

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, 2020

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 April 29, 2020, Kadant Inc. (the "Company") announced its financial results for the fiscal quarter ended March 28, 2020. 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, 2020, the Company will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended March 28, 2020. 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, 2020 announcing its financial results.
99.2	Slides to be presented by the Company on April 30, 2020.
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: April 29, 2020

By /s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

3

KADANT

KADANT INC.
One Technology Park Drive
Westford, MA 01886

NEWS

Kadant Reports First Quarter 2020 Results

WESTFORD, Mass., April 29, 2020 - Kadant Inc. (NYSE: KAI) reported its financial results for the first quarter ended March 28, 2020.

Business Update Related to COVID-19

- Designated by the U.S. Department of Homeland Security as a critical infrastructure company.
- Safeguarding our workplaces and protecting the safety of our employees.
- All manufacturing plants are fully operational, serving the needs of our customers.
- Working closely with our supply chain to minimize any potential disruption.
- Our balance sheet remains healthy and our liquidity position is solid.

First Quarter 2020 Financial Highlights

- Bookings decreased 4% to \$176 million.
- Revenue decreased 7% to \$159 million and was within our guidance range.
- GAAP diluted EPS increased 14% to \$1.09 exceeding the high end of our guidance.
- Adjusted diluted EPS decreased 12% to \$1.09.
- Net income increased 15% to \$13 million.
- Adjusted EBITDA decreased 9% to \$27 million and represented 17.1% of revenue.
- Cash was \$62 million at quarter-end.

Note: Adjusted diluted EPS, adjusted EBITDA, adjusted EBITDA margin, and changes in organic revenue are non-GAAP financial measures that exclude certain items as detailed later in this press release under the heading "Use of Non-GAAP Financial Measures." The accompanying financial schedule reflects our previously announced new reportable operating segments consisting of Flow Control, Industrial Processing, and Material Handling.

Management Commentary

"Our first quarter results reflect the strong dedication and perseverance of our employees around the world who led us to an EPS beat and solid revenue performance," said Jeffrey L. Powell, president and chief executive officer of Kadant. "As an essential industry supplier, all our manufacturing plants remain fully operational and our team continues to work diligently to serve the needs of our customers in this challenging environment.

"Our decentralized structure and global footprint allow us to quickly react to fluid situations around the world. We continue to take precautions to protect the health and safety of our employees and their families, while also meeting the needs and expectations of our customers and other business partners.

"As we expected, first quarter revenue was weaker year-over-year given a difficult comparable period, which was exacerbated by the pandemic-related challenges, initially in China and then later in Europe and North America. Our backlog increased during the first quarter, providing some support ahead of what we expect to be a difficult second quarter. Our parts and consumables revenue made up 66 percent of our first quarter revenue and continues to be a source of stability. Our parts and consumables support the production of essential items found in health care facilities and grocery stores and in packaging shipped directly to consumers and businesses.

"Despite the uncertainty and challenges in the second quarter of 2020 and the remainder of the year, we remain well positioned to withstand these unknowns with a healthy balance sheet and strong cash flows. We have taken steps to conserve cash by controlling spending and reducing our capital expenditures, among other items, in order to preserve capital and strengthen our liquidity position."

First Quarter 2020 compared to 2019

Revenue decreased seven percent to \$159.1 million compared to \$171.3 million in 2019. Organic revenue was down six percent, which excludes a one percent decrease from the unfavorable effect of foreign currency translation. Gross margin was 42.9 percent compared to 41.2 percent in 2019.

GAAP diluted EPS increased 14 percent to \$1.09 compared to \$0.96 in 2019. Adjusted diluted EPS decreased 12 percent to \$1.09 compared to \$1.24 in 2019. Adjusted diluted EPS in 2019 excludes \$0.22 of amortization from acquired profit in inventory and backlog and \$0.06 of acquisition costs. Adjusted EBITDA decreased nine percent to \$27.3 million compared to \$30.0 million in 2019. Cash flows from operations decreased 38 percent to \$6.2 million compared to \$9.9 million in 2019.

Bookings decreased four percent to \$175.6 million compared to \$183.6 million in 2019. Organic bookings were down three percent, which excludes a one percent decrease from the unfavorable effect of foreign currency translation.

