

Third Quarter 2017 Business Review

Jonathan W. Painter, President & CEO

Michael J. McKenney, Senior Vice President & CFO

Forward-Looking Statements

The following constitutes a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This presentation and our accompanying commentary contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our expected future financial and operating performance, demand for our products, and economic and industry outlook.

Our actual results may 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 31, 2016 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; the variability and uncertainties in sales of capital equipment in China; the effect of currency fluctuations on our financial results; our customers' ability to obtain financing for capital equipment projects; changes in government regulations and policies; oriented strand board market and levels of residential construction activity; development and use of digital media; price increases or shortages of raw materials; dependence on certain suppliers; international sales and operations; economic conditions and regulatory changes caused by the United Kingdom's likely exit from the European Union; disruption in production; our acquisition strategy; our internal growth strategy; competition; soundness of suppliers and customers; our effective tax rate; future restructurings; soundness of financial institutions; our debt obligations; restrictions in our credit agreement; loss of key personnel; reliance on third-party research; protection of patents and proprietary rights; failure of our information systems or breaches of data security; fluctuations in our share price; and anti-takeover provisions.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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 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) and adjusted EBITDA margin.

A reconciliation of those numbers to the most directly comparable U.S. GAAP financial measures is shown in our 2017 third quarter earnings press release issued October 30, 2017, which is available in the Investors section of our website at www.kadant.com under the heading Press Releases.

We believe that 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 to 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.

BUSINESS REVIEW

Jonathan W. Painter

President & CEO

Q3 2017 Financial Highlights

(\$ Millions, except per share amounts)	Q3 2017	Q3 2016	% CHANGE ²
Bookings	\$135.5	\$94.8	42.9%
Revenue	\$152.8	\$105.5	44.8%
Gross Margin	42.3%	45.6%	n.m.
Operating Income	\$19.5	\$12.6	54.9%
Adjusted Operating Income ¹	\$24.4	\$12.7	91.4%
Net Income	\$13.3	\$9.2	45.1%
Adjusted EBITDA ¹	\$29.9	\$16.2	84.9%
Adjusted EBITDA/Revenue ¹	19.6%	15.3%	n.m.
Diluted EPS	\$1.17	\$0.82	42.7%
Adjusted Diluted EPS ¹	\$1.49	\$0.81	84.0%
Cash flow from operations	\$7.0	\$15.5	-55.2%

¹ Adjusted operating income, adjusted EBITDA, adjusted EBITDA margin and adjusted diluted EPS are non-GAAP financial measures that exclude certain items as detailed in our press release dated October 30, 2017.

² Percent change calculated using actual numbers reported in our press release dated October 30, 2017.

FX Translation and Acquisition Impact

Q3 2017, \$ in millions except EPS	Revenue	Adjusted EPS ⁴	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$152.8	\$1.49	\$135.5	\$83.8	\$81.1
Growth ¹	44.8%	84.0%	42.9%	36.4%	27.2%
Growth excluding FX ^{2,4}	42.3%	79.0%	40.4%	34.1%	25.3%
Growth excluding FX and Acquisitions ^{3,4}	14.6%	35.8%	18.8%	12.9%	3.1%

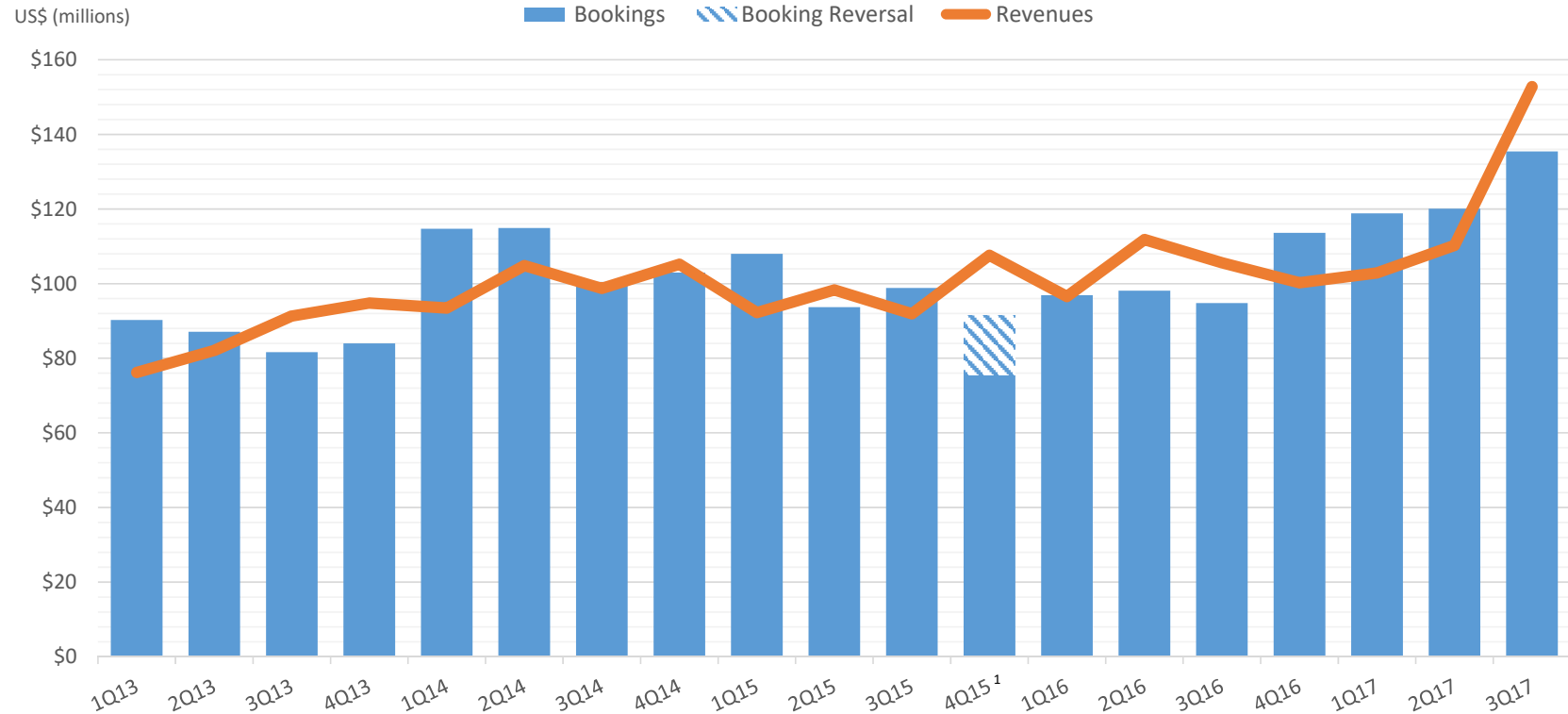
¹ Growth is the year-over-year percent change between the current period and the comparable prior period.

