

KADANT

Kadant Reports Third Quarter Results and Adjusts Guidance

October 23, 2002

ACTON, Mass., Oct 23, 2002 (BUSINESS WIRE) -- For the third quarter of 2002, Kadant Inc. (AMEX:KAI) reported net income of \$2.7 million, or \$.20 in diluted earnings per share, compared with \$2.0 million, or \$.17 per diluted share, in the third quarter of 2001. Excluding restructuring and unusual charges in both periods, the comparison would be \$.20 per diluted share in 2002, versus \$.19 in 2001. Earnings in the 2001 quarter included goodwill amortization of \$.05 per diluted share, which was eliminated according to the new accounting rules under FASB No. 142 that took effect this year. Third quarter revenues in 2002 were \$50.1 million, versus \$56.1 million a year ago. Excluding favorable currency effects of \$1.6 million in the 2002 period, revenues declined 14 percent from 2001.

"Our results for the quarter were in line with our guidance, and reflect the ongoing operational improvements we've put in place over the past several quarters," said William A. Rainville, chairman and chief executive officer of Kadant. "Our operating income has steadily improved during 2002; we have significantly lowered the losses in our composite building products business; we've reduced our total selling, general, and administrative expenses for the year to date by approximately 12 percent compared to last year; and we continue to strengthen our balance sheet. In fact, our cash and short-term investments now exceed total debt by more than \$33 million, driven by strong free cash flows of \$3.7 million in the 2002 quarter compared to negative free cash flows of \$4.7 million a year ago.

"Nevertheless, the modest gain in momentum we saw midyear in the pulp and paper industry has stalled, and recovery will likely be slower than expected. Restricted capital spending by pulp and paper producers has particularly affected sales of our recycling products, which are often large orders for complete custom-engineered systems. Timing of these orders is difficult to predict, and disappointing bookings of recycling systems during the third quarter largely contributed to a 17 percent decline in quarterly bookings for the total company compared to last year.

"Based on our third quarter bookings, we expect to earn from \$.15 to \$.18 per diluted share on revenues of \$43 to \$46 million in the fourth quarter of 2002, and are now lowering our guidance for the full year to \$.60 to \$.63 per diluted share (excluding restructuring and unusual charges and gains) on revenues of \$182 to \$185 million."

Mr. Rainville added, "We remain committed to making investments that will generate internal growth for the long term. For example, in our papermaking equipment group, we plan to complement production of our recycling products in the U.S. and Europe by making a modest investment to establish a facility in China. Aside from more efficiently serving the growing market in Asia for these systems and related aftermarket parts, this investment could also help us create a low-cost base for producing and distributing our papermaking accessories and water-management products in the future. In addition, we continue to introduce new technologies, such as our recently patented ProCrepe(R) bi-metal blade for tissue production, that offer greater value for our customers.

"In our composite building products business, we are making headway due to the continued expansion of our distributor network, having added new distribution locations in Arizona, Texas, Florida, and Georgia during the third quarter. With revenues growing to \$2.8 million in the quarter and the loss declining to \$376,000, we are on track to achieve our goal of breakeven performance in this business during the first quarter of 2003."

Financial Highlights (Unaudited)

(In thousands except per share amounts)

Consolidated Statement of Income

	Three Months Ended		Nine Months Ended	
	Sept. 28, 2002	Sept. 29, 2001	Sept. 28, 2002	Sept. 29, 2001
Revenues	\$ 50,084	\$ 56,085	\$ 139,802	\$ 171,717
Costs and Operating Expenses:				
Cost of revenues	31,576	35,458	87,141	107,738
Selling, general, and administrative expenses	12,490	14,613	37,757	45,054
Research and development expenses	1,149	1,644	3,589	5,307
Restructuring and unusual costs	101	588	3,738	588
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Operating Income	4,768	3,782	7,577	13,030
Interest Income	676	1,574	1,954	5,527
Interest Expense	(1,084)	(1,872)	(3,720)	(5,616)
Income Before Provision for Income Taxes, Minority Interest, and Extraordinary Item	4,360	3,484	5,811	12,941
Provision for Income Taxes	1,657	1,452	2,202	5,407