Summary and Outlook

"While we are pleased with our first quarter bookings given the current environment, we expect a slowdown in orders in certain regions as well as customer-requested delays on certain large capital projects," Mr. Powell continued. "Given the current uncertainty and our inability to accurately forecast the timing of orders, we will not be providing guidance for the second quarter of 2020 and are withdrawing our guidance for full year 2020. Despite this uncertainty, the long-term fundamentals of our markets remain strong."

Conference Call

Kadant will hold a webcast with a slide presentation for investors on Thursday, April 30, 2020, at 11:00 a.m. eastern time to discuss its first quarter performance, including the change in reportable operating segments, 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 5993005. 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 29, 2020.

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 foreign currency translation (organic revenue), adjusted operating income, adjusted net income, adjusted diluted earnings per share (EPS), earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, adjusted EBITDA margin, and free cash flow.

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 2020 included a \$2.6 million unfavorable foreign currency translation effect. We present increases or decreases in organic revenue, which excludes the effect of foreign currency translation to provide investors insight into underlying revenue trends.

Our non-GAAP financial measures exclude acquisition costs and amortization expense related to acquired profit in inventory and backlog. 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 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.

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.

Free cash flow is calculated as cash flow from operations less:

- Capital expenditures of \$2.7 million in the first quarter of 2020 and \$2.2 million in the first quarter of 2019.

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 28, 2020	March 30, 2019
Revenue	\$ 159,127	\$ 171,316
Costs and Operating Expenses:		
Cost of revenue	90,804	100,801
Selling, general, and administrative expenses	45,592	49,319
Research and development expenses	3,076	2,621
	139,472	152,741
Operating Income	19,655	18,575
Interest Income	51	56
Interest Expense	(2,459)	(3,504)
Other Expense, Net	(32)	(99)
Income Before Provision for Income Taxes	17,215	15,028
Provision for Income Taxes	4,559	3,963
Net Income	12,656	11,065
Net Income Attributable to Noncontrolling Interest	(125)	(165)
Net Income Attributable to Kadant	\$ 12,531	\$ 10,900
Earnings per Share Attributable to Kadant:		
Basic	\$ 1.10	\$ 0.98
Diluted	\$ 1.09	\$ 0.96
Weighted Average Shares:		
Basic	11,432	11,133
Diluted	11,508	11,385

Adjusted Net Income and Adjusted Diluted EPS (a)	Three Months Ended		Three Months Ended	
	March 28, 2020	March 28, 2020	March 30, 2019	March 30, 2019
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 12,531	\$ 1.09	\$ 10,900	\$ 0.96
Adjustments for the Following:				
Acquisition Costs, Net of Tax	—	—	699	0.06
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax (f,g)	6	—	2,513	0.22
Adjusted Net Income and Adjusted Diluted EPS (a)	\$ 12,537	\$ 1.09	\$ 14,112	\$ 1.24

Revenue by Segment (b)	Three Months Ended		Decrease	Decrease Excluding FX (a,c)
	March 28, 2020	March 30, 2019		
Flow Control	\$ 57,149	\$ 61,144	\$ (3,995)	\$ (2,685)
Industrial Processing	64,709	72,274	(7,565)	(6,682)
Material Handling	37,269	37,898	(629)	(268)
	\$ 159,127	\$ 171,316	\$ (12,189)	\$ (9,635)

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Revenue by Geography (d)	Three Months Ended			Decrease	Increase Excluding FX (a,c)
	March 28, 2020	March 30, 2019			
	North America	\$ 93,823	\$ 100,876		
Europe	36,014	38,985	(2,971)	(1,889)	
Asia	15,908	17,078	(1,170)	(655)	
Rest of World	13,382	14,377	(995)	(133)	
	<u>\$ 159,127</u>	<u>\$ 171,316</u>	<u>\$ (12,189)</u>	<u>\$ (9,635)</u>	

Bookings by Segment (b)	Three Months Ended			Increase (Decrease)	Increase (Decrease) Excluding FX (c)
	March 28, 2020	March 30, 2019			
	Flow Control	\$ 67,744	\$ 64,735		
Industrial Processing	65,838	79,071	(13,233)	(12,473)	
Material Handling	42,035	39,806	2,229	2,556	
	<u>\$ 175,617</u>	<u>\$ 183,612</u>	<u>\$ (7,995)</u>	<u>\$ (5,389)</u>	

