

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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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): October 30, 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 7.01 Regulation FD Disclosure.**

On October 31, 2017, Kadant Inc. (the “Company”) will hold a webcast and conference call to discuss its financial results for the fiscal quarter ended September 30, 2017. A copy of the slides that will be presented on the webcast and discussed in the conference call is being furnished as Exhibit 99 to this Current Report on Form 8-K.

The information in this Form 8-K (including Exhibit 99) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (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) Exhibit

The following exhibit relating to Item 7.01 shall be deemed to be furnished and not filed.

Exhibit No.	Description of Exhibit
99	<a href="#">Slides to be presented by the Company on October 31, 2017.</a>

**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: October 30, 2017

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

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# Third Quarter 2017 Business Review

Jonathan W. Painter, President & CEO

Michael J. McKenney, Senior Vice President & CFO

**KADANT**

# 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](http://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

**KADANT**

# Q3 2017 Financial Highlights

(\$ Millions, except per share amounts)	Q3 2017	Q3 2016	% CHANGE <sup>2</sup>
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 <sup>1</sup>	\$24.4	\$12.7	91.4%
Net Income	\$13.3	\$9.2	45.1%
Adjusted EBITDA <sup>1</sup>	\$29.9	\$16.2	84.9%
Adjusted EBITDA/Revenue <sup>1</sup>	19.6%	15.3%	n.m.
Diluted EPS	\$1.17	\$0.82	42.7%
Adjusted Diluted EPS <sup>1</sup>	\$1.49	\$0.81	84.0%
Cash flow from operations	\$7.0	\$15.5	-55.2%

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>4</sup>	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$152.8	\$1.49	\$135.5	\$83.8	\$81.1
Growth <sup>1</sup>	44.8%	84.0%	42.9%	36.4%	27.2%
Growth excluding FX <sup>2,4</sup>	42.3%	79.0%	40.4%	34.1%	25.3%
Growth excluding FX and Acquisitions <sup>3,4</sup>	14.6%	35.8%	18.8%	12.9%	3.1%

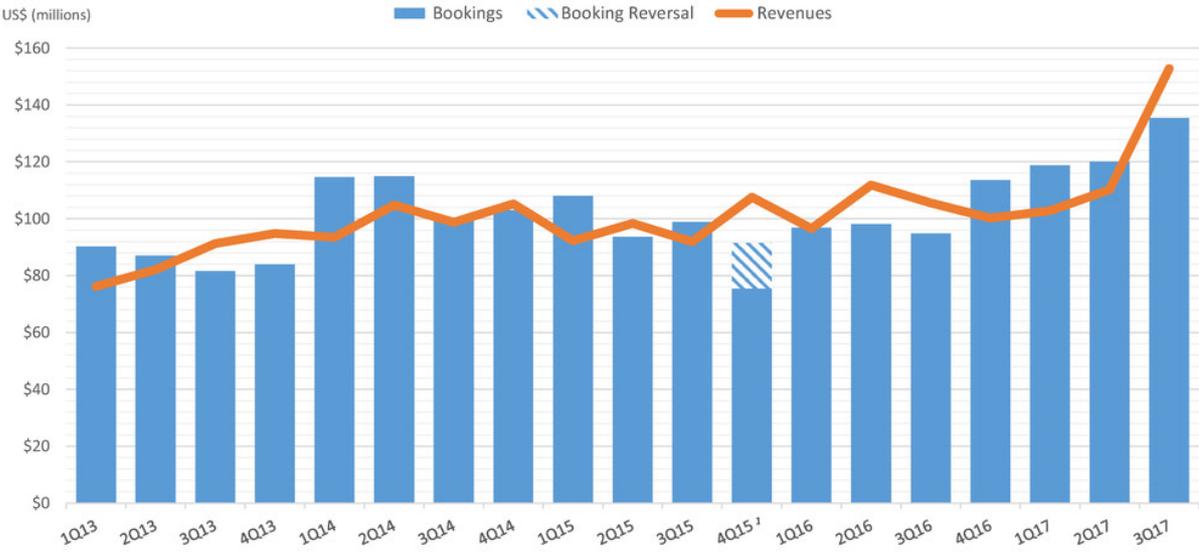
<sup>1</sup> Growth is the year-over-year percent change between the current period and the comparable prior period.

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

<sup>3</sup> 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.