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 above as Acquisitions for the first four quarters after acquisition.

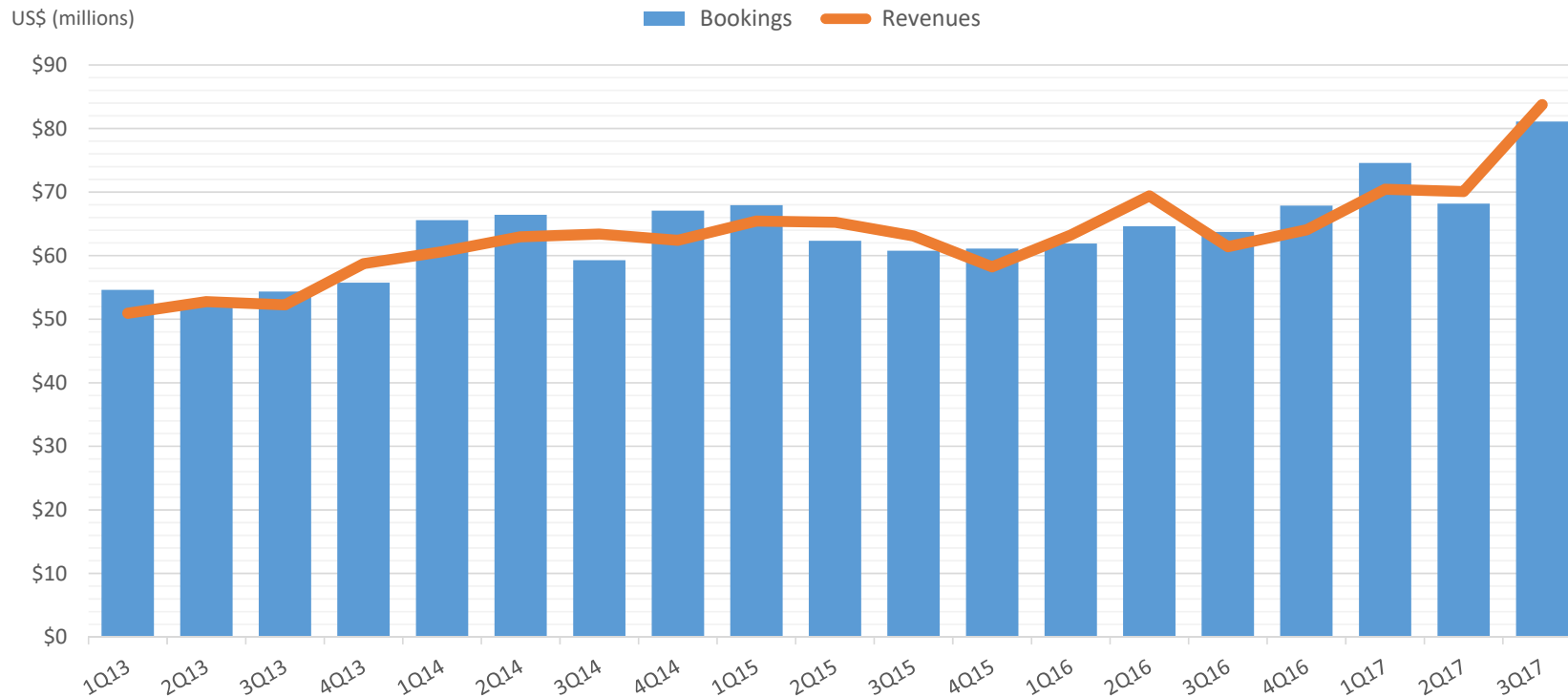
⁴ Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated October 30, 2017.

Bookings and Revenues



¹ Reported Q415 bookings were \$76 million, which included new orders of \$92 million and a booking reversal of \$16 million.

Parts and Consumables Bookings and Revenues



Unaflex Acquisition

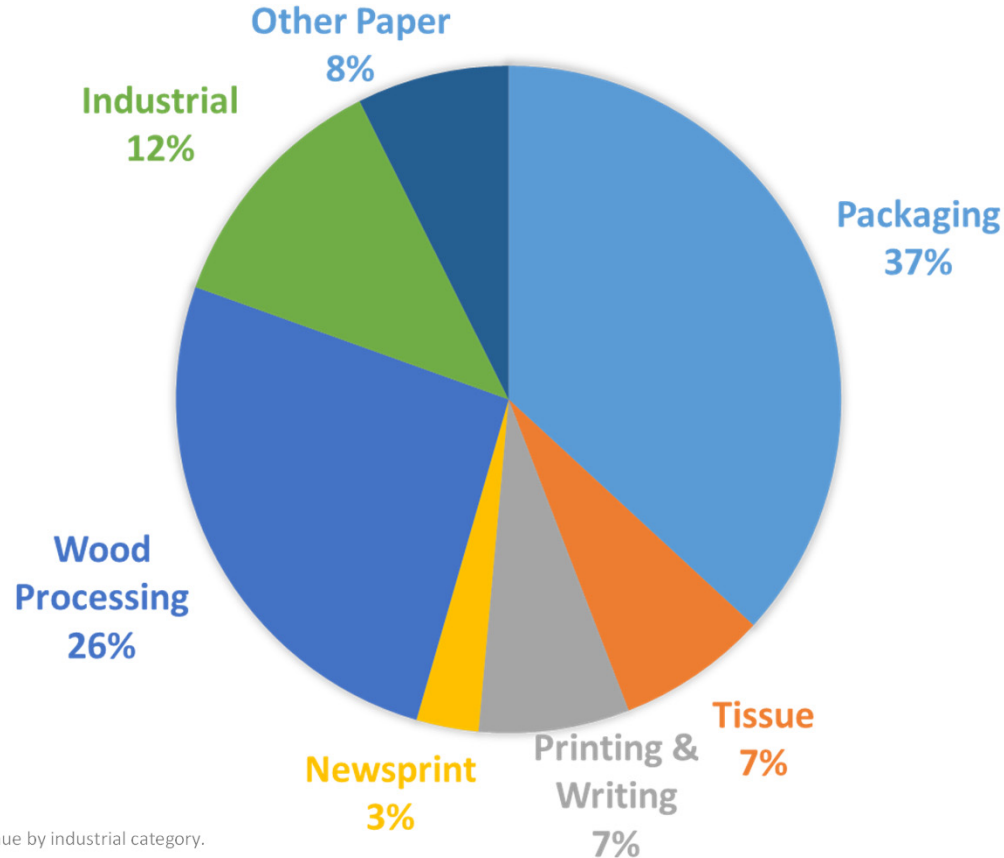
- Unaflex is a market leader in the manufacture and supply of expansion joints and related equipment
- Acquisition price: \$31 million*
- Revenue: \$18 million (2016)
- High impact product
- History of stable earnings
- Strong aftermarket business
- Integrated with our Fluid-Handling product line

* Subject to post-closing adjustments.