Business Segment Information (b)	Three Months Ended	
	March 28, 2020	March 30, 2019
	Gross Margin:	
Flow Control	52.9%	51.2%
Industrial Processing	38.4%	38.9%
Material Handling	35.5%	29.3%
	<u>42.9%</u>	<u>41.2%</u>

Operating Income:		
Flow Control	\$ 13,330	\$ 12,984
Industrial Processing	9,436	11,854
Material Handling	4,134	731
Corporate	(7,245)	(6,994)
	<u>\$ 19,655</u>	<u>\$ 18,575</u>

Adjusted Operating Income (a,e):		
Flow Control	\$ 13,330	\$ 12,984
Industrial Processing	9,436	11,854
Material Handling	4,142	4,882
Corporate	(7,245)	(6,994)
	<u>\$ 19,663</u>	<u>\$ 22,726</u>

Capital Expenditures:		
Flow Control	\$ 821	\$ 471
Industrial Processing	1,464	1,363
Material Handling	398	333
Corporate	3	1
	<u>\$ 2,686</u>	<u>\$ 2,168</u>

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Cash Flow and Other Data	Three Months Ended	
	March 28, 2020	March 30, 2019
Cash Provided by Operations	\$ 6,169	\$ 9,876
Less: Capital Expenditures	(2,686)	(2,168)
Free Cash Flow (a)	\$ 3,483	\$ 7,708
Depreciation and Amortization Expense	\$ 7,598	\$ 8,231
Balance Sheet Data	March 28, 2020	Dec. 28, 2019
Assets		
Cash, Cash Equivalents, and Restricted Cash	\$ 62,075	\$ 68,273
Accounts Receivable, net	91,138	95,740
Inventories	102,718	102,715
Unbilled Revenue	12,194	13,162
Property, Plant, and Equipment, net	83,748	86,032
Intangible Assets	166,690	173,896
Goodwill	330,997	336,032
Other Assets	59,488	63,537
	\$ 909,048	\$ 939,387
Liabilities and Stockholders' Equity		
Accounts Payable	\$ 41,196	\$ 45,852
Debt Obligations	289,524	294,717
Other Borrowings	5,852	6,308
Other Liabilities	148,204	165,431
Total Liabilities	484,776	512,308
Stockholders' Equity	424,272	427,079
	\$ 909,048	\$ 939,387

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Adjusted Operating Income and Adjusted EBITDA Reconciliation (a,b)	Three Months Ended	
	March 28, 2020	March 30, 2019
Consolidated		
Net Income Attributable to Kadant	\$ 12,531	\$ 10,900
Net Income Attributable to Noncontrolling Interest	125	165
Provision for Income Taxes	4,559	3,963
Interest Expense, Net	2,408	3,448
Other Expense, Net	32	99
Operating Income	19,655	18,575
Acquisition Costs	—	843
Acquired Backlog Amortization (f)	8	998
Acquired Profit in Inventory (g)	—	2,310
Adjusted Operating Income (a)	19,663	22,726
Depreciation and Amortization	7,590	7,233
Adjusted EBITDA (a)	\$ 27,253	\$ 29,959
Adjusted EBITDA Margin (a,h)	17.1%	17.5%
Flow Control		
Operating Income	\$ 13,330	\$ 12,984
Depreciation and Amortization	1,586	1,586
Adjusted EBITDA (a)	\$ 14,916	\$ 14,570
Adjusted EBITDA Margin (a,h)	26.1%	23.8%
Industrial Processing		
Operating Income	\$ 9,436	\$ 11,854
Depreciation and Amortization	3,161	3,244
Adjusted EBITDA (a)	\$ 12,597	\$ 15,098
Adjusted EBITDA Margin (a,h)	19.5%	20.9%
Material Handling		
Operating Income	\$ 4,134	\$ 731
Acquisition Costs	—	843
Acquired Backlog Amortization (f)	8	998
Acquired Profit in Inventory (g)	—	2,310
Adjusted Operating Income (a)	4,142	4,882
Depreciation and Amortization	2,797	2,343
Adjusted EBITDA (a)	\$ 6,939	\$ 7,225
Adjusted EBITDA Margin (a,h)	18.6%	19.1%
Corporate		
Operating Loss	\$ (7,245)	\$ (6,994)
Depreciation and Amortization	46	60
EBITDA (a)	\$ (7,199)	\$ (6,934)

(a) Represents a non-GAAP financial measure.

