

KADANT INC.

**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): July 3, 2017

KADANT INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-11406
(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 2.01 Completion of Acquisition or Disposition of Assets.

On July 5, 2017, Kadant Inc. (Kadant) and certain of its subsidiaries (the Buyers) acquired the forest products business of NII FPG Company, pursuant to a Stock and Asset Purchase Agreement dated May 24, 2017 among the Buyers and NII FPG Company and certain related entities (the Acquisition Agreement) for approximately \$173 million, net of cash acquired (the Purchase Price), subject to a post-closing adjustment.

Pursuant to the Acquisition Agreement, at the closing the Buyers deposited into an escrow fund (i) \$8 million to secure certain indemnification obligations of the sellers and (ii) \$4 million to satisfy certain obligations of the sellers to adjust the Purchase Price. The indemnity escrow fund, less any claims made, will be released to the sellers on the 18-month anniversary of the closing.

The foregoing description of the transaction contemplated by the Acquisition Agreement does not purport to be a complete statement of the parties' rights under the Acquisition Agreement, and is qualified in its entirety by reference to the full text of the Acquisition Agreement, which will be filed with the Securities and Exchange Commission as an exhibit to Kadant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2017. A copy of the press release announcing the completion of the acquisition of the forest products business of NII FPG Company is filed with this report as Exhibit 99. The information provided in the attached Exhibit 99 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, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

As more fully set forth in Item 2.01 above, to fund the purchase price for the acquisition of the forest products business of NII FPG Company, Kadant and its wholly-owned subsidiary, Kadant International Luxembourg S.C.S., borrowed an aggregate \$170.0 million, which included \$62.7 million of Canadian dollar-denominated borrowings and \$61.8 million of euro-denominated borrowings, under the amended and restated unsecured revolving credit facility among Kadant, as Borrower, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, and Citizens Bank, N.A., as Administrative Agent and Multicurrency Administrative Agent (in both capacities, the Agent) dated as of March 1, 2017 (2017 Credit Facility), as amended by the first amendment and limited consent (First Amendment) dated as of May 24, 2017. Under the First Amendment, the lenders agreed to waive certain funding conditions under the 2017 Credit Facility in connection with the closing of the acquisition. The principal on the loans made under the 2017 Credit Facility is due on March 1, 2022, and interest accrues and is payable quarterly in arrears at one of the following rates selected by Kadant: (i) the base rate, calculated as the highest of (a) the Federal Funds Rate in effect on such day plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Citizens Bank as its "prime rate," and (c) the LIBOR Rate (as defined in the 2017 Credit Facility) for LIBOR Loans denominated in dollars with an interest period of 30 days on such day plus 0.50%; or (ii) the LIBOR Rate (with a zero percent floor) plus an applicable margin of 1 to 2%. The applicable margin is determined based upon the ratio of Kadant's total debt, net of certain cash, as defined in the 2017 Credit Facility, to earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the 2017 Credit Facility. For this purpose, total debt net of certain cash is defined as total debt less the sum of (i) unrestricted U.S. cash, and (ii) 65% of unrestricted cash outside of the U.S., but no more than an aggregate amount of \$30 million.

Loans under the 2017 Credit Facility are guaranteed by certain domestic subsidiaries of Kadant pursuant to an amended and restated guarantee agreement, dated as of March 1, 2017. In addition, one of Kadant's foreign subsidiaries entered into a guarantee agreement limited to certain obligations of two foreign subsidiary borrowers pursuant to a guarantee agreement dated as of March 1, 2017.

KADANT INC.

The obligations of Kadant under the 2017 Credit Facility may be accelerated upon the occurrence of an event of default under the 2017 Credit Facility, which includes customary events of default including without limitation payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy- and insolvency-related defaults, defaults relating to such matters as the Employment Retirement Income Security Act (ERISA), unsatisfied judgments, the failure to pay certain indebtedness, and a change of control default. In addition, the 2017 Credit Facility contains negative covenants applicable to Kadant and its subsidiaries including financial covenants requiring Kadant to comply with a maximum consolidated leverage ratio of 3.5 to 1 and a minimum consolidated interest charge coverage ratio of 3 to 1, and restrictions on liens, indebtedness, fundamental changes, dispositions of property, making certain restricted payments (including dividends and stock repurchases), investments, transactions with affiliates, sale and leaseback transactions, swap agreements, changing its fiscal year, arrangements affecting subsidiary distributions, entering into new lines of business, and certain actions related to the discontinued operation.

The foregoing description of the 2017 Credit Facility and related guarantee agreements, as amended, do not purport to be a complete statement of the parties' rights under the agreements and is qualified in its entirety by reference to the full text of the agreements, which were filed with the Securities and Exchange Commission on May 30, 2017, as Exhibits 99.1, 99.2 and 99.3 to Kadant's Current Report on Form 8-K. The foregoing description of the First Amendment is qualified in its entirety by reference to the full text of the First Amendment, which will be filed as an exhibit to Kadant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2017.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The financial statements required by this item are not included with this initial report. The required financial statements will be filed by amendment as soon as practicable, but not later than 71 days after the date this Current Report on Form 8-K was required to be filed.

(b) Pro Forma Financial Information

The pro forma financial statements required by this item are not included with this initial report. The required pro forma financial statements will be filed by amendment as soon as practicable, but not later than 71 days after the date this Current Report on Form 8-K was required to be filed.

(c) Exhibits

<u>No.</u>	<u>Description</u>
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99	Press Release dated July 5, 2017, announcing the completion of the acquisition of the forest products business of NII FPG Company.
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KADANT INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KADANT INC.

Date: July 10, 2017

By: /s/ Michael J. McKenney
Michael J. McKenney
Senior Vice President and
Chief Financial Officer

KADANT

KADANT INC.
One Technology Park Drive
Westford, MA 01886

NEWS

Kadant Completes Acquisition of NII FPG Company's Forest Products Business

WESTFORD, Mass., July 5, 2017 - Kadant Inc. (NYSE: KAI) announced today the completion of its acquisition of the forest products business of NII FPG Company, a global leader in the design and manufacture of equipment used by sawmills, veneer mills, and other manufacturers in the forest products industry, for approximately \$173 million, net of cash acquired, subject to a post-closing adjustment. The transaction was financed through borrowings under the Company's revolving credit facility. The business will be integrated into Kadant's Wood Processing Segment.

"We are pleased to complete this transaction and welcome our new colleagues from NII FPG to the Kadant family," said Jonathan Painter, president and chief executive officer of Kadant. "With NII FPG's leading position in its markets and a strong parts and consumables business, we are confident the company will be a solid contributor toward achieving our strategic initiative of growing our aftermarket business. NII FPG is an excellent strategic fit with our wood processing product line and we look forward to the value it will create for our customers and our shareholders."

The forest products business of NII FPG Company has 275 employees worldwide and generated revenue of approximately \$81 million for the twelve months ended December 31, 2016.

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 2,300 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 the financial and operating performance of NII FPG Company, the benefits of the transaction, and the expected future business and financial performance of the acquired company. Important factors could cause actual results to differ materially from those indicated by such statements, including: our ability to successfully integrate the acquired business and realize anticipated benefits from the transaction, unanticipated disruptions to the business, general economic conditions, and the future performance of the forest products industry and other 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; currency fluctuations; 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.

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