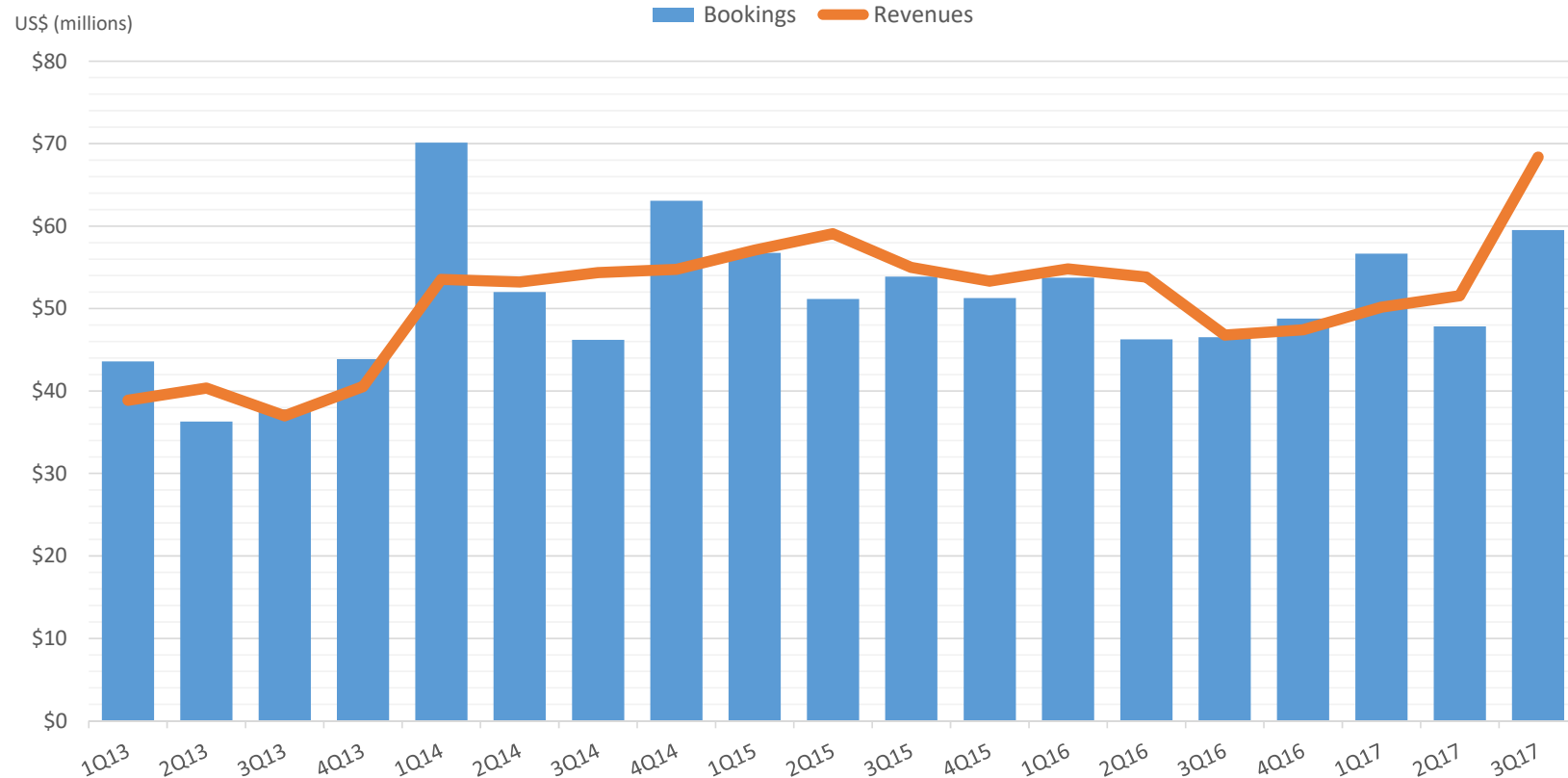
Q3 2017 Revenue Source by End Market*

Q3 2017 Revenue of \$152.8 Million

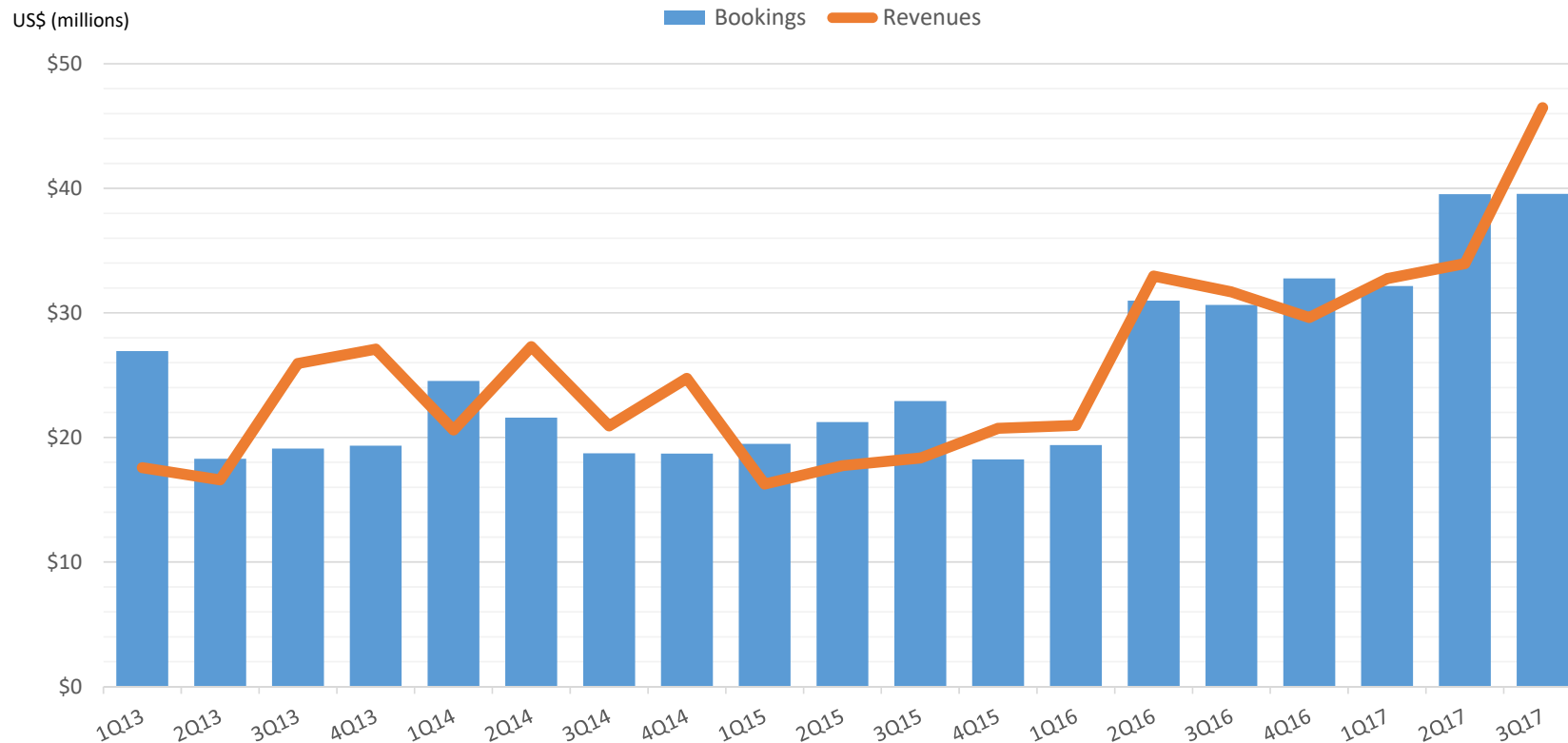


*Based on Company estimates of revenue by industrial category.

