



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 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.

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 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

Jonathan W. Painter | Chief Executive Officer

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.

FX Translation and Acquisition Impact

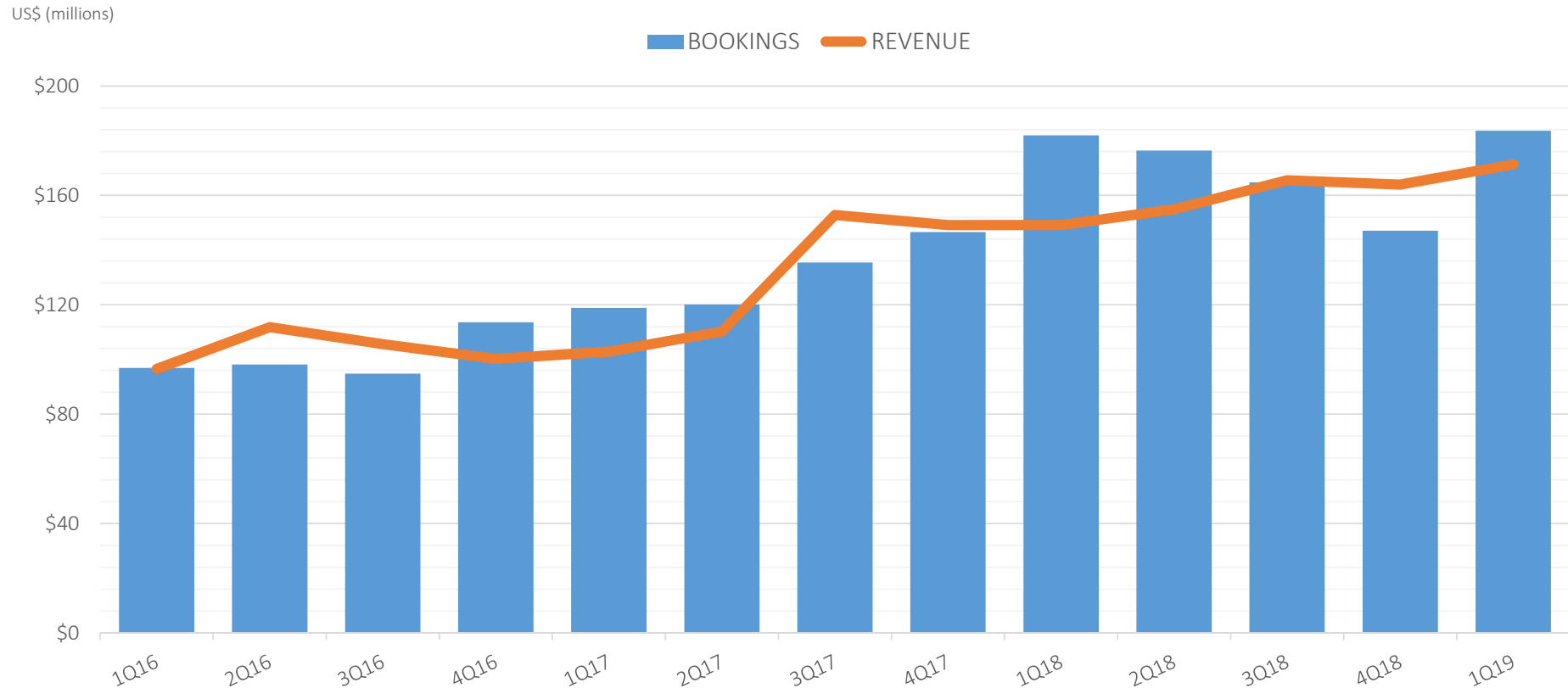
Q1 2019				
