

SECOND QUARTER 2018 BUSINESS REVIEW

Jonathan W. Painter, President & CEO

Michael J. McKenney, Executive Vice President & CFO

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 30, 2017 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; the variability and uncertainties in sales of capital equipment in China; international sales and operations; the oriented strand board market and levels of residential construction activity; development and use of digital media; currency fluctuations; price increases or shortages of raw materials; dependence on certain suppliers; our acquisition strategy; failure of our information systems or breaches of data security; 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 likely exit from the European Union; our debt obligations; restrictions in our credit agreement; loss of key personnel; protection of patents and proprietary rights; fluctuations in our share price; soundness of financial institutions; environmental laws and regulations; 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 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 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 2018 second quarter earnings press release issued July 30, 2018, which is available in the Investors section of our website at www.kadant.com under the heading Press 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

President & CEO

Q2 2018 Financial Highlights

(\$ Millions, except per share amounts)	Q2 2018	Q2 2017	% CHANGE ²
Bookings	\$176.4	\$120.3	46.7%
Revenue	\$154.9	\$110.2	40.5%
Gross Margin	44.0%	47.9%	n.m.
Net Income	\$12.3	\$8.1	52.5%
Adjusted EBITDA ¹	\$26.1	\$19.0	37.4%
Adjusted EBITDA Margin ¹	16.9%	17.3%	n.m.
Diluted EPS	\$1.08	\$0.72	50.0%
Adjusted Diluted EPS ¹	\$1.07	\$1.04	2.9%
Cash Flow from Operations	\$28.4	\$23.7	19.7%

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 July 30, 2018.

² Percent change calculated using actual numbers reported in our press release dated July 30, 2018.

FX Translation and Acquisition Impact

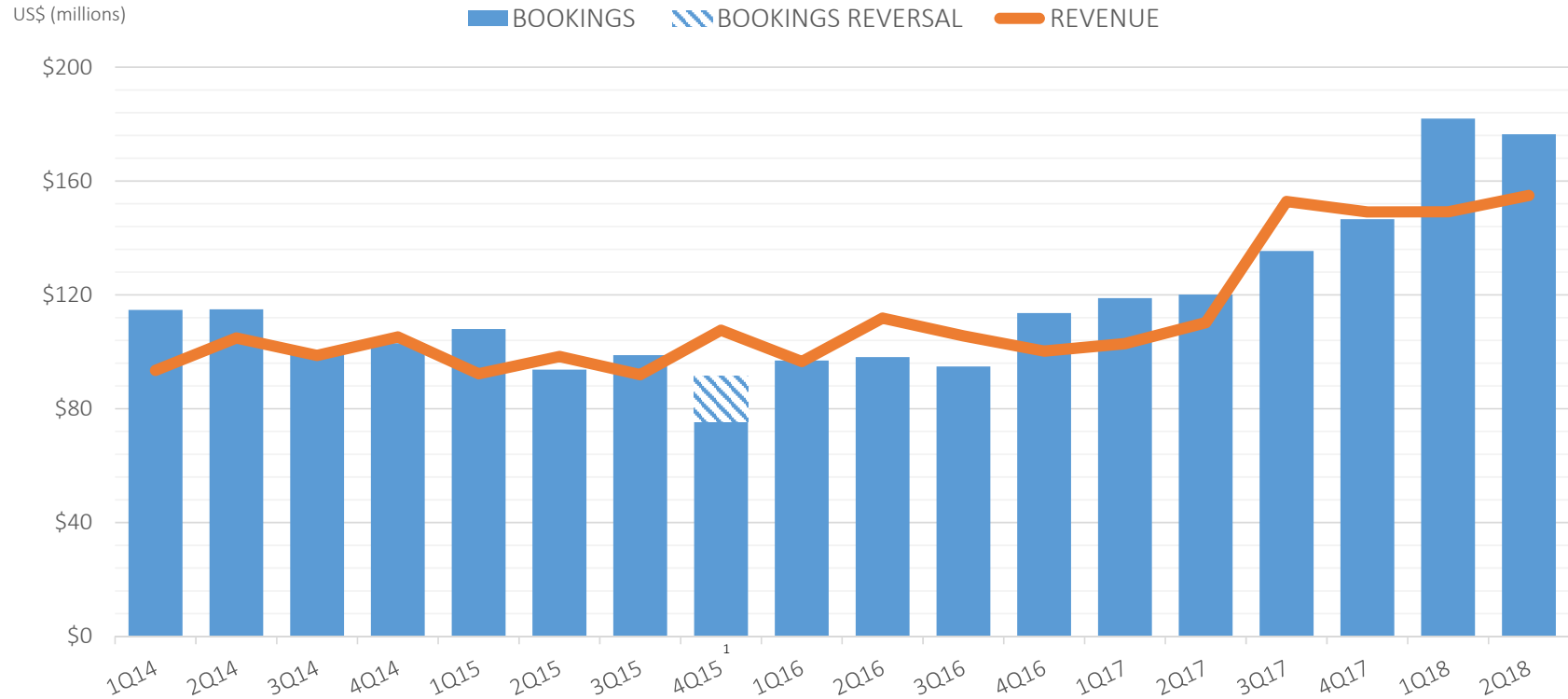
Q2 2018, \$ in millions except EPS	Revenue	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$154.9	\$176.4	\$94.9	\$95.5
Growth ¹	40.5%	46.7%	35.4%	40.0%
Growth excluding FX ²	36.3%	42.2%	32.2%	36.7%
Growth excluding FX and Acquisitions ³	10.1%	11.3%	5.5%	7.4%

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.