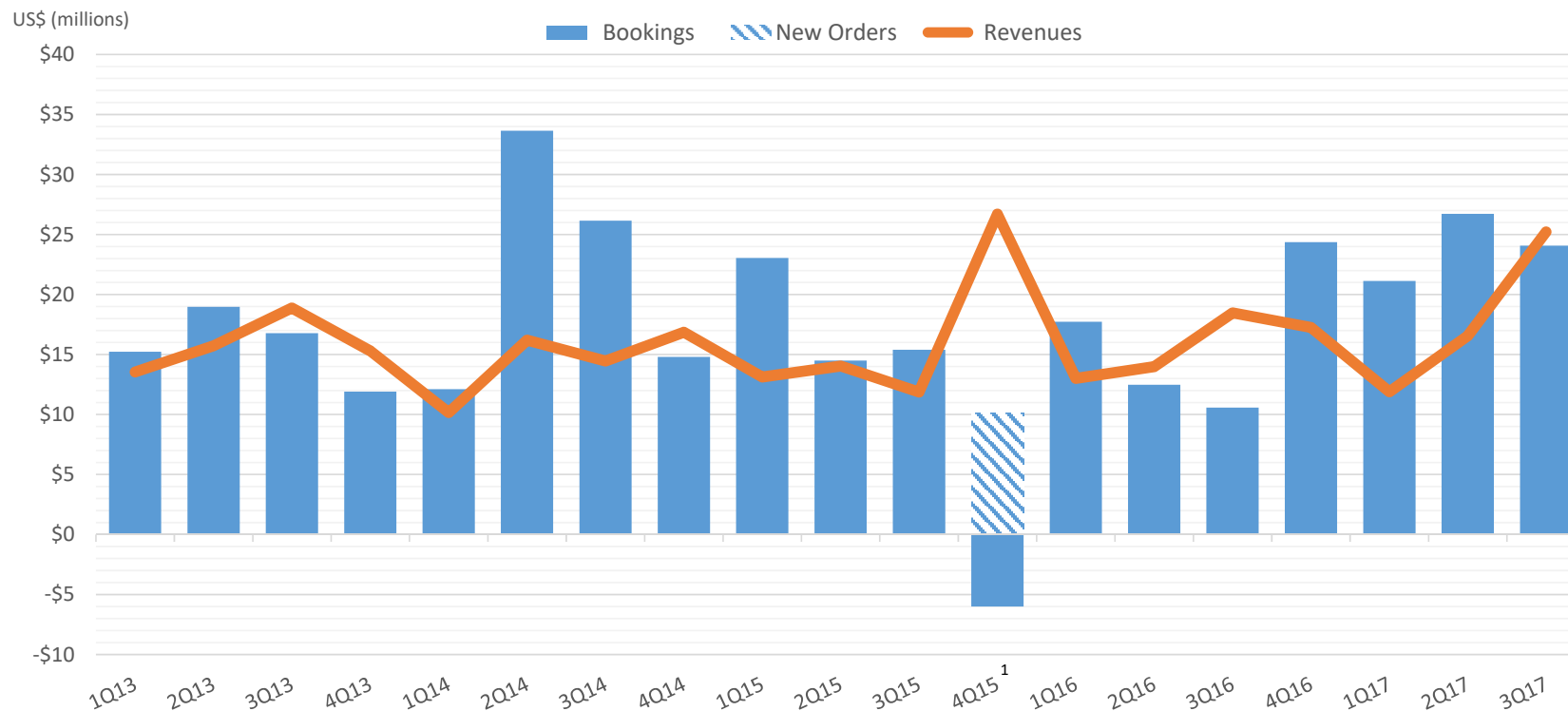
North America Bookings and Revenues



Europe Bookings and Revenues

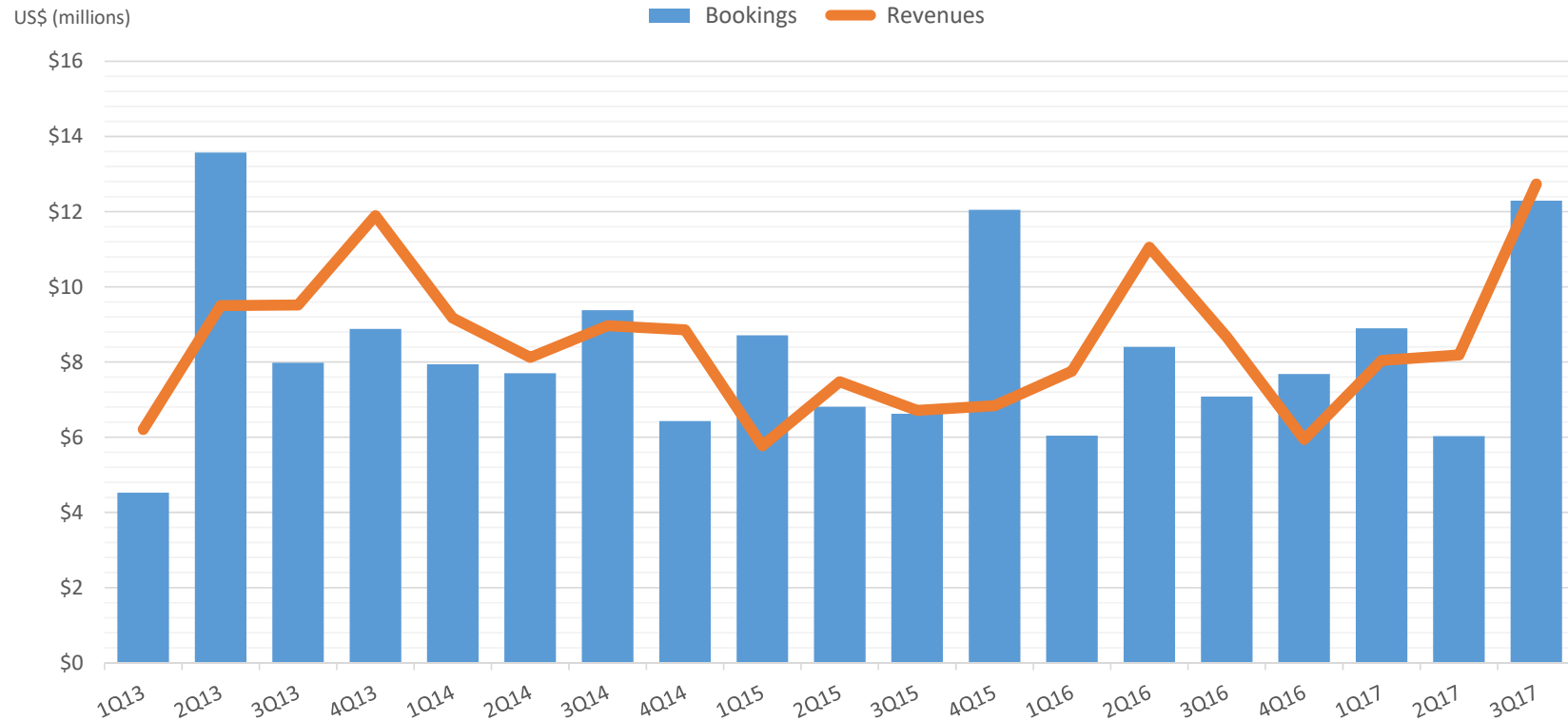


Asia Bookings and Revenues



¹ Reported Q415 Asia bookings were negative \$6 million, which included new orders of \$10 million and a booking reversal of \$16 million.

Rest-of-World Bookings and Revenues



Guidance

- FY 2017 GAAP diluted EPS of \$3.56 to \$3.60