(\$ in millions)	Revenue	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$171.3	\$183.6	\$112.9	\$120.2
Growth ¹	14.8%	0.9%	17.6%	16.8%
Growth excluding FX ²	19.5%	5.2%	22.1%	21.3%
Growth excluding FX and Acquisitions ³	5.7%	-8.3%	4.5%	3.6%

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

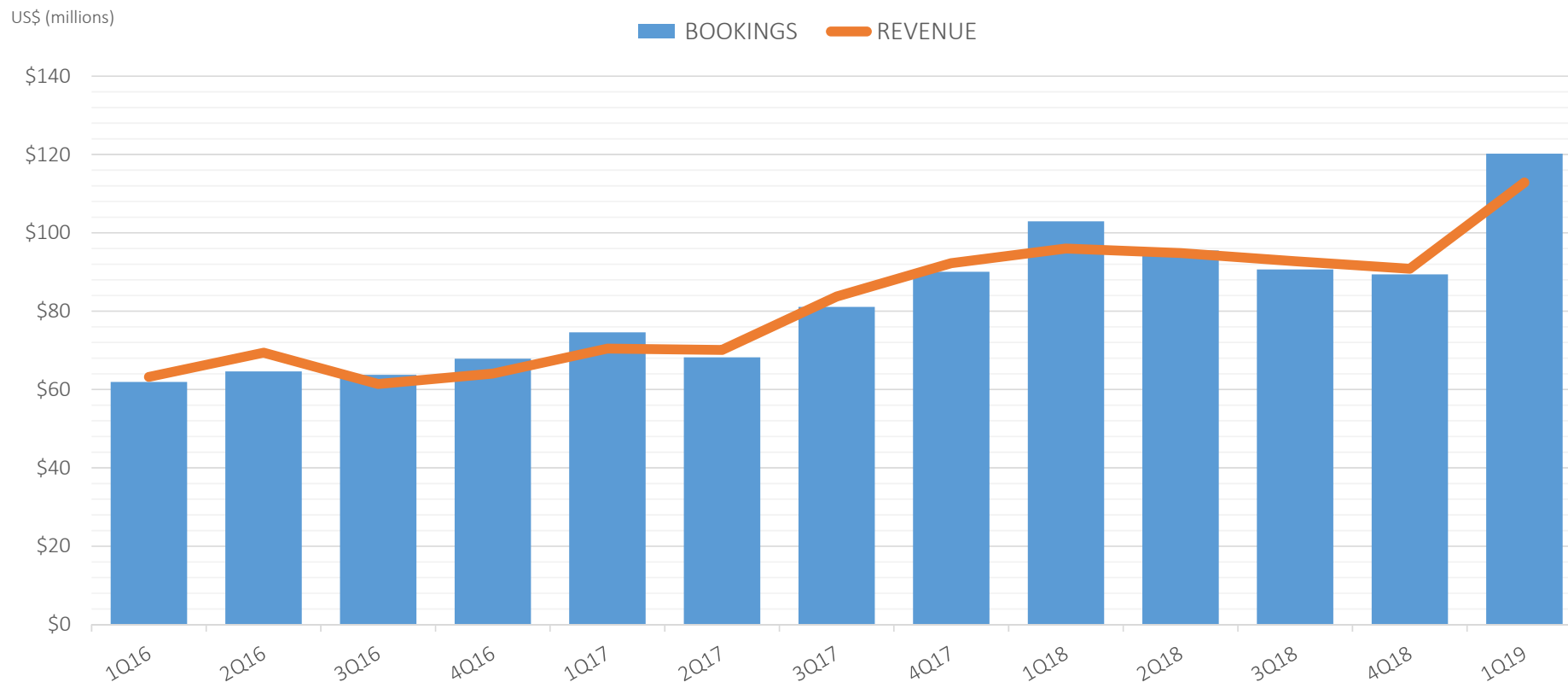
2 Represents the year-over-year percent change excluding the impact of current period versus prior period exchange rates.