Minority Interest				
(Income) Expense	1	(13)	3	(87)
Income Before				
Extraordinary Item	2,702	2,045	3,606	7,621
Extraordinary Item				
(net of income				
taxes of \$3 and				
\$178)	5	-	291	-
Net Income	\$ 2,707	\$ 2,045	\$ 3,897	\$ 7,621
Basic and Diluted				
Earnings per Share				
Before Extraordinary				
Item	\$.20	\$.17	\$.28	\$.62
Earnings per Share				
Basic	\$.20	\$.17	\$.31	\$.62
Diluted	\$.20	\$.17	\$.30	\$.62
Weighted Average Shares				
Basic	13,547	12,273	12,744	12,276
Diluted	13,716	12,348	12,911	12,311
Business Segment Information				
	Three Months Ended		Nine Months Ended	
	Sept. 28,	Sept. 29,	Sept. 28,	Sept. 29,
	2002	2001	2002	2001
Revenues:				
Pulp and Papermaking				
Equipment and				
Systems	\$ 46,322	\$ 55,174	\$ 128,822	\$ 165,847
Composite and				
Fiber-based				
Products	3,762	911	10,980	5,870
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	\$ 50,084	\$ 56,085	\$ 139,802	\$ 171,717
Operating Income (a):				
Pulp and Papermaking				
Equipment and				
Systems (b)	\$ 5,839	\$ 6,773	\$ 12,746	\$ 20,156
Composite and				
Fiber-based				
Products (c)(d)	(272)	(2,204)	(2,647)	(4,440)
Corporate (e)	(799)	(787)	(2,522)	(2,686)
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	\$ 4,768	\$ 3,782	\$ 7,577	\$ 13,030
Operating Income, Excluding Restructuring				
and Unusual Costs and Goodwill Amortization:				
Pulp and Papermaking				
Equipment and				
Systems	\$ 5,940	\$ 8,146	\$ 14,845	\$ 23,138
Composite and				
Fiber-based				
Products (d)	(272)	(2,127)	(1,008)	(4,246)
Corporate (e)	(799)	(787)	(2,522)	(2,686)
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	\$ 4,869	\$ 5,232	\$ 11,315	\$ 16,206
Capital Expenditures:				
Pulp and Papermaking				
Equipment and Systems	\$ 266	\$ 399	\$ 897	\$ 1,131
Composite and				
Fiber-based Products	583	961	1,173	2,619
Corporate	18	-	145	-
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	\$ 867	\$ 1,360	\$ 2,215	\$ 3,750
Balance Sheet Data				
			Sept. 28,	Dec. 29,
			2002	2001
Cash and Short-term Investments			\$ 120,668	\$ 119,432

Short- and Long-term Debt	87,341	119,840
Net Cash (Debt)	33,327	(408)
Shareholders' Investment	210,829	183,557

(a) Includes consolidated goodwill amortization of \$862 and \$2,588 in the three- and nine-month periods ended September 29, 2001, respectively.

(b) Includes goodwill amortization of \$803 and \$2,412 in the three- and nine-month periods ended September 29, 2001, respectively.

(c) Includes goodwill amortization of \$59 and \$176 in the three- and nine-month periods ended September 29, 2001, respectively.

(d) Includes operating losses from our composite building products business, excluding restructuring and unusual costs, of \$376 and \$1,331 in the three-month periods ended September 28, 2002 and September 29, 2001, respectively, and \$2,107 and \$2,969 in the nine-month periods ended September 28, 2002 and September 29, 2001, respectively.

(e) Primarily general and administrative expenses.

Kadant will hold its earnings conference call on Thursday, October 24, 2002, at 11 a.m. Eastern time. To listen, call 877-692-2595 within the U.S., or 973-582-2720 outside the U.S. You can also listen to the call live on the Web by visiting www.kadant.com and clicking on "Investors." An audio archive of the call will be available on the Website until November 7, 2002.

Kadant Inc. is a leading supplier of a range of products for the global papermaking and paper recycling industries, including de-inking systems, stock-preparation equipment, water-management systems, and papermaking accessories. The company also develops and manufactures composite building materials produced from natural fiber and recycled plastic. Kadant, based in Acton, Massachusetts, reported \$221 million in revenues in 2001 and employs approximately 1,100 people worldwide. For more information, please visit www.kadant.com.

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. Important factors that could cause actual results to differ materially from those indicated by such statements are set forth under the heading "Forward-Looking Statements" in the company's quarterly report on Form 10-Q for the fiscal quarter ended June 29, 2002. These include risks and uncertainties relating to the company's: dependence on the paper industry, international operations, competition, ability to manufacture and distribute composite building products and the long-term performance of such products, acquisition strategy, dependence on patents and proprietary rights, fluctuations in quarterly operating results, and financial covenants and other obligations arising from the spinoff of the company from Thermo Electron Corporation. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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