(b) Reflects our new reportable operating segments announced on April 22, 2020. Prior period information has been recast to conform to the current period presentation.

(c) 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.

(d) Geographic revenues are attributed to regions based on customer location.

(e) See reconciliation to the most directly comparable GAAP financial measure under "Adjusted Operating Income and Adjusted EBITDA Reconciliation."

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- (f) Represents intangible amortization expense associated with acquired backlog.
- (g) Represents expense within cost of revenues associated with amortization of acquired profit in inventory.
- (h) 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.

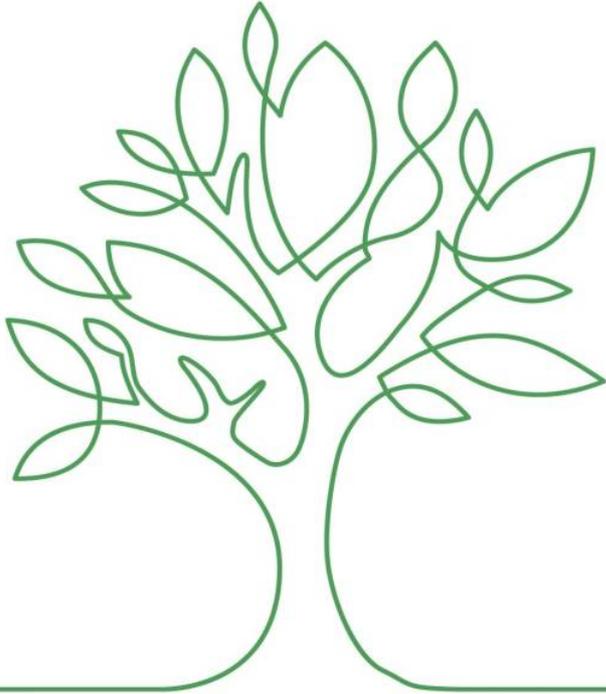
Safe Harbor Statement

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 28, 2019 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; 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; health epidemics; changes to government regulations and policies around the world; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; 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; cyclical economic conditions affecting the global mining industry; development and use of digital media; currency fluctuations; demand for coal, including economic and environmental risks associated with 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; compliance with government regulations and policies and compliance with laws; implementation of 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; substitution of an alternative index for LIBOR; 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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media@kadant.com

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First Quarter 2020 Business Review

KĀDANT

April 30, 2020

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 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 28, 2019 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to the impact of the COVID-19 pandemic on our operating and financial results; 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; health epidemics; changes to government regulations and policies around the world; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; 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; cyclical economic conditions affecting the global mining industry; development and use of digital media; currency fluctuations; demand for coal, including economic and environmental risks associated with 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; compliance with government regulations and policies and compliance with laws; implementation of 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; substitution of an alternative index for LIBOR; 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.

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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 adjusted diluted EPS, adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), adjusted EBITDA margin, and free cash flow. **Specific non-GAAP financial measures have been marked with an * (asterisk) within this presentation. A reconciliation of those numbers to the most directly comparable GAAP financial measures is shown in the Appendix and in our 2020 first quarter earnings press release issued April 29, 2020, 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

KĀDANT

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Operational Highlights

- Safeguarding our workplaces and protecting the health and safety of our employees
- All manufacturing plants are fully operational, serving the needs of our customers who are part of the critical infrastructure industry
- Working closely with our supply chain to minimize any potential disruptions
- Our balance sheet remains healthy and our liquidity position is solid

Q1 2020 Performance

(\$ in millions, except per share amounts)

	Q1 20	Q1 19	Change
Revenue	\$159.1	\$171.3	-7.1%
Net Income	\$12.5	\$10.9	+15.0
Adjusted EBITDA*	\$27.3	\$30.0	-9.0%
Adjusted EBITDA Margin*	17.1%	17.5%	-40 bps
Diluted EPS	\$1.09	\$0.96	+13.5%
Adjusted Diluted EPS*	\$1.09	\$1.24	-12.1%
Operating Cash Flow	\$6.2	\$9.9	-37.5%
Bookings	\$175.6	\$183.6	-4.4%