 - FY 2017 adjusted diluted EPS* of \$4.37 to \$4.41
 - FY 2017 revenue of \$509 to \$512 million
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- Q4 2017 GAAP diluted EPS of \$0.87 to \$0.91
 - Q4 2017 adjusted diluted EPS* of \$1.02 to \$1.06
 - Q4 2017 revenue of \$143 to \$146 million

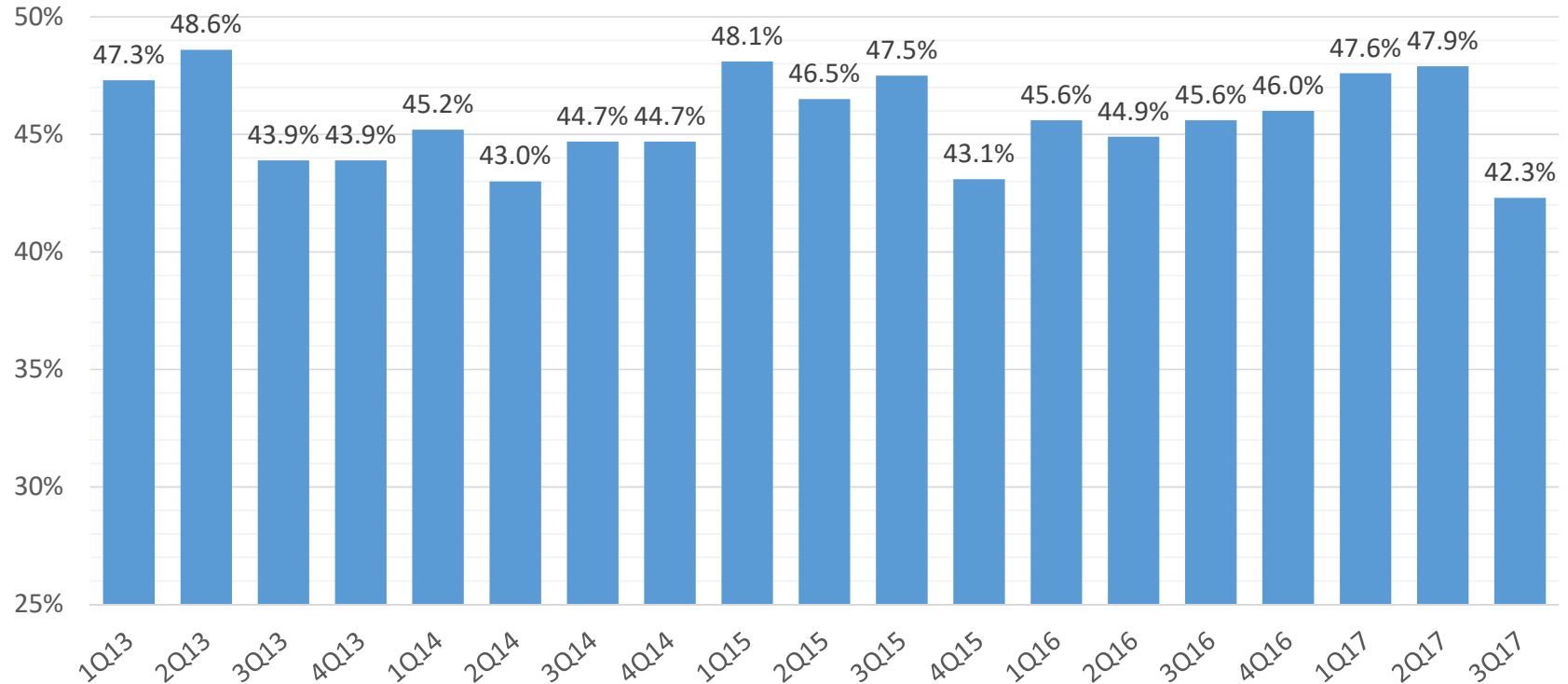
*Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated October 30, 2017.