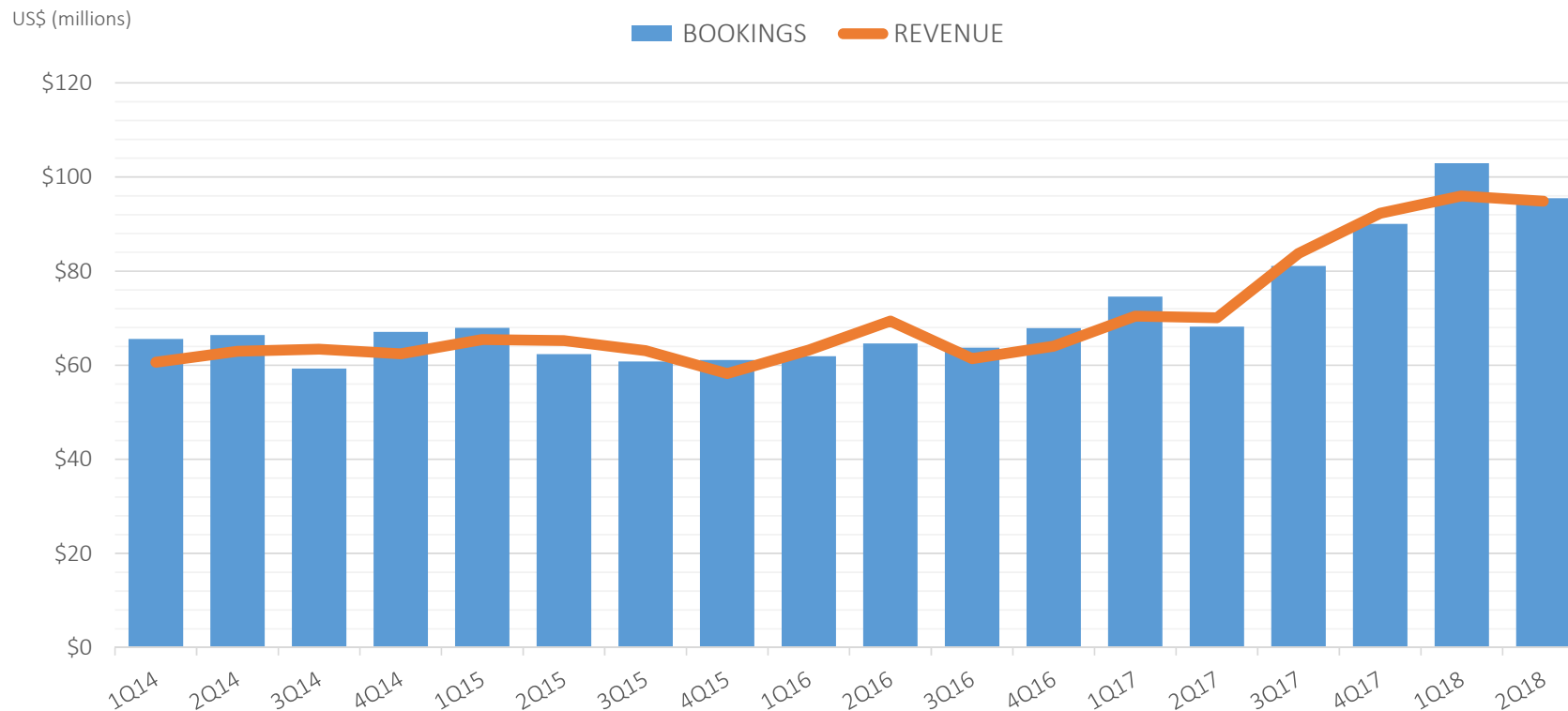
³ Represents the year-over-year percent change excluding the impact of acquisitions and current period versus prior period exchange rates. Acquired businesses are classified above as Acquisitions for the first four quarters after acquisition.

Bookings and Revenue

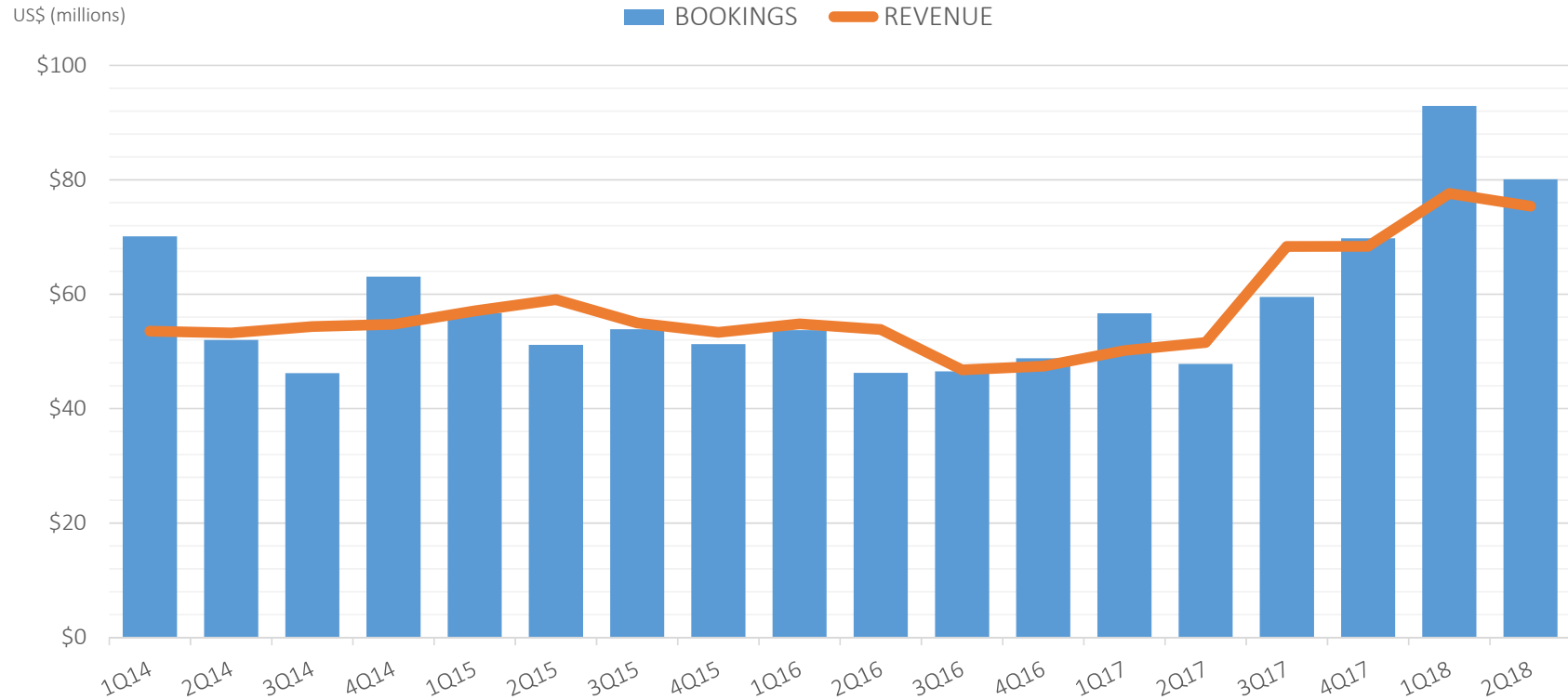


¹ Reported Q415 bookings were \$76 million, which included new orders of \$92 million and a booking reversal of \$16 million.