<sup>4</sup> 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



<sup>1</sup> 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

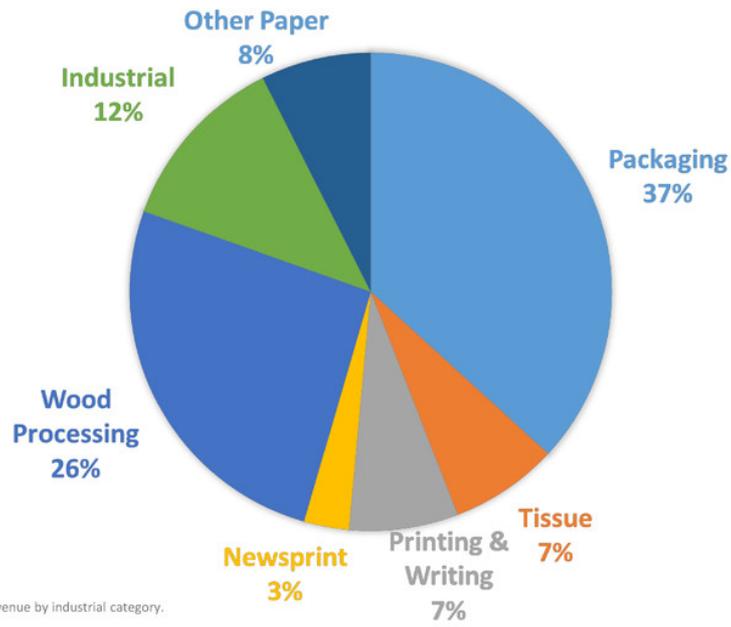
- Unaflex is a market leader in the manufacture and supply of expansion joints and related equipment
- Acquisition price: \$31 million\*
- Revenue: \$18 million (2016)
- High impact product
- History of stable earnings
- Strong aftermarket business
- Integrated with our Fluid-Handling product line

\* Subject to post-closing adjustments.



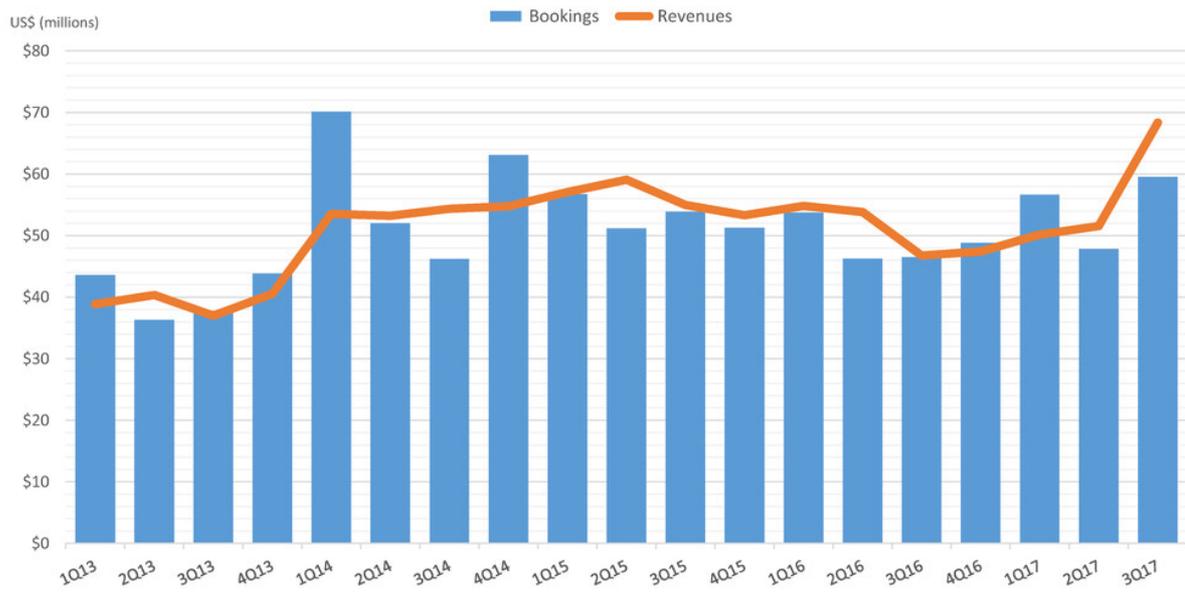
# Q3 2017 Revenue Source by End Market\*

Q3 2017 Revenue of \$152.8 Million



\*Based on Company estimates of revenue by industrial category.