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.

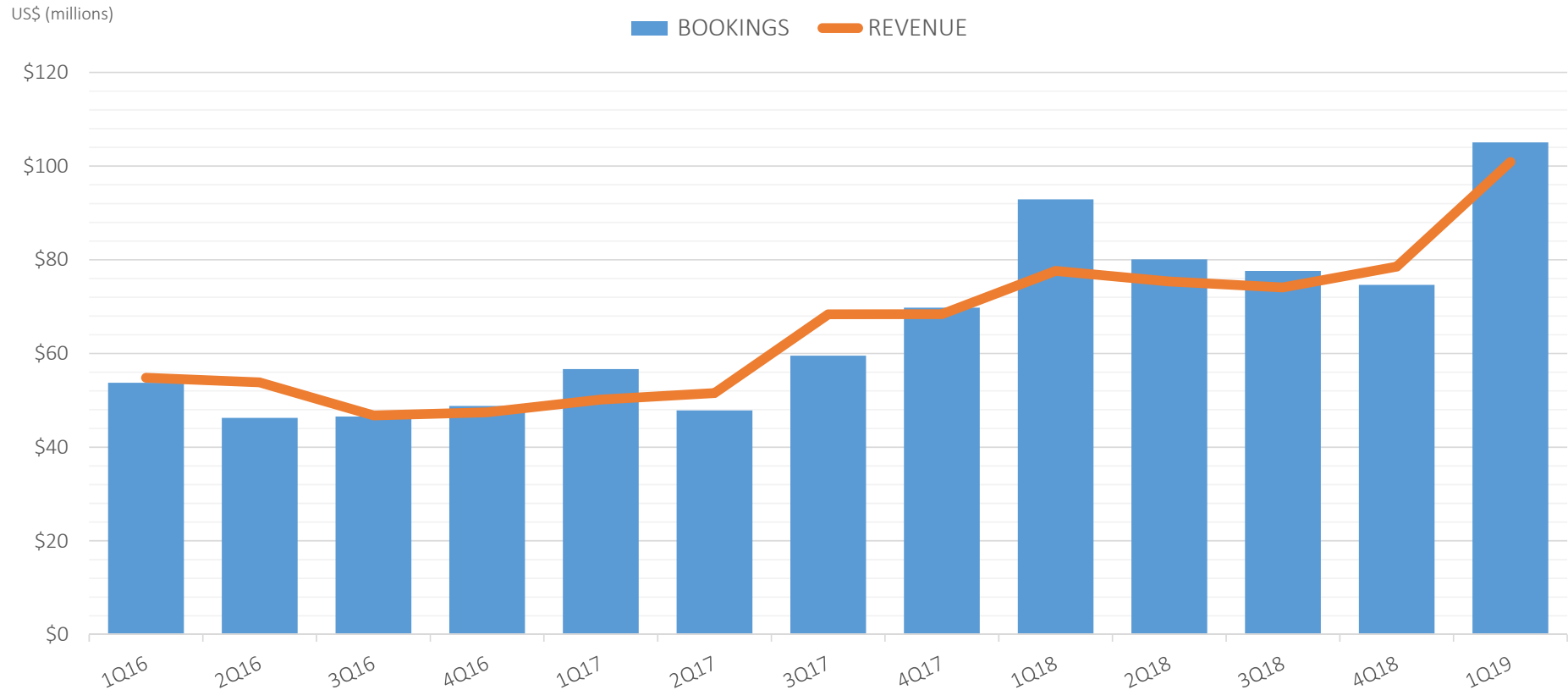
Bookings and Revenue



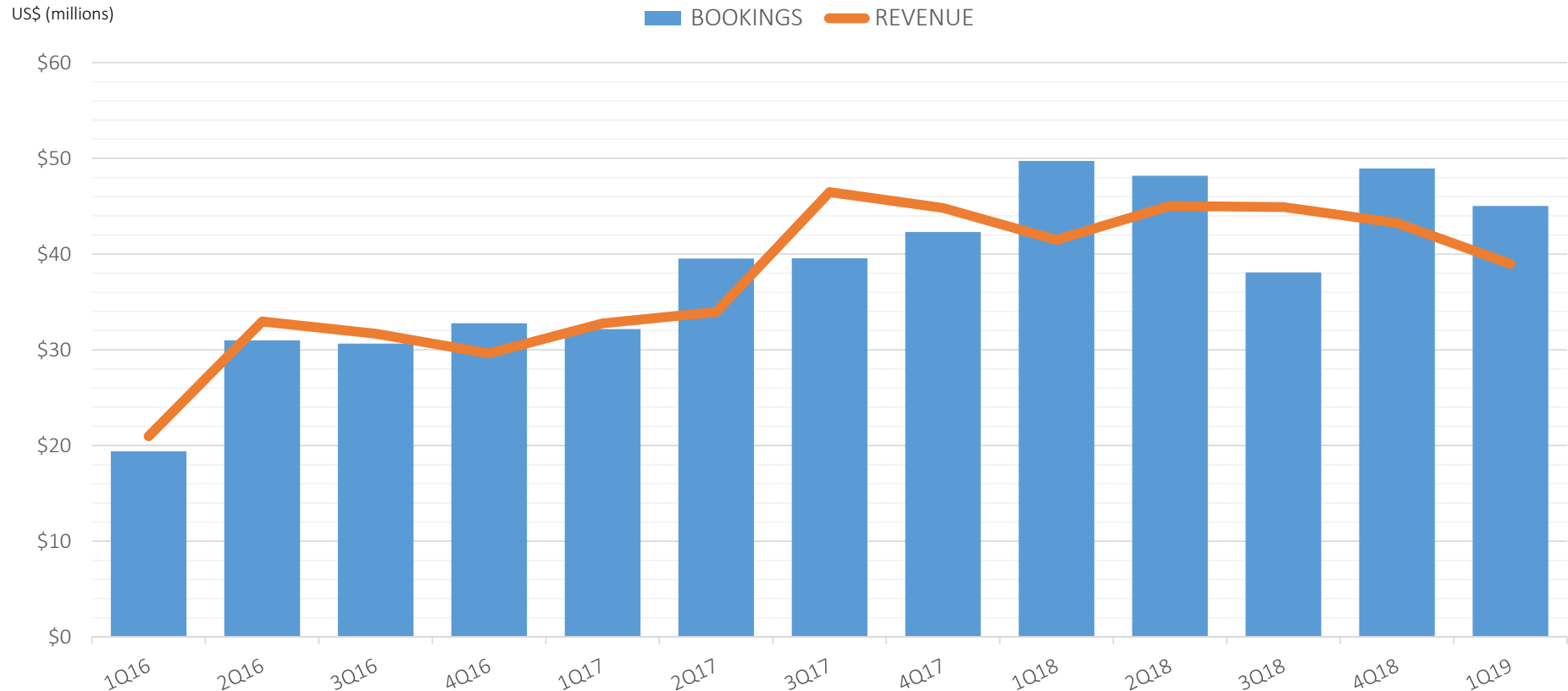
Parts and Consumables Bookings and Revenue