FINANCIAL REVIEW

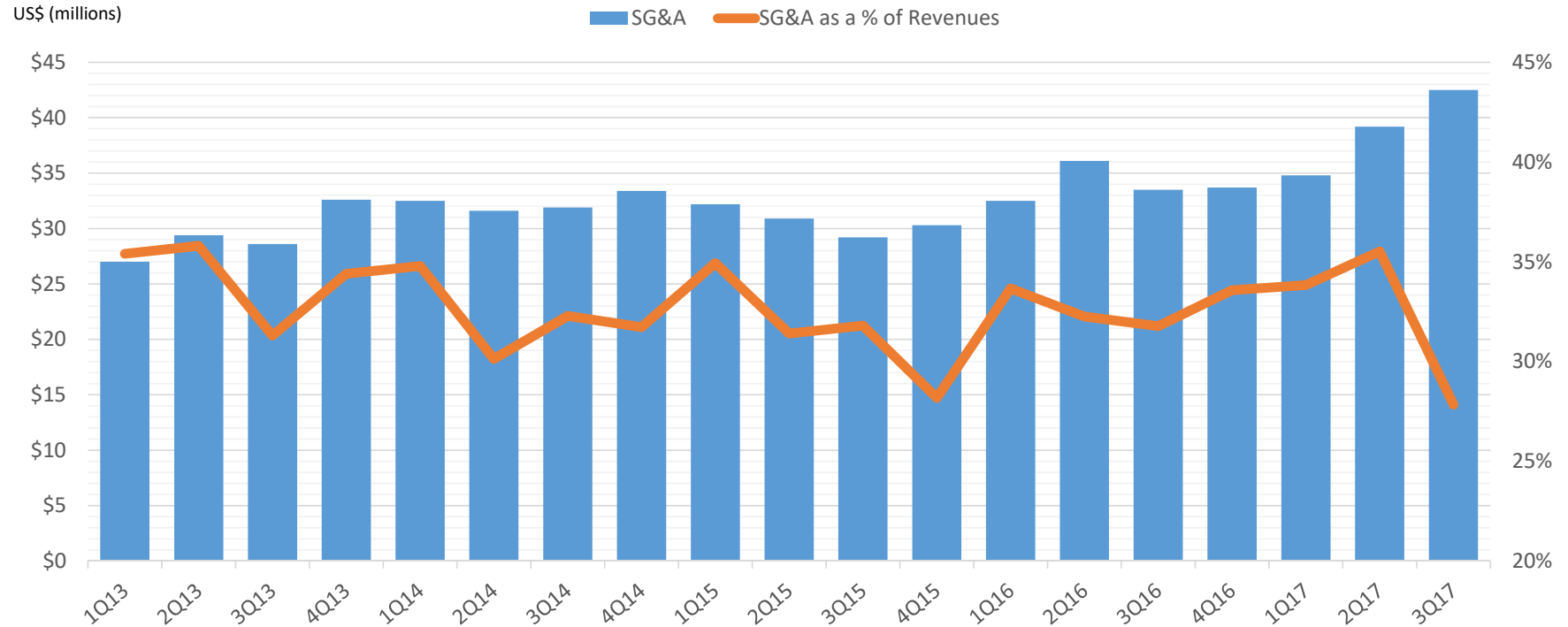
Michael J. McKenney

Senior Vice President & Chief Financial Officer

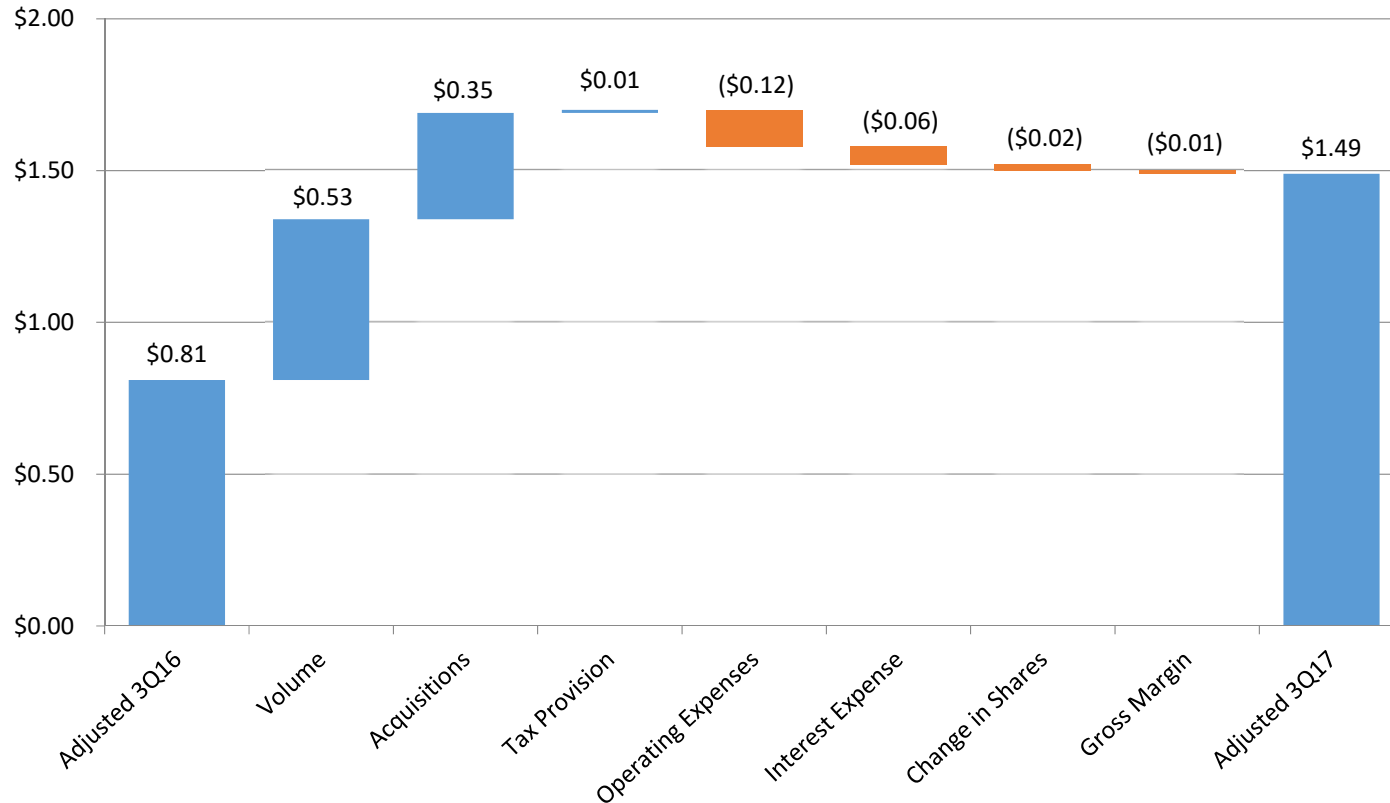
Quarterly Gross Margins



Quarterly SG&A



3Q16 to 3Q17 Adjusted Diluted EPS

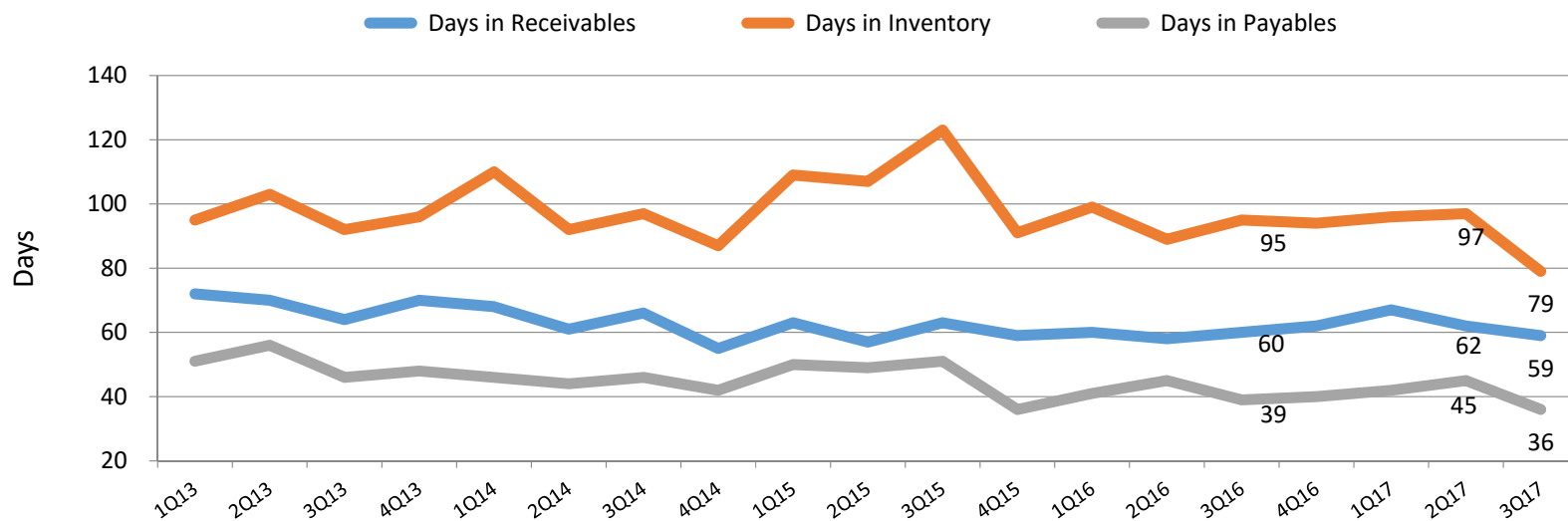


Cash Flow

US\$ (millions)	3Q17	3Q16
Net Income	\$13.4	\$9.2
Depreciation and Amortization	6.5	3.4
Stock-Based Compensation	1.6	1.3
Other Items	(3.0)	(0.2)