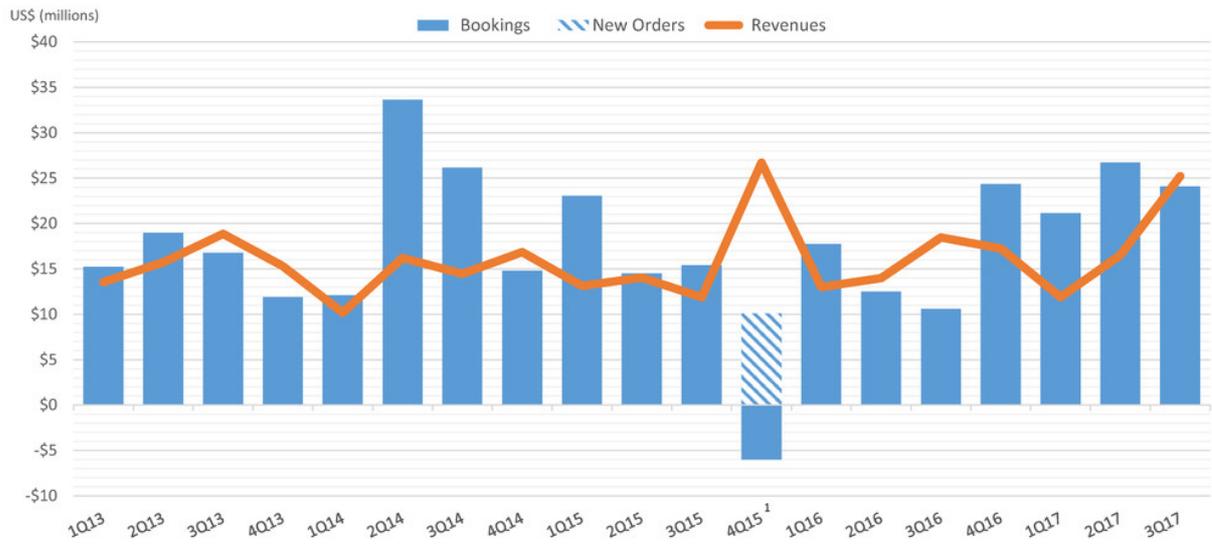
# North America Bookings and Revenues



# Europe Bookings and Revenues

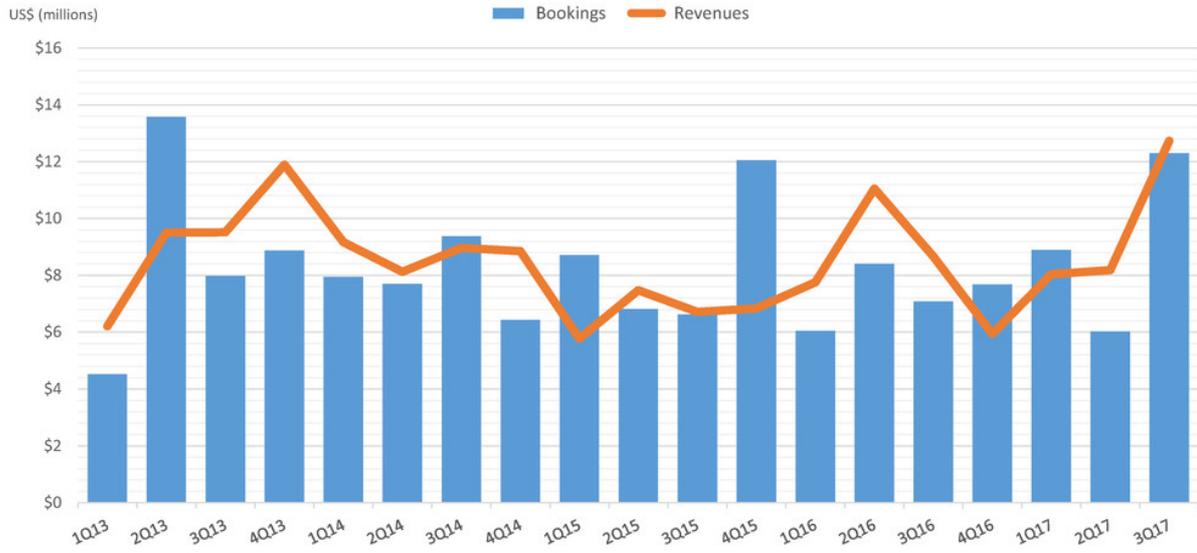


# Asia Bookings and Revenues



<sup>1</sup> 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
  
- 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.

