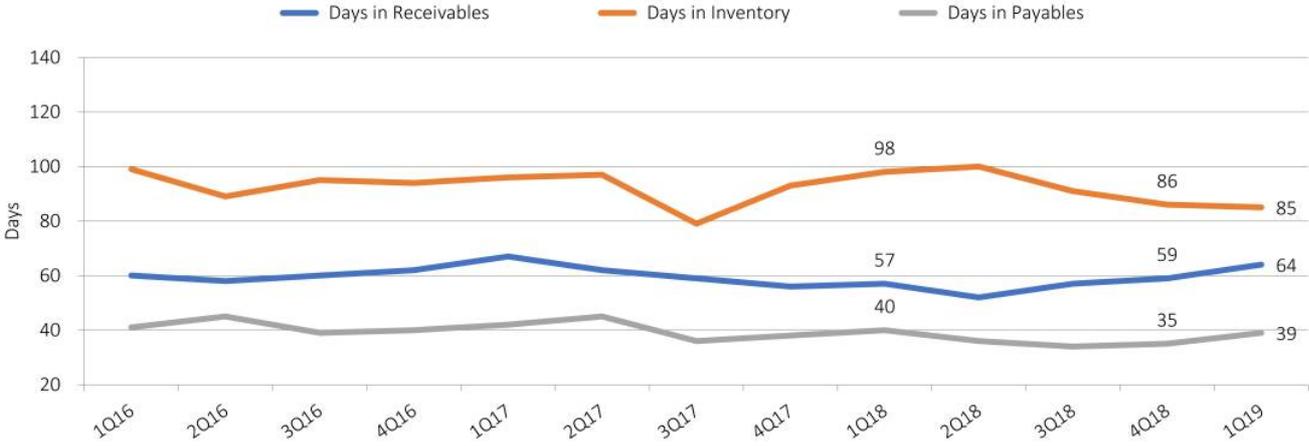
Cash Flow

US\$ (millions)	Q1 2019	Q1 2018
Net Income	\$11.1	\$11.0
Depreciation and Amortization	8.2	6.1
Stock-Based Compensation	1.6	1.5
ROU Asset Amortization	1.1	–
Other Items	(0.7)	(0.1)
Change in Current Assets & Liabilities (excl. acquisitions)	(11.4)	(11.3)
Cash Provided by Operating Activities	\$9.9	\$7.2
Purchases of Property, Plant, and Equipment	(2.2)	(5.1)
Free Cash Flow*	\$7.7	\$2.1

* Free cash flow, a non-GAAP financial measure, is defined as cash flows from continuing operations less capital expenditures, as calculated above.

Key Working Capital Metrics

	Q1 2019	Q4 2018	Q1 2018
Days in Receivables	64	59	57
Days in Inventory	85	86	98
Days in Payables	39	35	40



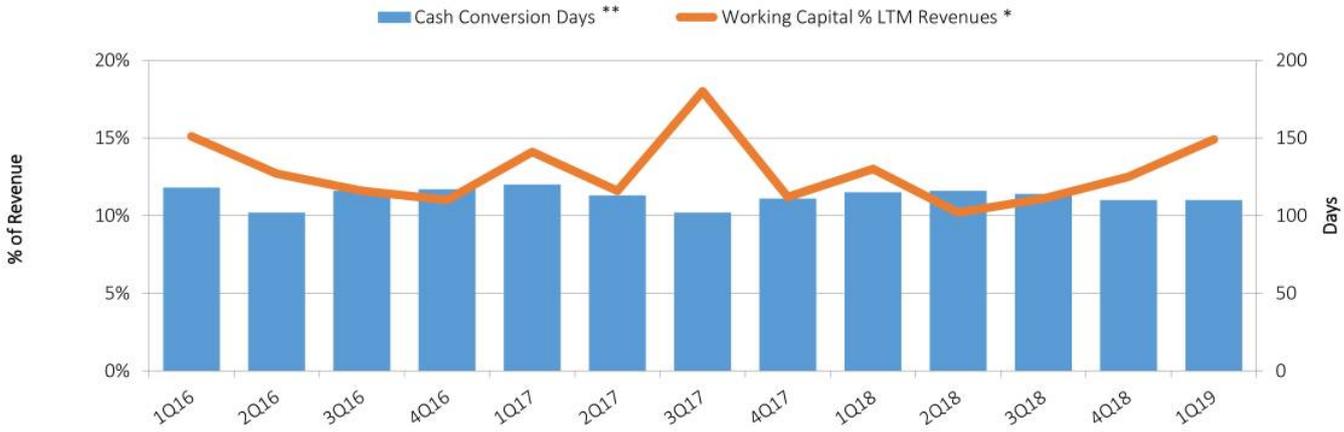
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Working Capital and Cash Conversion Days