Change in Current Assets & Liabilities (excl. acquisitions)	(11.5)	1.8
Cash Provided by Operating Activities	\$7.0	\$15.5

Key Working Capital Metrics

	3Q17	2Q17	3Q16
Days in Receivables	59	62	60
Days in Inventory	79	97	95
Days in Payables	36	45	39

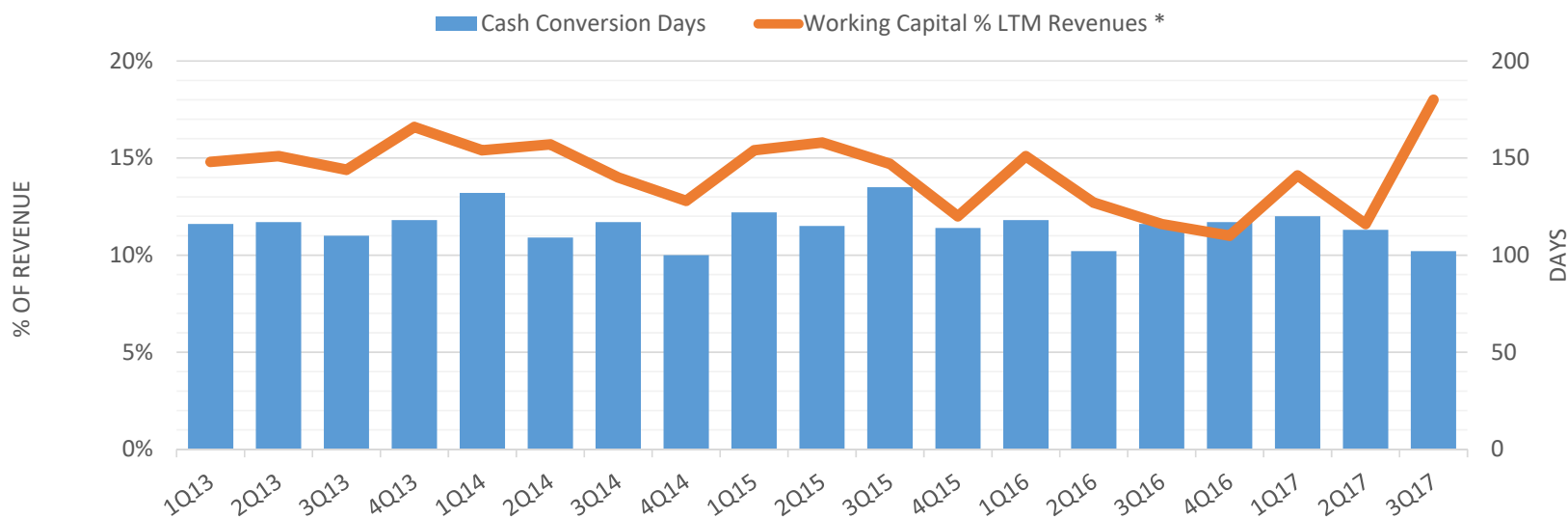


Working Capital and Cash Conversion Days

	3Q17	2Q17	3Q16
Working Capital % LTM Revenues*	18.0%	11.6%	11.6%
Cash Conversion Days**	102 days	113 days	116 days