HIGHLIGHTS

- Revenue was in line with expectations
- COVID-19 led to shipment delays at end of quarter
- Adjusted EBITDA* decreased 9% to \$27 million
- Book-to-Bill ratio was 1.10

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Strategic Operating Segments



FLOW CONTROL

- Fluid Handling and Doctoring, Cleaning, & Filtration product lines
- Custom-engineered products, systems and technologies that control the flow of fluids
- Key industries include packaging, tissue, food, and metals
- \$250 million revenue (2019)



INDUSTRIAL PROCESSING

- Stock Preparation and Wood Processing product lines
- Products used to recycle paper and paperboard and process timber
- Key industries include packaging, tissue, wood products, and alternative fuels
- \$302 million revenue (2019)



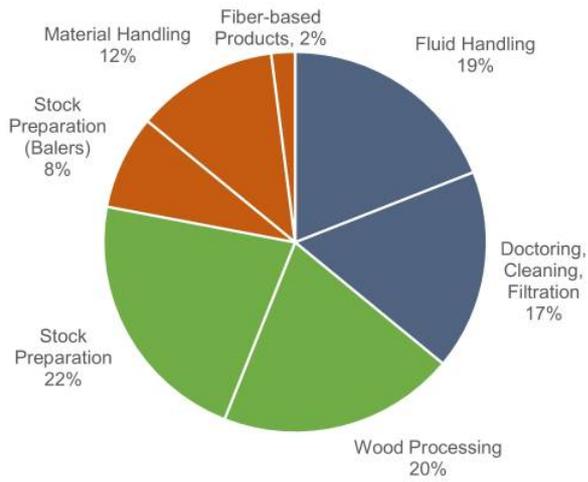
MATERIAL HANDLING

- Conveyors, Vibratory Feeders, Balers, Fiber-based Products
- Products used to handle bulk and dry materials for secondary processing
- Key industries include aggregates, minerals, food, and waste management
- \$152 million revenue (2019)

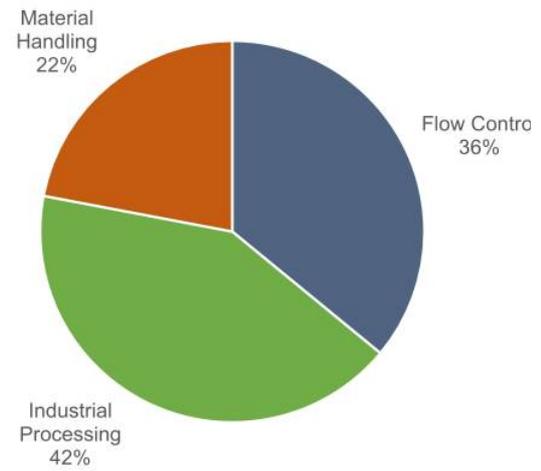
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Operating Segment Revenue



2019 AS REPORTED



2019 RECAST

Flow Control

Custom-engineered products, systems, and technologies that control the flow of fluids

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$57.1	\$61.1	-6.5%
Bookings	\$67.7	\$64.7	+4.6%
Adjusted EBITDA*	\$14.9	\$14.6	+2.4%
Adjusted EBITDA Margin*	26.1%	23.8%	+230 bps

HIGHLIGHTS

- Strong bookings performance
- Parts and consumables revenue made up 69% of total Q1 revenue
- Large capital project activity impacted by COVID-19; service work posted
- Most customers designated as critical infrastructure manufacturers



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Industrial Processing

Products used to recycle paper and paperboard and to process timber

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$64.7	\$72.3	-10.5%
Bookings	\$65.8	\$79.1	-16.7%
Adjusted EBITDA*	\$12.6	\$15.1	-16.6%
Adjusted EBITDA Margin*	19.5%	20.9%	-140 bps



HIGHLIGHTS

- Headwinds coming from China due to economic slowdown, wastepaper
- Softness in timber processing capex business compared to record-setting 2018 and 2019
- Parts and consumables revenue rose up 62% of total Q1 revenue
- Most customers designated as critical infrastructure manufacturers