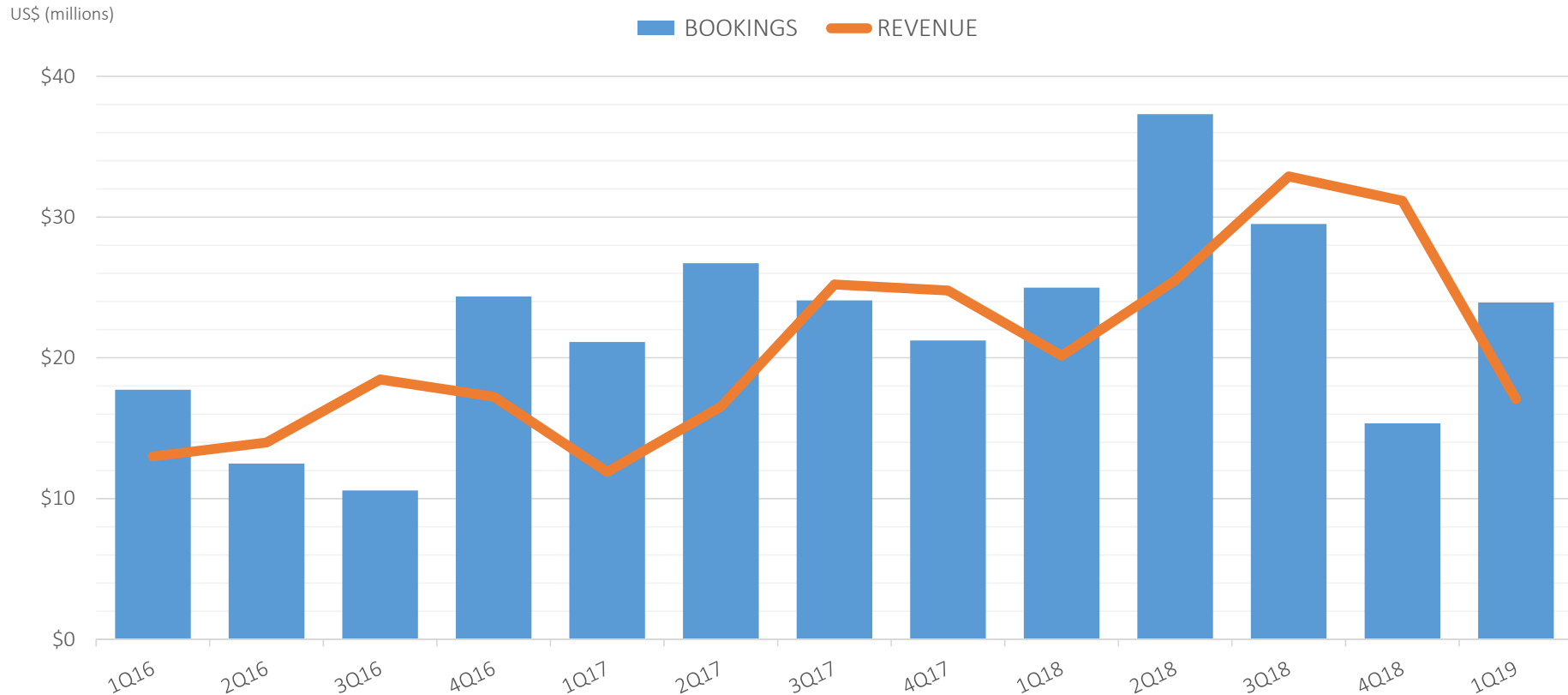
North America Bookings and Revenue



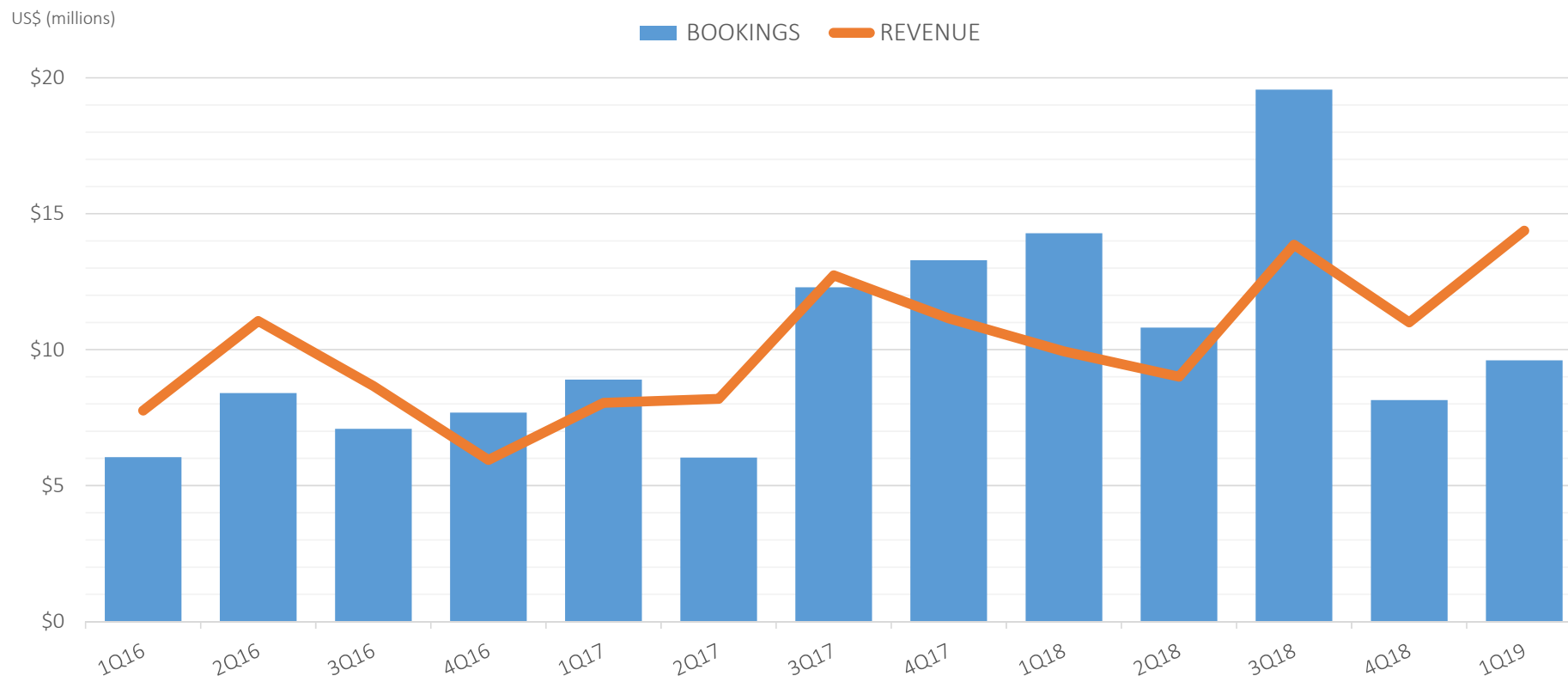
Europe Bookings and Revenue



Asia Bookings and Revenue



Rest-of-World Bookings and Revenue



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

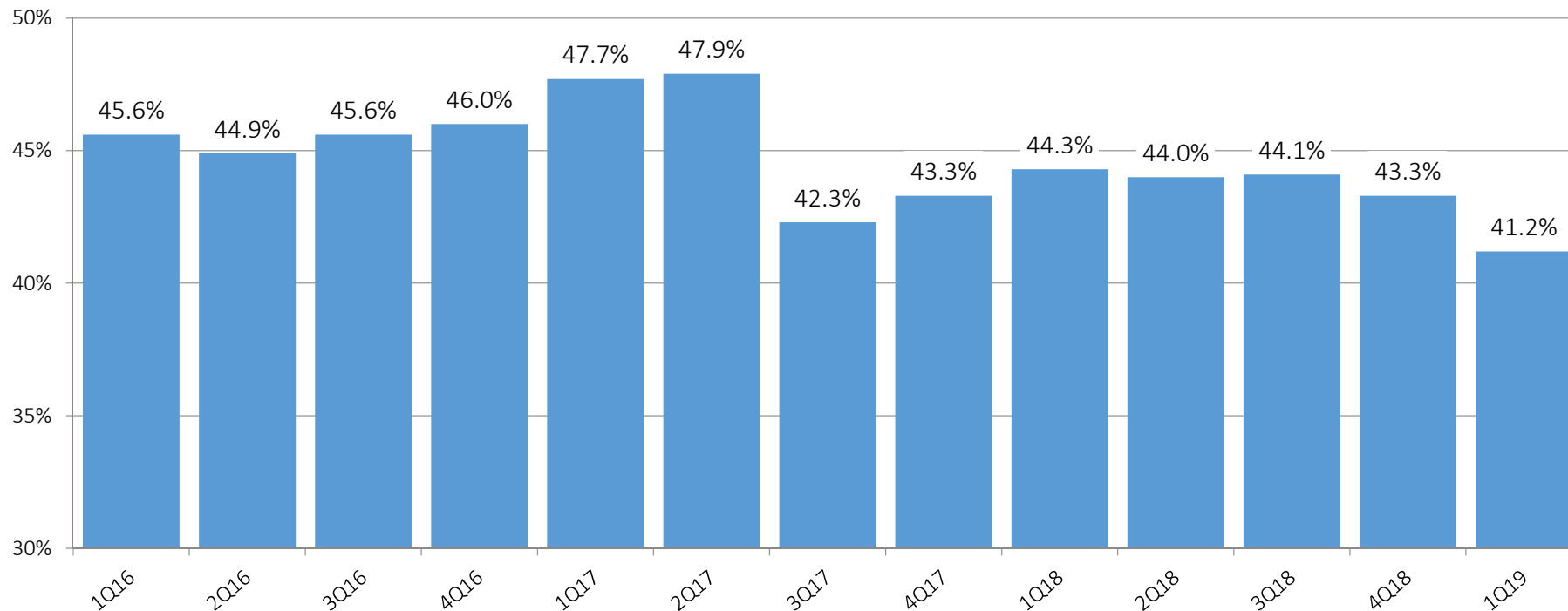
* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated April 29, 2019.



FINANCIAL REVIEW

Michael J. McKenney | Executive Vice President & CFO

Gross Margin

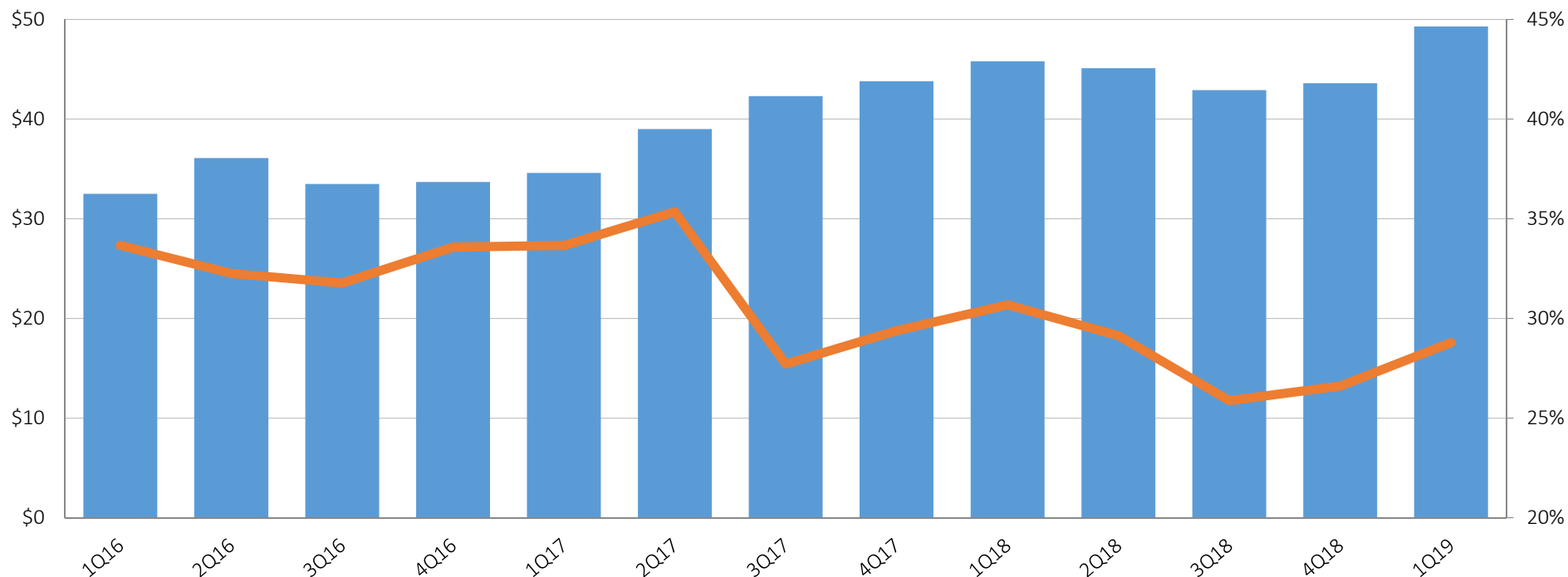


All data for 2017, 2018, and 2019 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