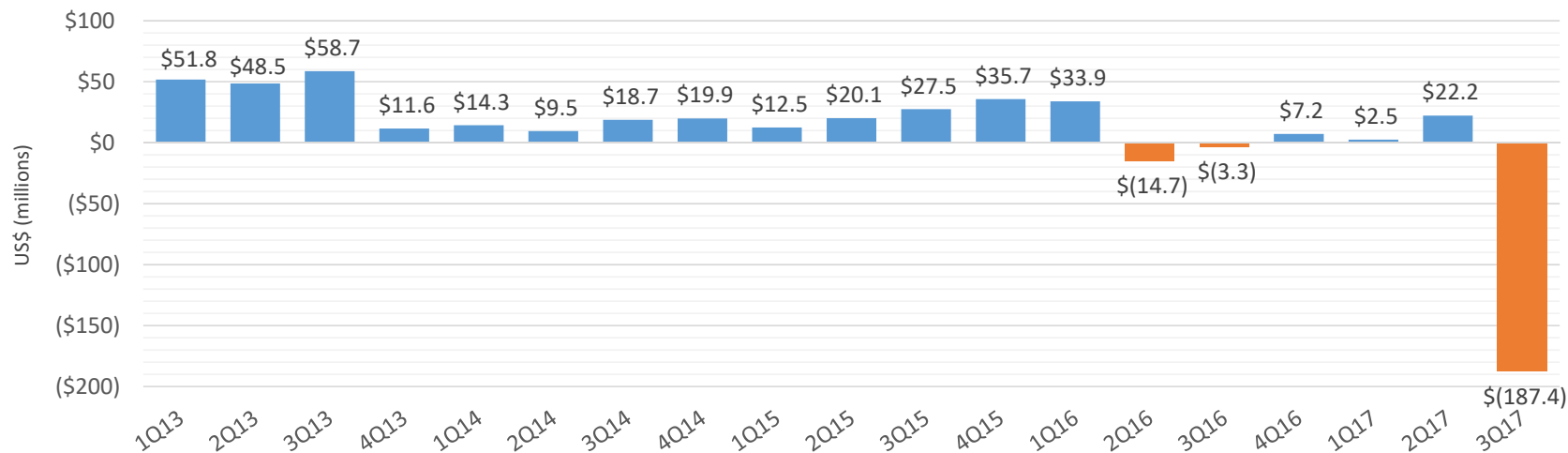
*Working Capital is defined as current assets less current liabilities, excluding cash and debt.

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



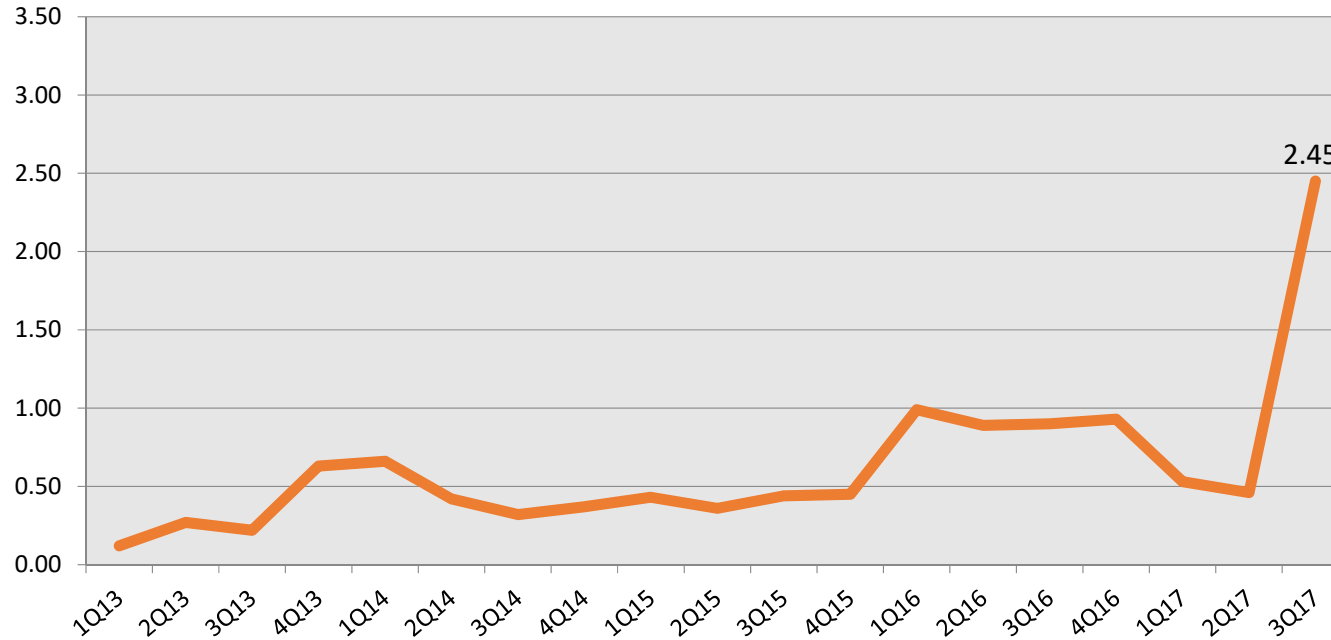
Cash and Debt

US\$ (millions)	3Q17	2Q17	3Q16
Cash, cash equivalents, and restricted cash	\$91.4	\$88.0	\$65.5
Debt	(273.7)	(60.7)	(63.5)
Capital lease obligations	(5.1)	(5.1)	(5.3)
Net (Debt) Cash	\$(187.4)	\$22.2	\$(3.3)



Leverage Ratio

Debt/EBITDA *



*Calculated by adding or subtracting certain items from Adjusted EBITDA, as required by our Credit Facility. Effective March 2, 2017, our amended and restated Credit Facility defined total debt as debt less worldwide cash of up to \$30 million. For periods 1Q13 to 4Q16, total debt is defined as debt less domestic cash of up to \$25 million.

2017 Guidance

- FY 2017 GAAP diluted EPS of \$3.56 to \$3.60
- FY 2017 adjusted diluted EPS* of \$4.37 to \$4.41
- Gross margin approximately 45%
- SG&A approximately 31% of revenue
- Effective tax rate of 26%
- Acquisition costs of \$5.0 million or \$0.38 per diluted share
- Acquisition-related amortization expense of \$6.6 million or \$0.43 per diluted share
- Depreciation and amortization expense of \$19 million

* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated October 30, 2017.

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 **902 228 03**.

Please mute the audio on your computer.

Q3 2017 Key Take-Aways

- Record EPS, adjusted EBITDA, and operating income
- Record revenue and bookings
- Completed NII FPG forest products business acquisition on July 5; Unaflex expansion joint business on August 14
- Raising full-year revenue and EPS guidance



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