Material Handling

Products used to handle bulk and discrete materials for secondary processing

\$ in millions	Q1 20	Q1 19	Change
Revenue	\$37.3	\$37.9	-1.7%
Bookings	\$42.0	\$39.8	+5.6%
Adjusted EBITDA*	\$6.9	\$7.2	-4.0%
Adjusted EBITDA Margin*	18.6%	19.1%	-50 bps

HIGHLIGHTS

- Bookings were a record \$42 million
- Strong demand for underground conveyor systems
- Parts and consumables revenue made up 68% of total Q1 revenue
- Most customers designated as critical infrastructure manufacturers



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BUSINESS OUTLOOK

Second Quarter 2020 and FY 2020

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FINANCIAL REVIEW

Michael J. McKenney | EVP & CFO

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Q1 2020 Financial Performance

HIGHLIGHTS

- EPS exceeded high end of our guidance range
- Adjusted EBITDA margin* of 17.1%
- Operating cash flows of \$6.2 million
- Free cash flow* of \$3.5 million
- Net debt of \$233 million; leverage ratio¹ of 2.04

(\$ Millions, except per share amounts)

	Q1 20	Q1 19
Gross Margin	42.9%	41.2%
SG&A % of Revenue	28.7%	28.8%
Operating Income	\$19.7	\$18.9
Net Income	\$12.5	\$10.1
Adjusted EBITDA*	\$27.3	\$30.1
Diluted EPS	\$1.09	\$0.9
Adjusted Diluted EPS*	\$1.09	\$1.2

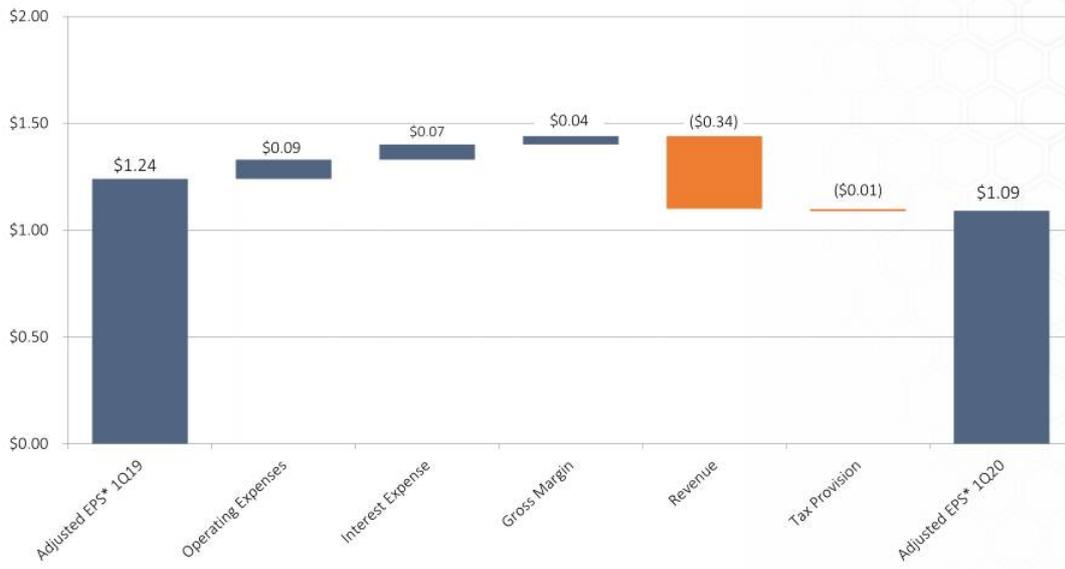
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Key Consolidated Financial Metrics



1Q19 to 1Q20 Adjusted Diluted EPS*



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Key Liquidity Metrics

\$ in millions	Q1 20	Q4 19	Q1 19
Cash, cash equivalents, and restricted cash	\$62.1	\$68.2	\$57.2
Debt	\$289.5	\$294.7	\$354.8
Lease obligations	\$5.9	\$6.3	\$6.1
Net Debt	\$233.3	\$232.8	\$303.7
Leverage ratio ¹	2.04	2.03	2.33
Working capital % LTM revenue ²	14.2%	12.2%	14.9%
Cash conversion days ³	119 days	104 days	110 days

- Net debt decreased 23% from Q1 2019
- Paid down \$2.6 million of debt in the first quarter of 2020
- Our liquidity remains solid with \$400+ million in borrowing capacity
 - \$141 million under our revolving credit facility and an additional uncommitted \$150 million
 - Up to \$115 million through our note purchase agreement

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FINANCIAL REVIEW

Michael J. McKenney | EVP & CFO

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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 599 3005.