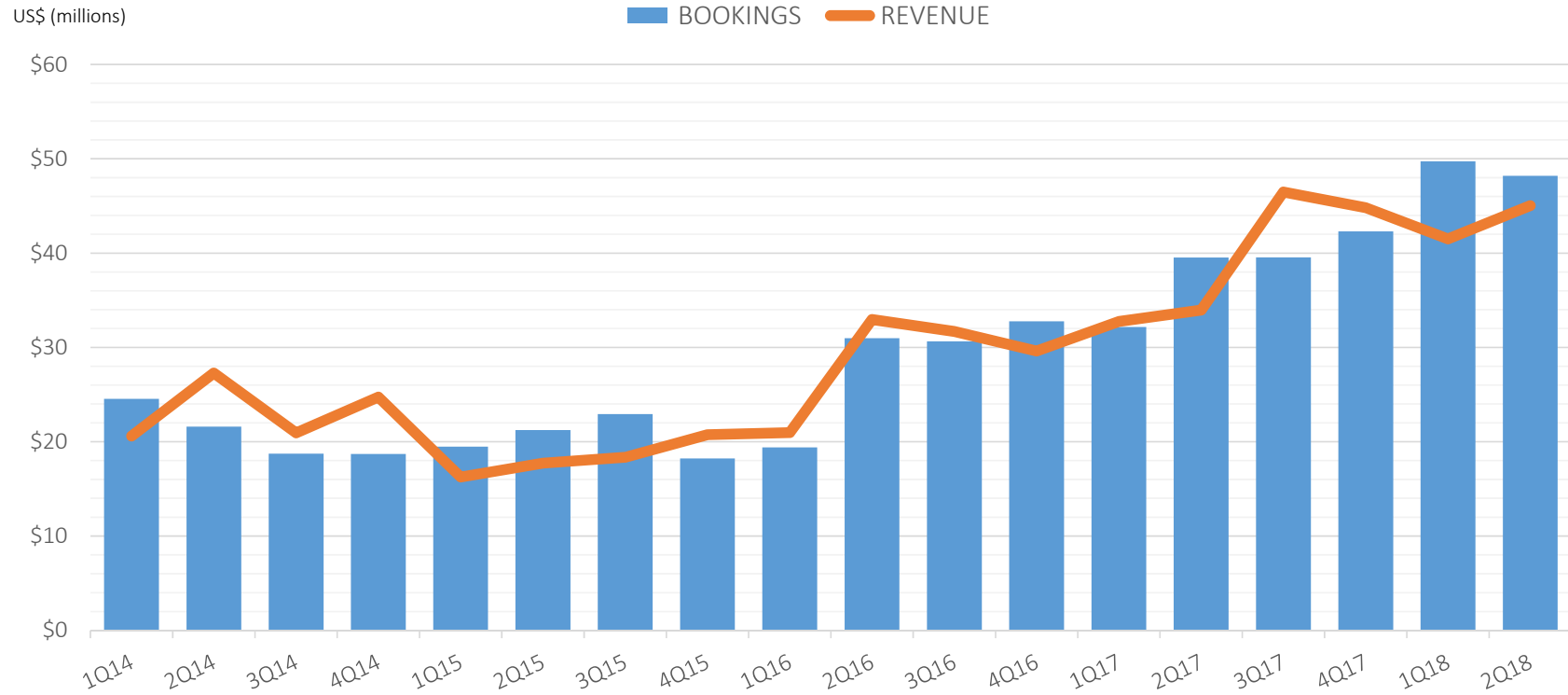
Parts and Consumables Bookings and Revenue