SG&A

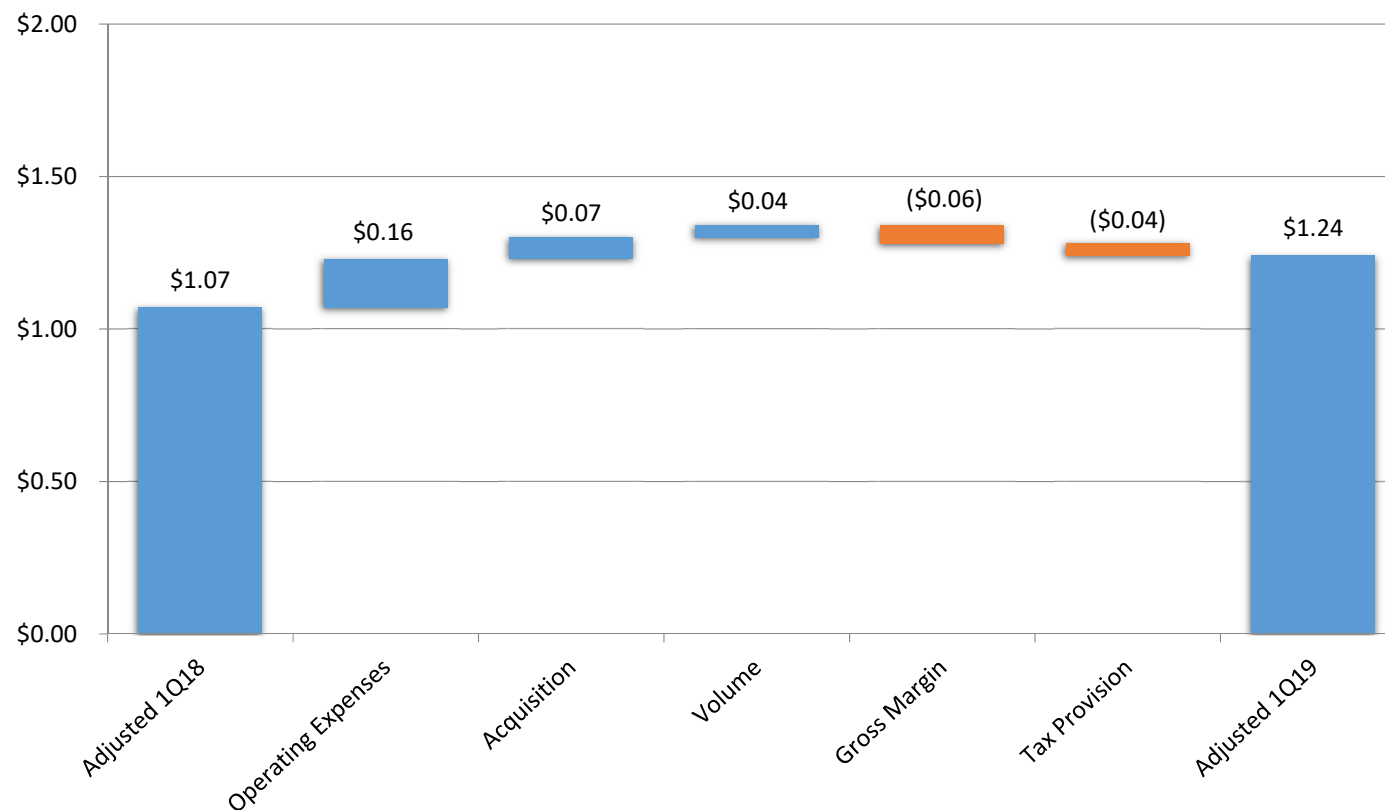
US\$ (millions)

SG&A SG&A as a % of Revenues



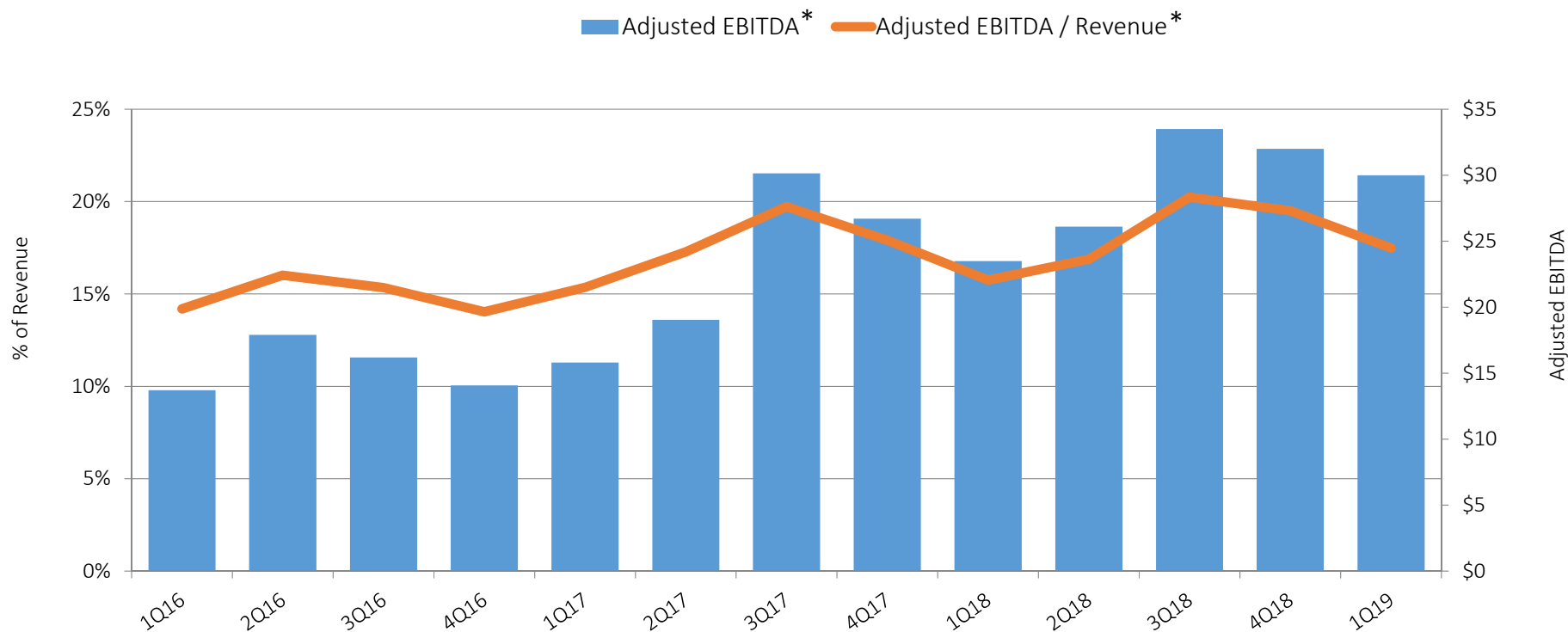
All data for 2017, 2018, and 2019 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

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.