	Q1 2019	Q4 2018	Q1 2018
Working Capital % LTM Revenues*	14.9%	12.5%	13.0%
Cash Conversion Days**	110 days	110 days	115 days

*Working Capital is defined as current assets less current liabilities, excluding cash and debt.

** Based on days in receivables plus days in inventory less days in accounts payable.



Cash and Debt

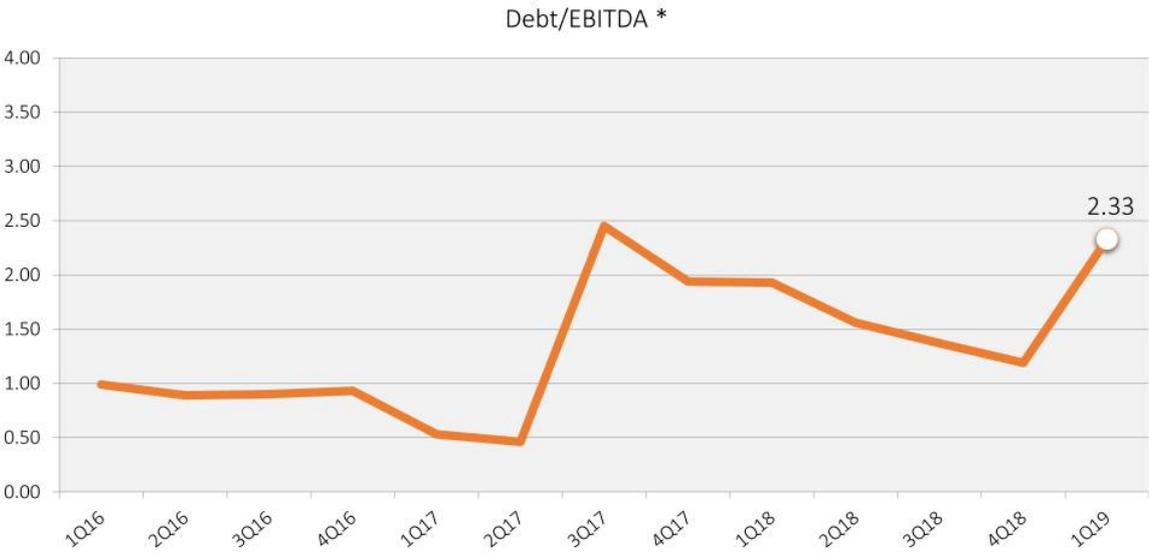
US\$ (millions)	Q1 2019	Q4 2018	Q1 2016
Cash, cash equivalents, and restricted cash	\$57.2	\$46.1	\$73.9
Debt	(354.8)	(171.4)	(14.7)
Other borrowings	(6.1)	(4.4)	(3.3)
Net debt	\$(303.7)	\$(129.7)	\$(167.5)



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Leverage Ratio



*Calculated by adding or subtracting certain items from Adjusted EBITDA, as required by our Credit Facility. Our amended and restated Credit Facility defines total debt as debt less worldwide cash of up to \$30 million.

Questions & Answers

To ask a question, please call 888-326-8410 within the U.S. or +1 704-385-4884 outside the U.S. and reference 875 9439.

Please mute the audio on your computer.

Key Take-Aways

- Record Q1 revenue and bookings
- Syntron acquisition performing well, integration going according to plan
- Expecting record revenue and adjusted EBITDA in 2019



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