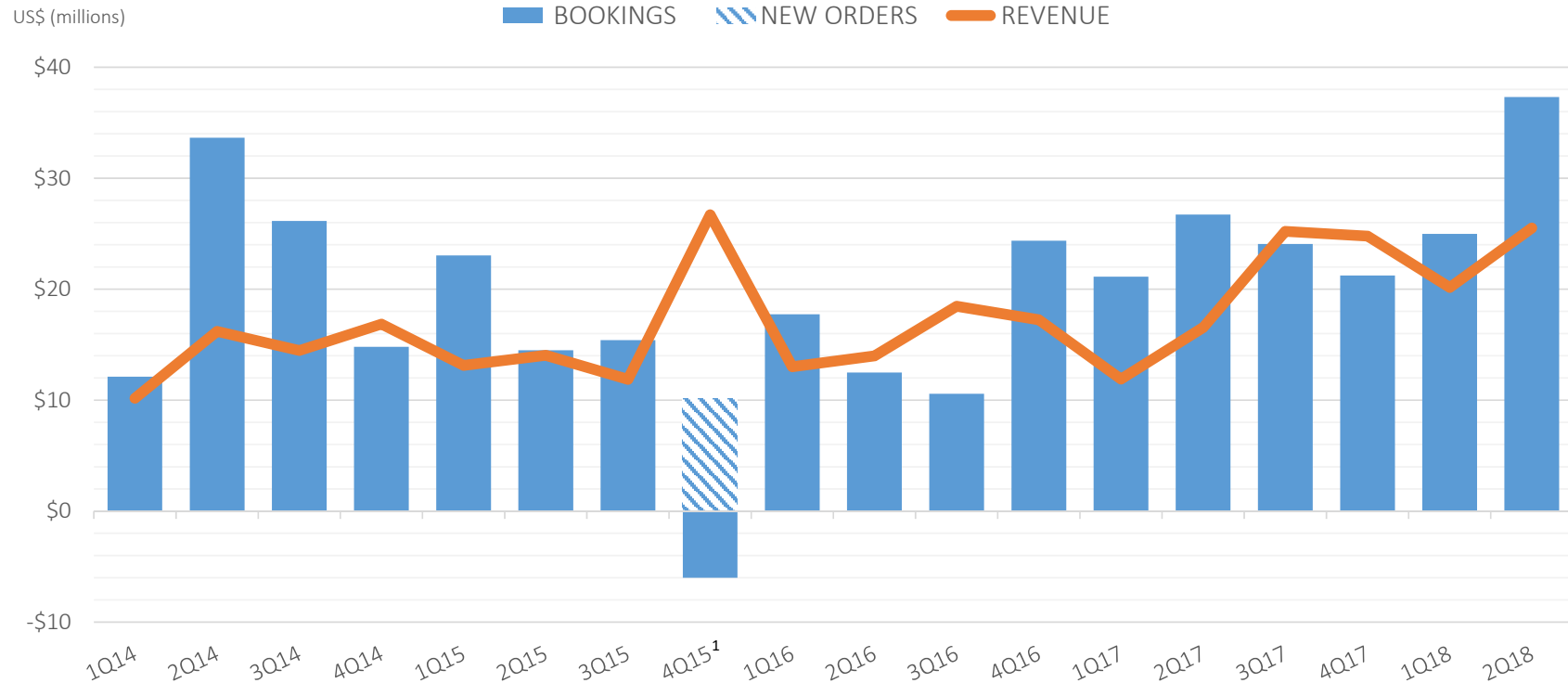
North America Bookings and Revenue



Europe Bookings and Revenue

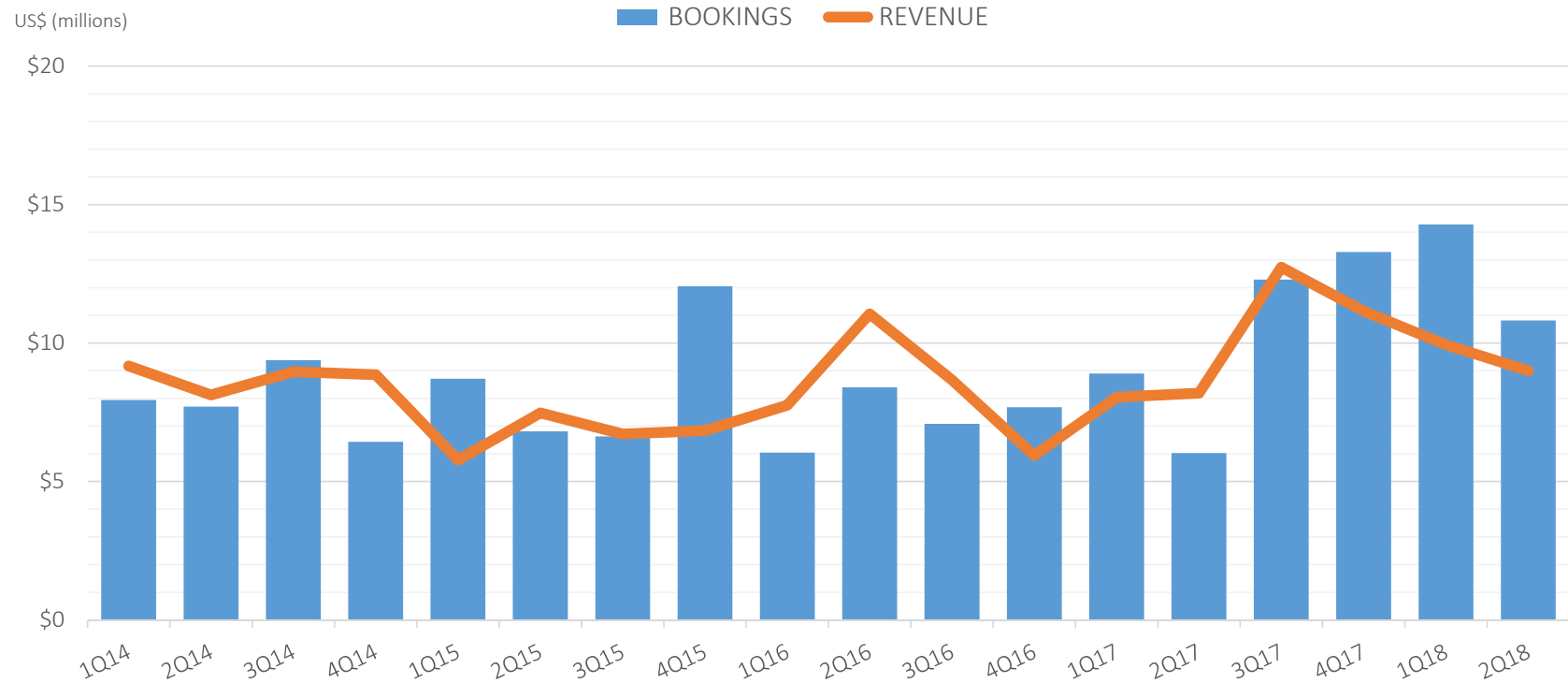


Asia Bookings and Revenue



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 Revenue



Guidance

- FY 2018 GAAP diluted EPS of \$4.89 to \$4.99
- FY 2018 adjusted diluted EPS* of \$5.00 to \$5.10
- FY 2018 revenue of \$630 to \$638 million
- Q3 2018 GAAP diluted EPS of \$1.35 to \$1.40
- Q3 2018 revenue of \$162 to \$166 million