Please mute the audio on your computer.

2020 Key Priorities



SAFEGUARD OUR
EMPLOYEES



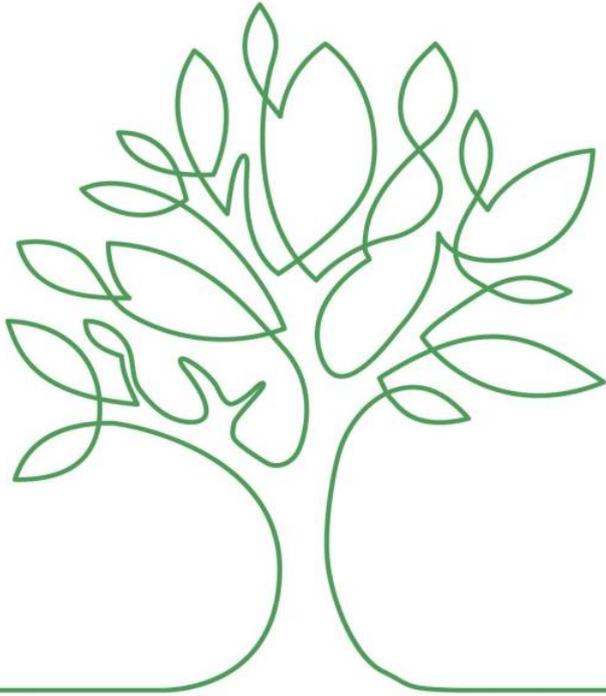
MAINTAIN STRONG
CASH FLOW



MEET OUR
CUSTOMERS' NEEDS



OPTIMIZE OUR
LIQUIDITY



Thank You

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April 30, 2020

APPENDIX

First Quarter 2020 Business Review



Adjusted Diluted EPS Reconciliation

Adjusted diluted EPS is a non-GAAP financial measure.

	Q1 20	Q1 19
Diluted EPS (earnings per share), as reported	\$1.09	\$0.96
Acquisition Costs, Net of Tax	-	\$0.06
Amortization of Acquired Profit in Inventory and Backlog, Net of Tax	-	\$0.22
Adjusted Diluted EPS	\$1.09	\$1.24

Free Cash Flow Reconciliation

Free cash flow is a non-GAAP financial measure.

\$ in thousands	Q1 20	Q1 19
Cash Provided by Operations	\$6,169	\$9,876
Capital Expenditures	(2,686)	(2,168)
Free Cash Flow	\$3,483	\$7,708

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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	Q1 20	Q1 19
Net Income Attributable to Kadant	\$12,531	\$10,900
Net Income Attributable to Noncontrolling Interest	125	165
Provision for Income Taxes	4,559	3,963
Interest Expense, net	2,408	3,448
Other Expense, net	32	99
Acquisition Costs	-	843
Acquired Backlog Amortization	8	998
Acquired Profit in Inventory	-	2,310
Depreciation and Amortization	7,590	7,233
Adjusted EBITDA	\$27,253	\$29,959
Adjusted EBITDA Margin	17.1%	17.5%

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Notes

PRESENTATION NOTES

- This presentation reflects our new reportable operating segments, as announced on the Form 8-K we filed with the U.S. Securities and Exchange Commission on April 22. Prior periods have been recast to conform to this presentation.
- All references to EPS (earnings per share) are to our EPS as calculated on a diluted basis.
- Percent change in slides 6 and 9-11 is calculated using actual numbers reported in our press release dated April 29, 2020.

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 required by our amended and restated credit facility ("Credit Facility"). Our Credit Facility defines total debt as debt less worldwide cash of up to \$30 million.
- 2) Working capital is defined as current assets less current liabilities, excluding cash and debt. LTM is defined as last 12 months.
- 3) Cash conversion days is based on days in receivables plus days in inventory less days in accounts payable.