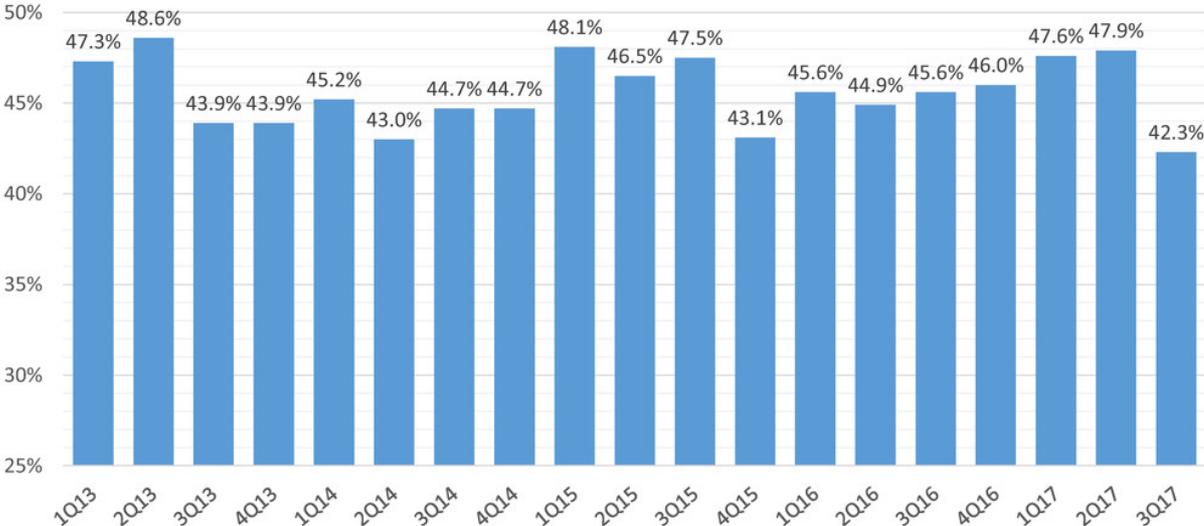
# FINANCIAL REVIEW

**Michael J. McKenney**

Senior Vice President & Chief Financial Officer

**KADANT**

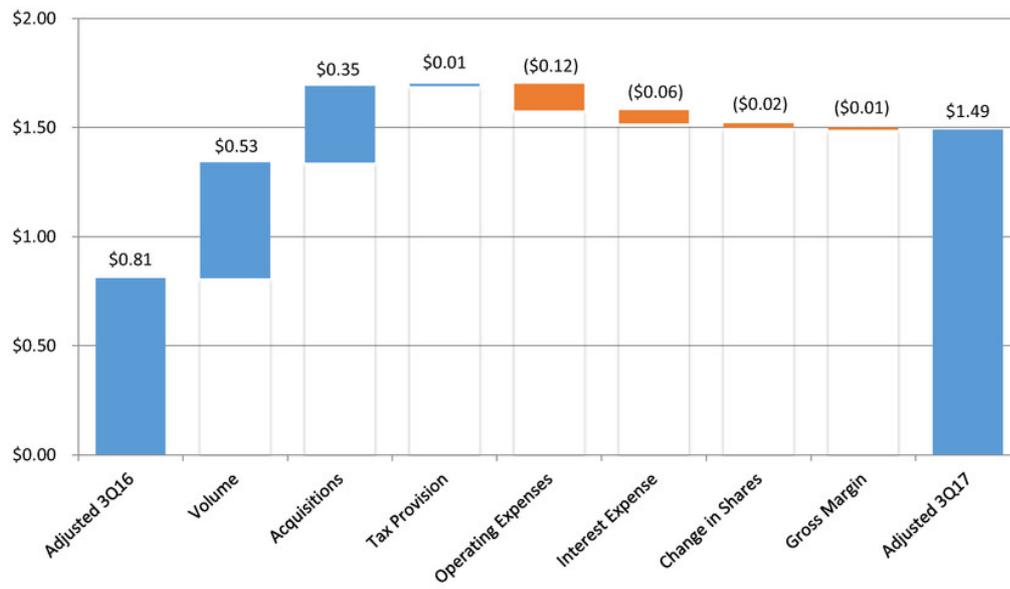
# Quarterly Gross Margins



# Quarterly SG&A



# 3Q16 to 3Q17 Adjusted Diluted EPS

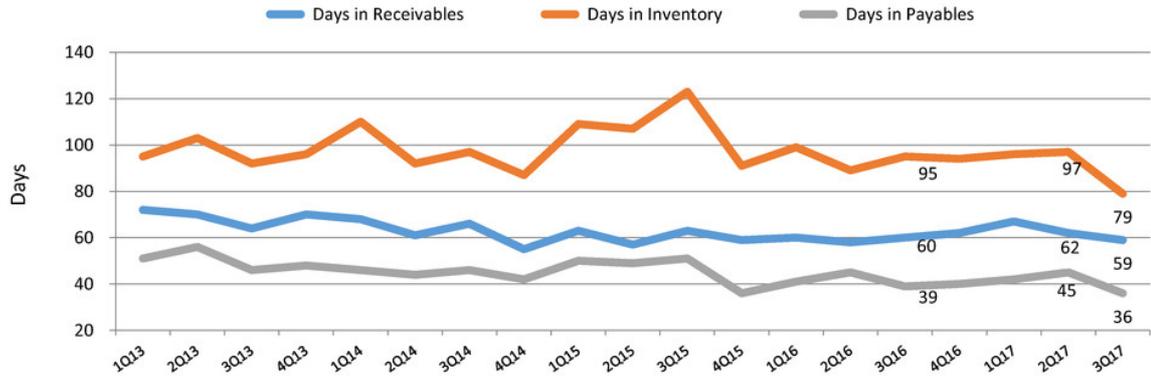


# Cash Flow

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	<b>\$7.0</b>	<b>\$15.5</b>