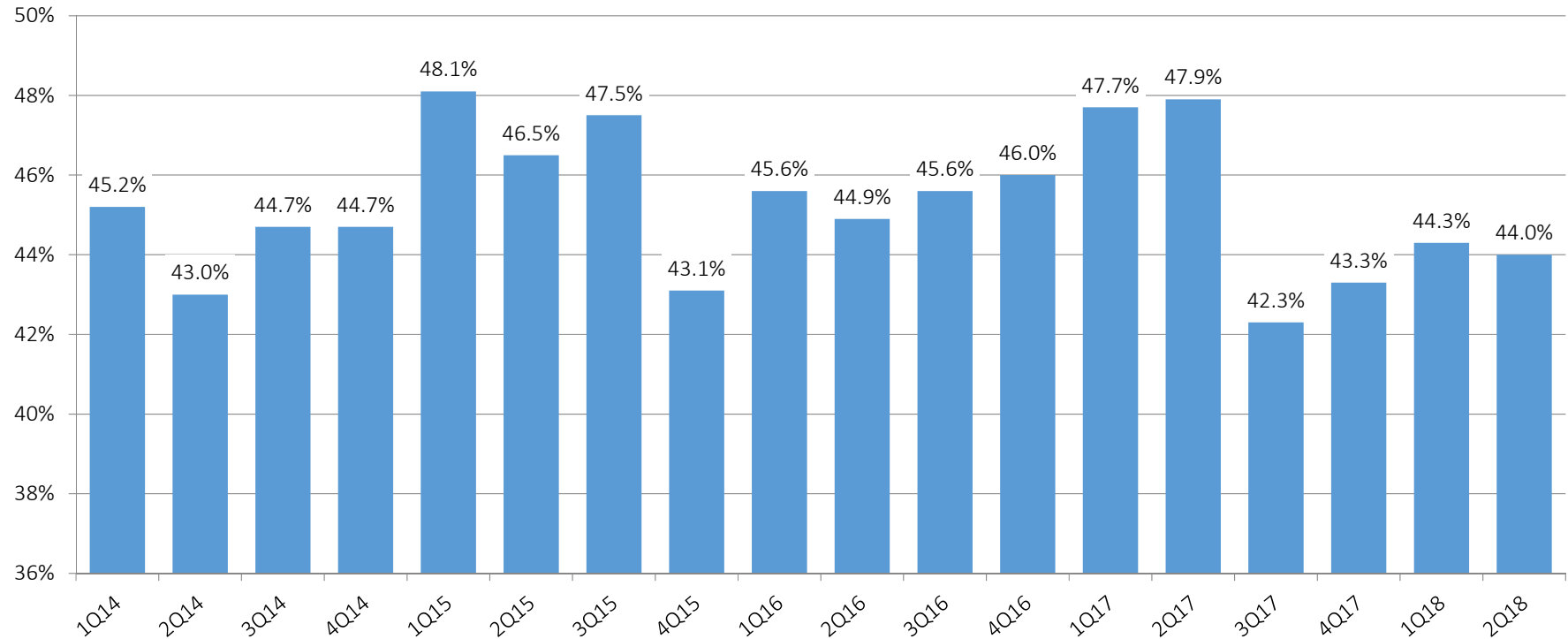
* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated July 30, 2018.