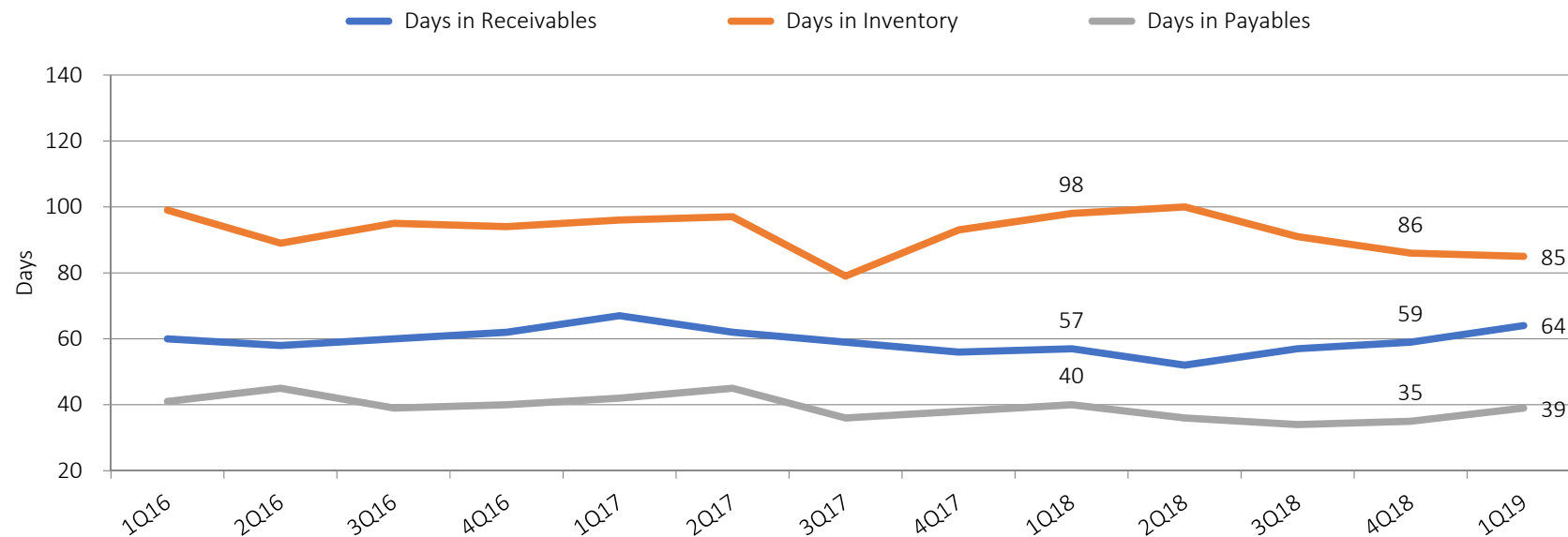
Cash Flow

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

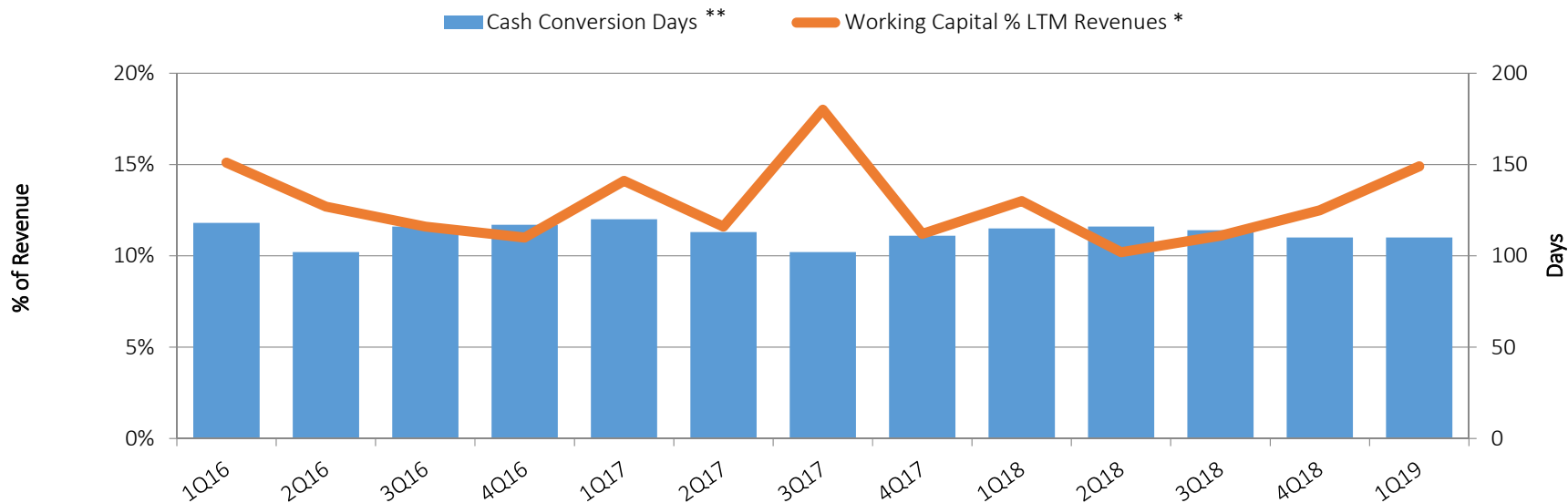


Working Capital and Cash Conversion Days

	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

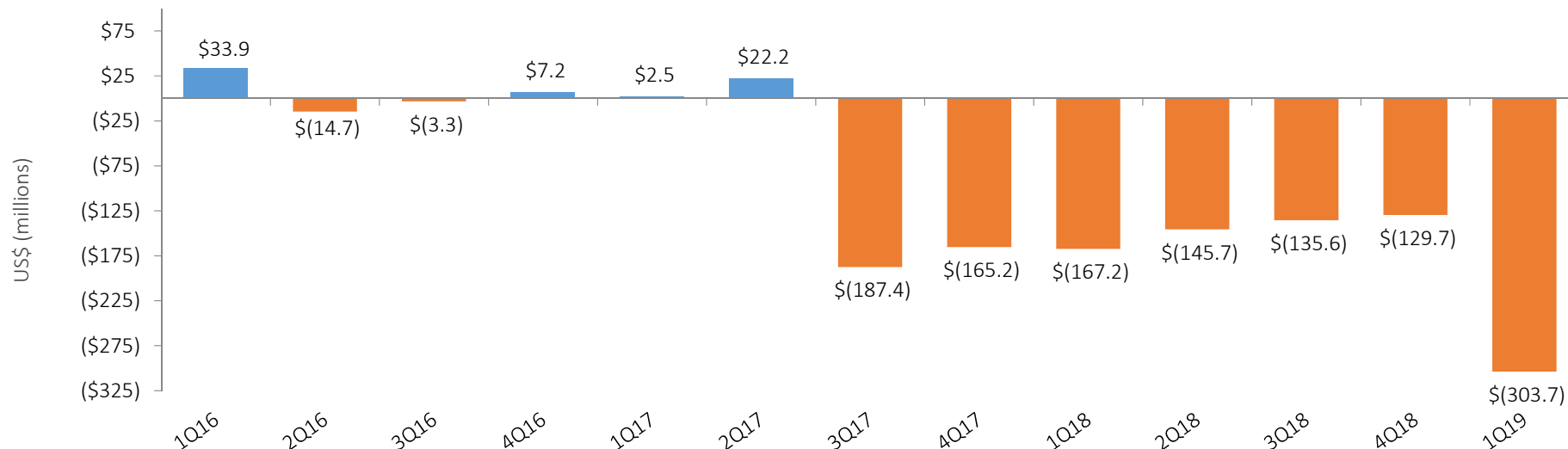
*Working Capital is defined as current assets less current liabilities, excluding cash and debt.