# 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

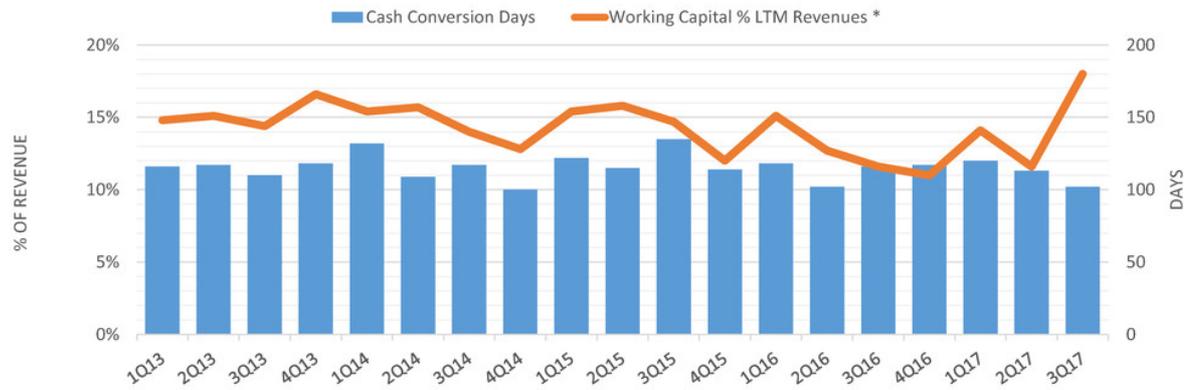


# Working Capital and Cash Conversion Days

	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.



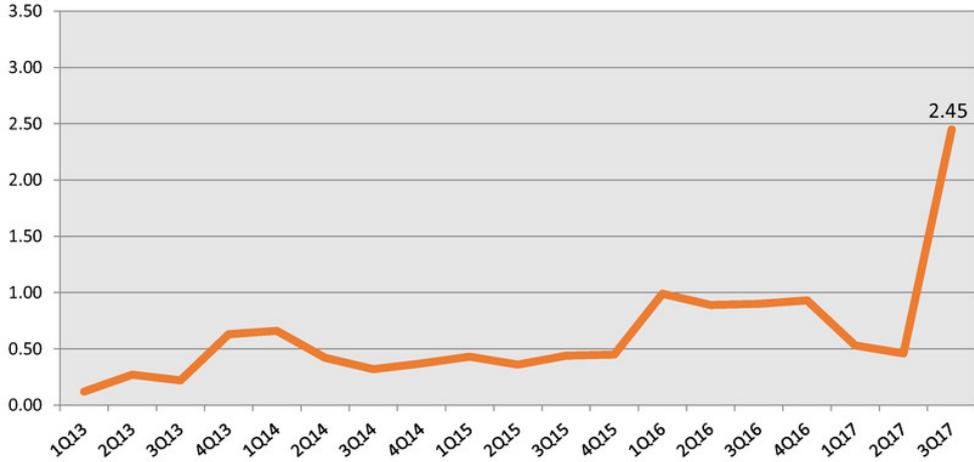
# Cash and Debt

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)
<b>Net (Debt) Cash</b>	<b>\$(187.4)</b>	<b>\$22.2</b>	<b>\$(3.3)</b>



# 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



**KĀDANT**