FINANCIAL REVIEW

Michael J. McKenney

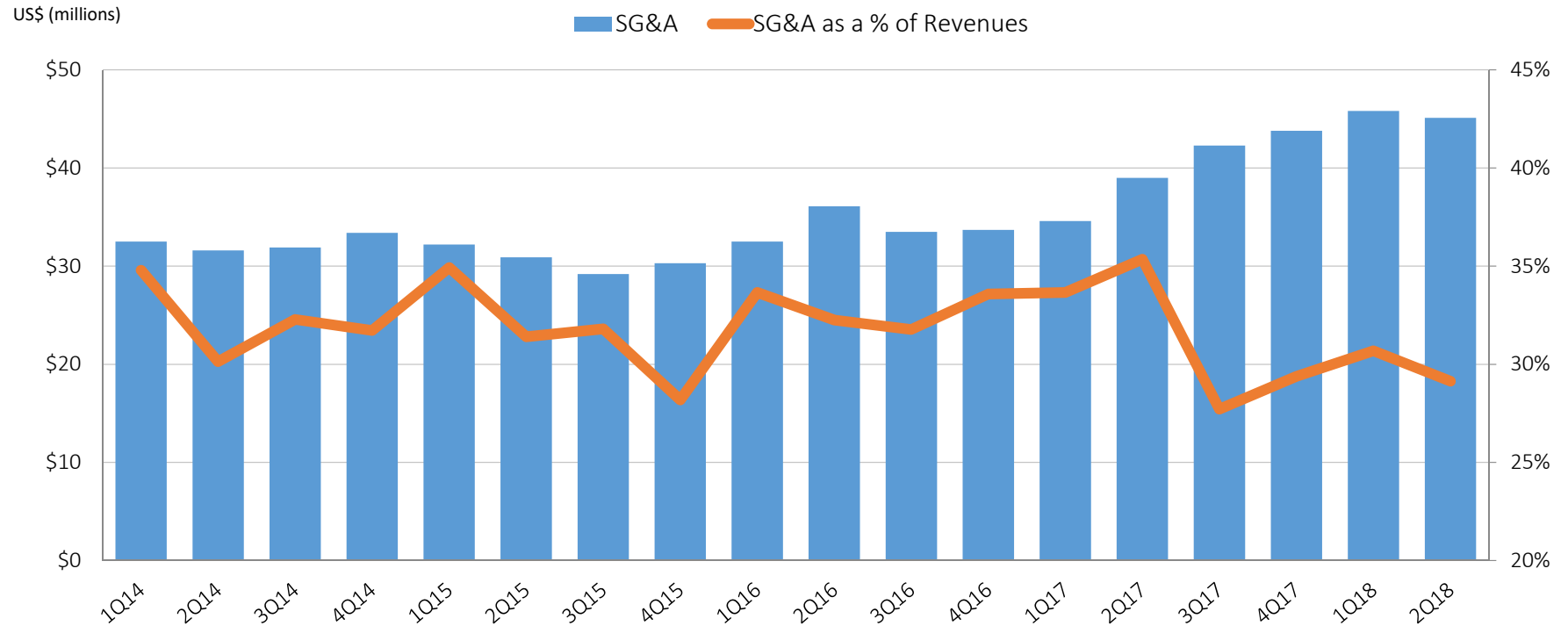
Executive Vice President & CFO

Gross Margin



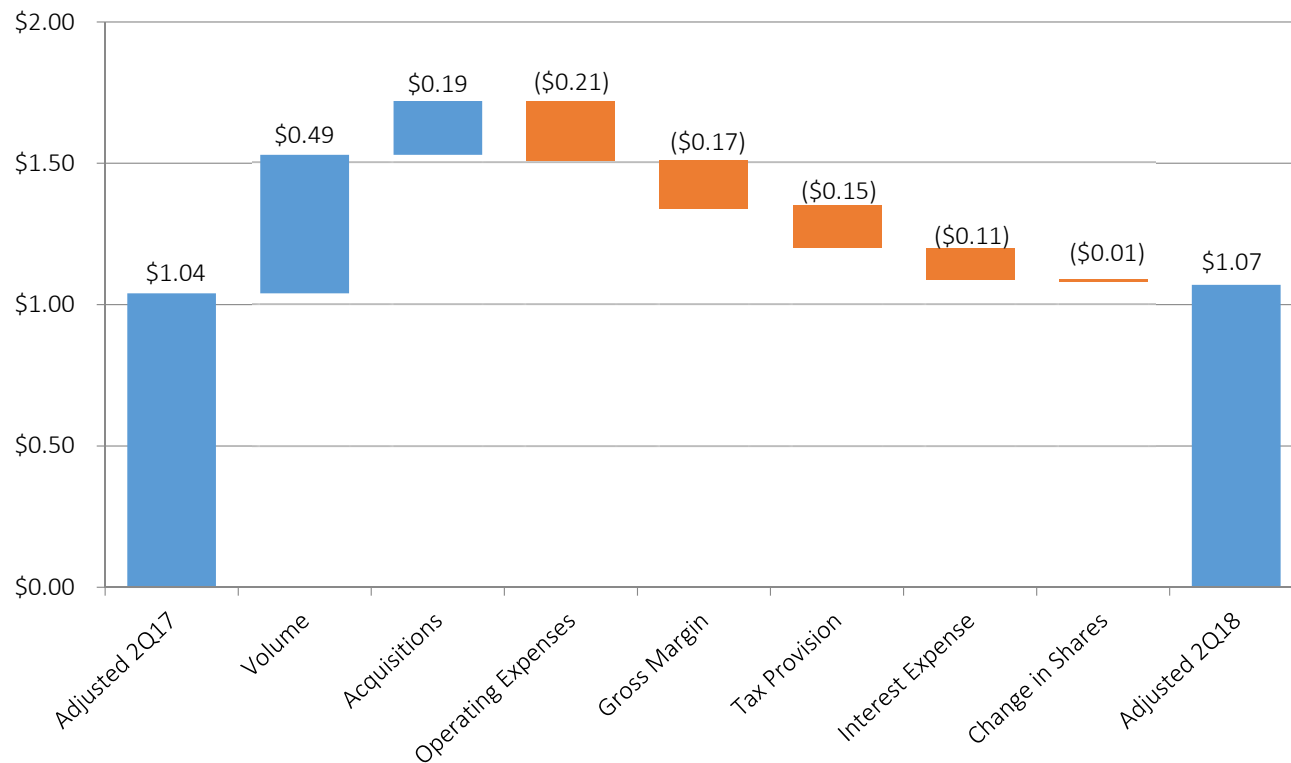
All data for 2017 and 2018 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

SG&A



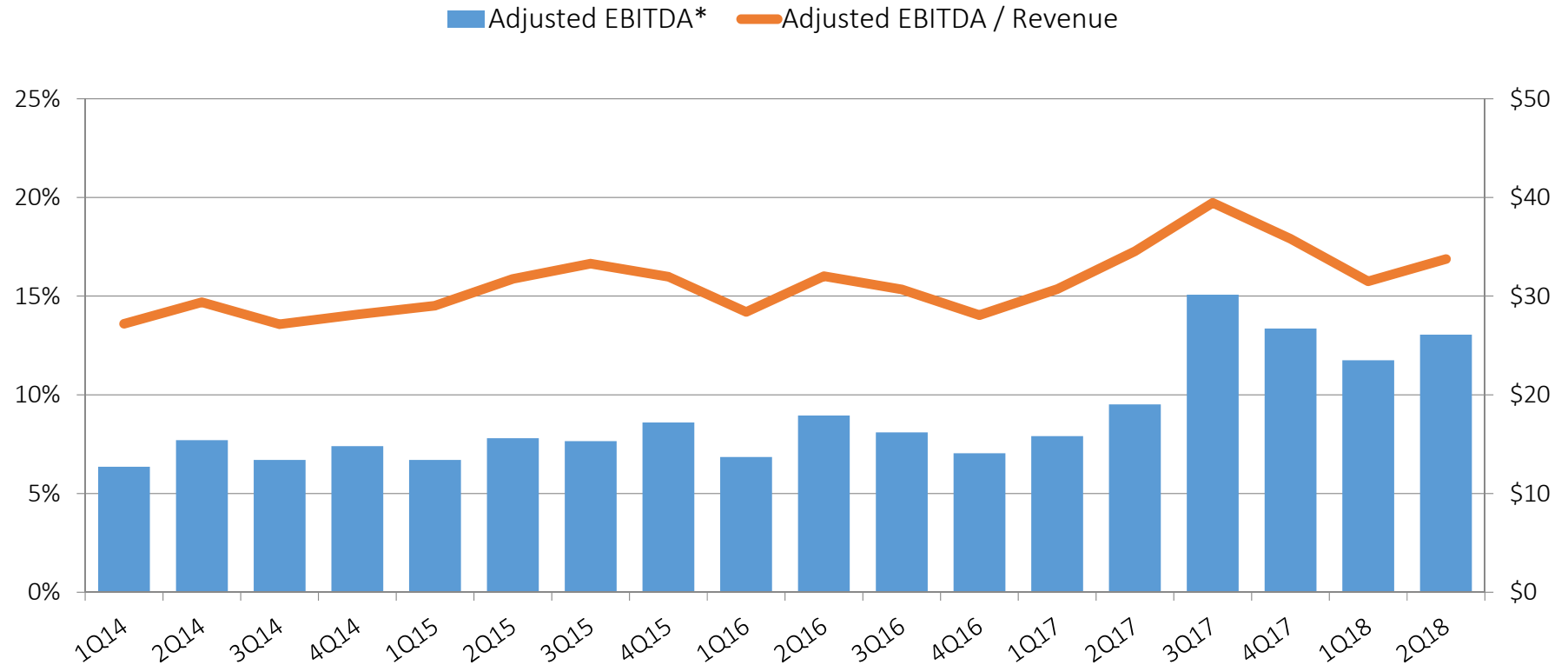
All data for 2017 and 2018 is presented in conformity with the Financial Accounting Standards Board's Accounting Standards Update No. 2017-07. Prior period amounts have not been restated.