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

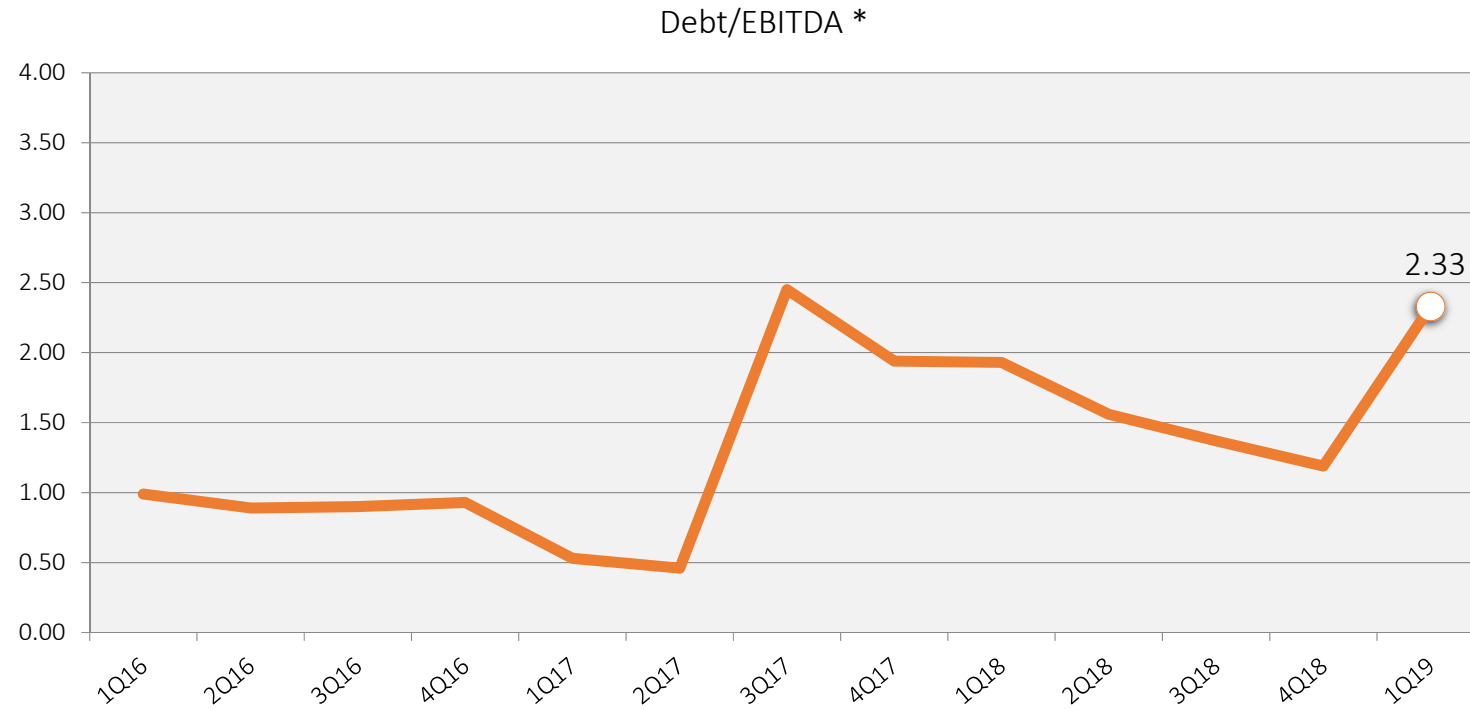


Cash and Debt

US\$ (millions)	Q1 2019	Q4 2018	Q1 2018
Cash, cash equivalents, and restricted cash	\$57.2	\$46.1	\$73.7
Debt	(354.8)	(171.4)	(235.8)
Other borrowings	(6.1)	(4.4)	(5.1)
Net debt	\$(303.7)	\$(129.7)	\$(167.2)



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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