2Q17 to 2Q18 Adjusted Diluted EPS*



* Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our press release dated July 30, 2018.

Adjusted EBITDA*



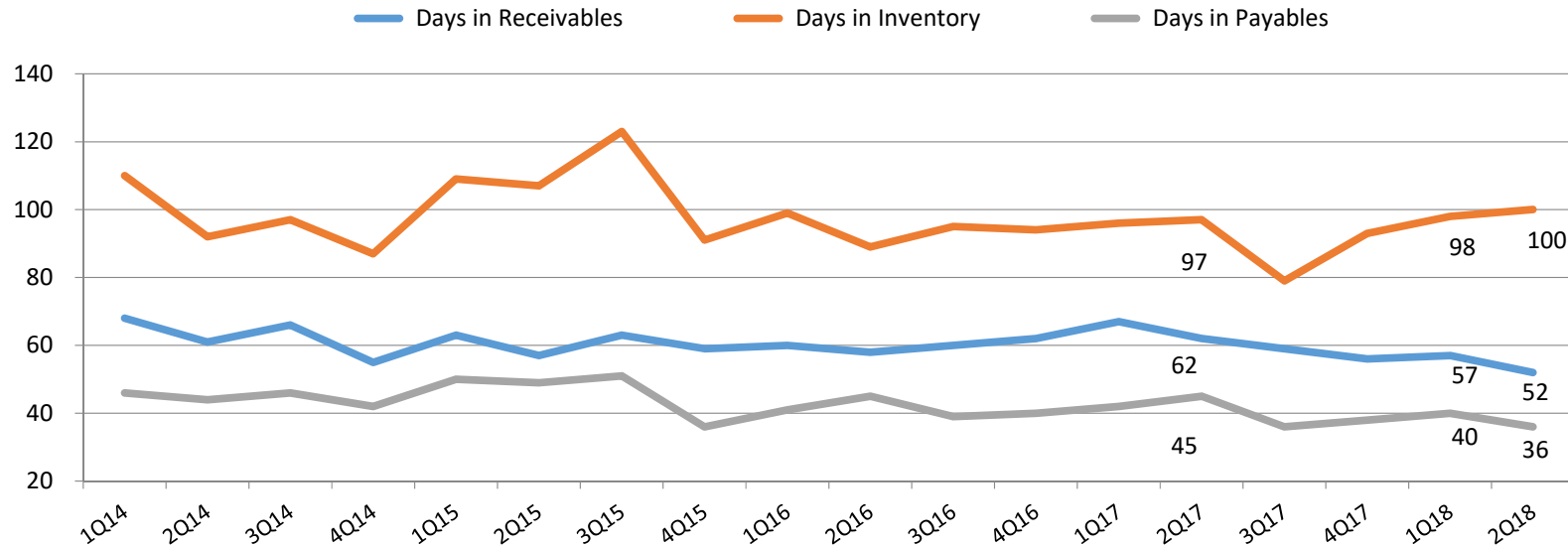
* Adjusted EBITDA is a non-GAAP financial measure that excludes certain items as detailed in our press release dated July 30, 2018.

Cash Flow

US\$ (millions)	2Q18	2Q17
Net Income	\$12.5	\$8.2
Depreciation and Amortization	5.8	3.3
Stock-Based Compensation	2.2	1.4
Other Items	(0.3)	1.5
Change in Current Assets & Liabilities (excl. acquisitions)	8.2	9.3
Cash Provided by Operating Activities	\$28.4	\$23.7

Key Working Capital Metrics

	2Q18	1Q18	2Q17
Days in Receivables	52	57	62
Days in Inventory	100	98	97
Days in Payables	36	40	45

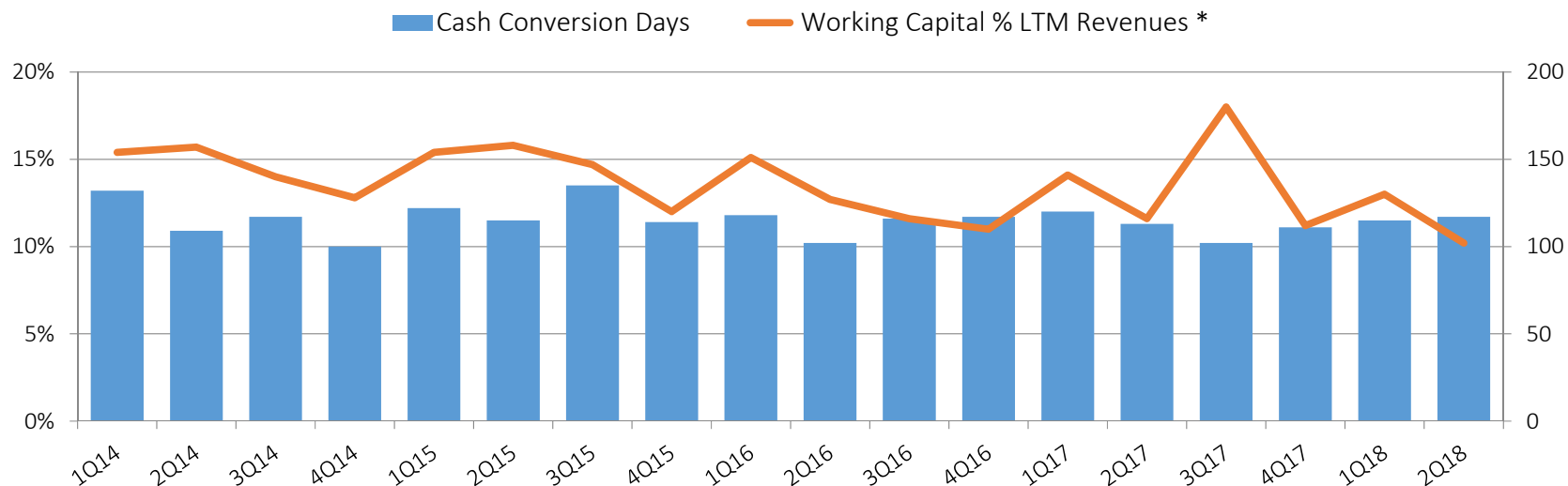


Working Capital and Cash Conversion Days

	2Q18	1Q18	2Q17
Working Capital % LTM Revenues*	10.2%	13.0%	11.6%
Cash Conversion Days**	116 days	115 days	113 days

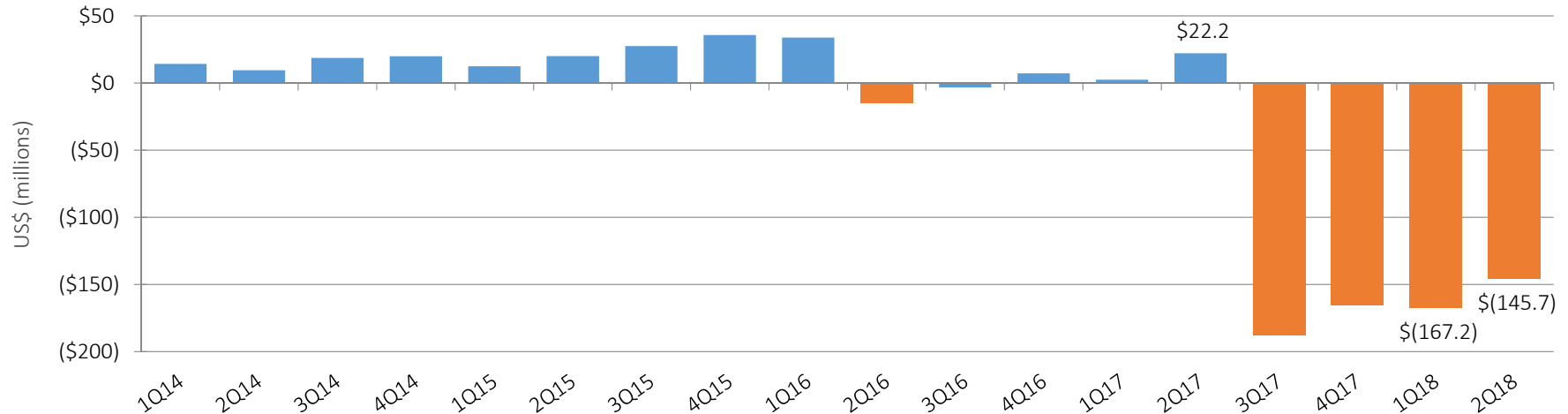
*Working Capital is defined as current assets less current liabilities, excluding cash and debt.

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

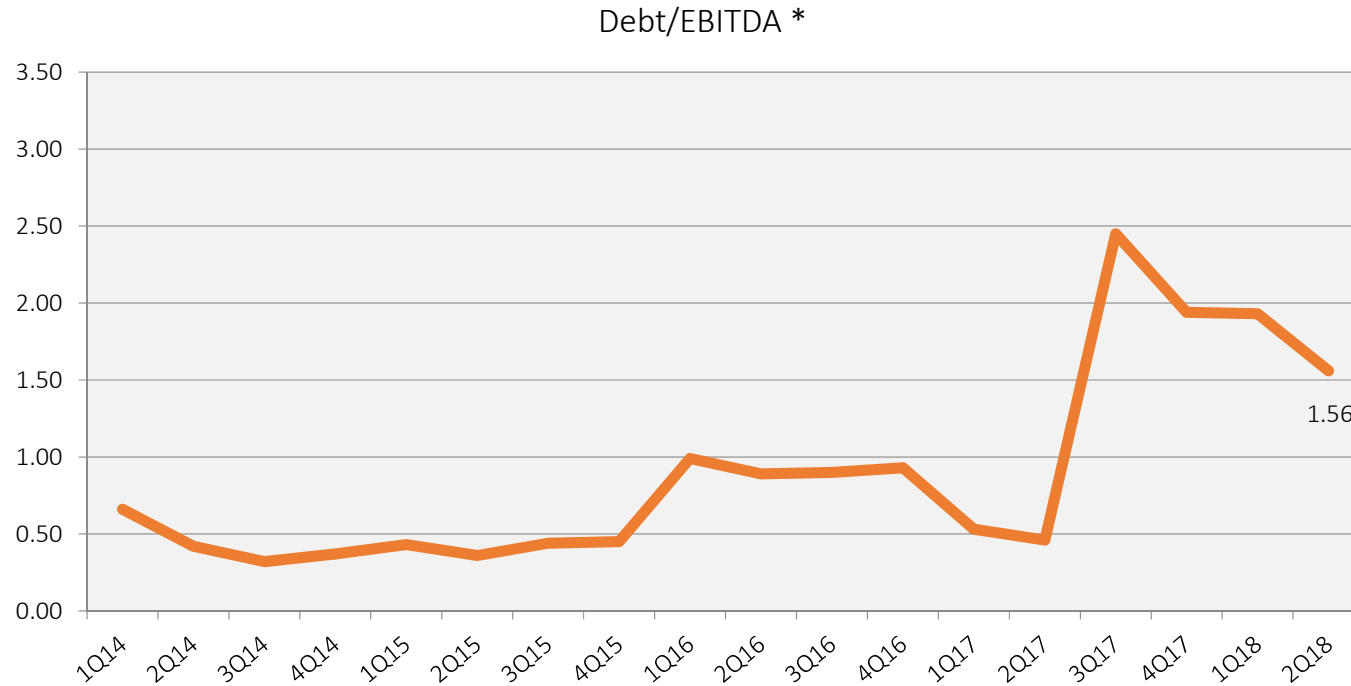


Cash and Debt

US\$ (millions)	2Q18	1Q18	2Q17
Cash, cash equivalents, and restricted cash	\$61.2	\$73.7	\$88.0
Debt	(202.2)	(235.8)	(60.7)
Capital lease obligations	(4.7)	(5.1)	(5.1)
Net (debt) cash	\$(145.7)	\$(167.2)	\$22.2



Leverage Ratio



*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 1Q14 to 4Q16, total debt is defined as debt less domestic cash of up to \$25 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 **906 8779**.

Please mute the audio on your computer.

Key Take-Aways

- Strong internal growth in revenue and bookings in Q2
- Capacity build-out in Southeast Asia presents new opportunities
- Excellent cash flow from operations in Q2
- Expecting record revenue and diluted EPS in 2018



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