

**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): February 23, 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))
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**KADANT INC.**

**Item 7.01 Regulation FD Disclosure.**

On February 23, 2017, Kadant Inc. (the “Company”) will hold a webcast and conference call to discuss its financial results for the fiscal quarter and year ended December 31, 2016. 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

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99 Slides to be presented by the Company on February 23, 2017.

**KADANT INC.**

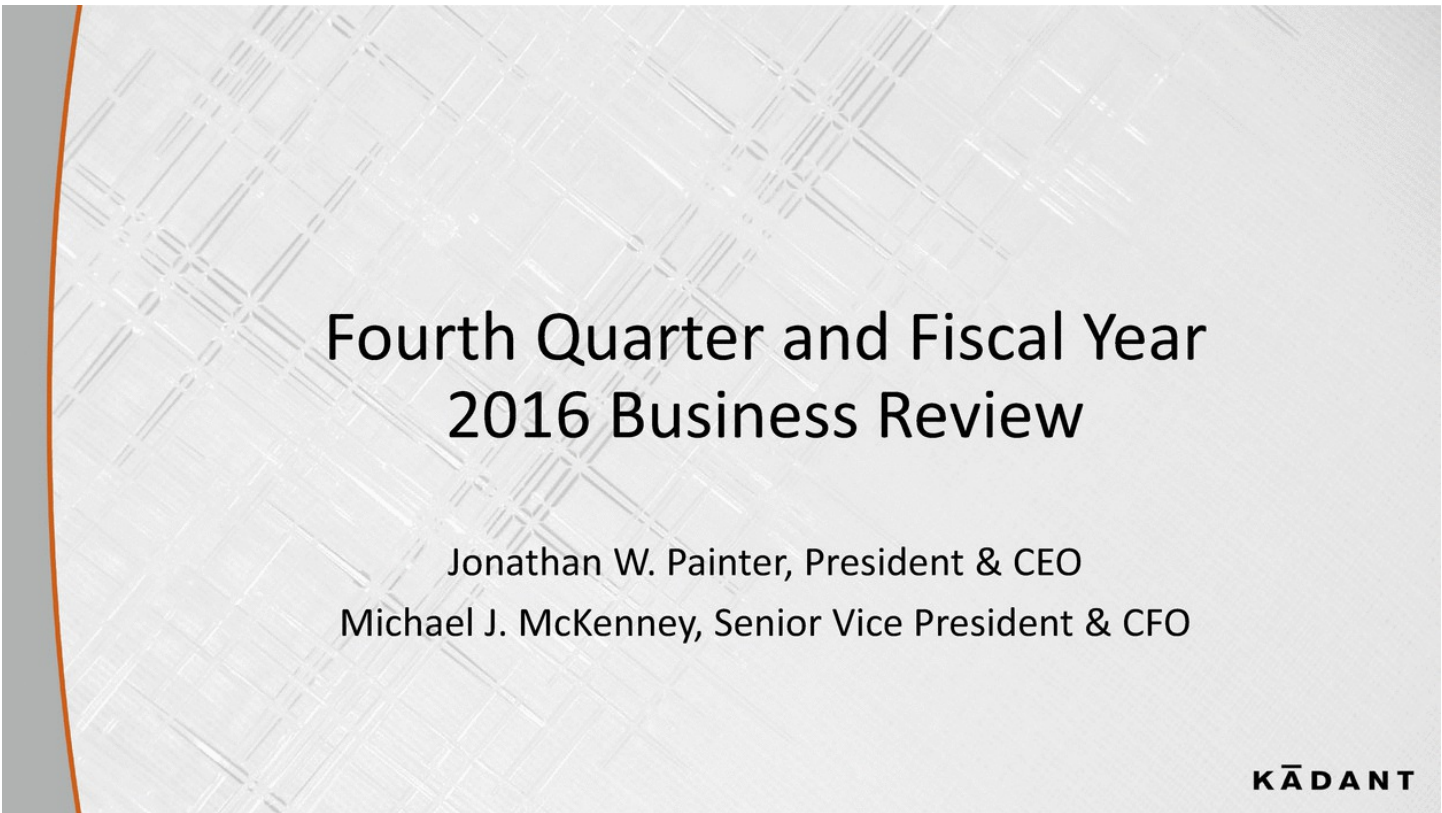
**SIGNATURE**

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: February 23, 2017

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



# Fourth Quarter and Fiscal Year 2016 Business Review

Jonathan W. Painter, President & CEO

Michael J. McKenney, Senior Vice President & CFO

**KĀDANT**

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# 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 January 2, 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 excluding 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 U.S. GAAP financial measures is shown in our 2016 fourth quarter earnings press release issued February 23, 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

**KĀDANT**

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# Fourth Quarter Highlights

- Solid quarter across a broad range of metrics
- Strong bookings
- Excellent cash flows
- PAAL balers introduced to North American market



## Q4 2016 Financial Highlights

(\$ Millions, except per share amounts)	Q4 2016	Q4 2015	% CHANGE <sup>3</sup>	EXCL. FX <sup>3</sup>
Revenue	\$100.2	\$107.6	-6.8%	-5.3%
Gross Margin	46.0%	43.1%	n.m.	n.m.
Net Income <sup>1</sup>	\$7.7	\$10.4	-25.5%	-21.5%
Adjusted EBITDA <sup>1,2</sup>	\$14.1	\$17.2	-18.3%	-15.5%
Adjusted EBITDA/Revenue <sup>1,2</sup>	14.0%	16.0%	n.m.	n.m.
Diluted EPS <sup>1</sup>	\$0.69	\$0.94	-26.6%	-22.3%
Adjusted Diluted EPS <sup>1,2</sup>	\$0.69	\$0.95	-27.4%	-23.2%
Bookings	\$113.6	\$75.5	50.4%	53.4%
Cash Flow <sup>1</sup>	\$16.3	\$12.3	31.9%	n.m.

<sup>1</sup> Net income, diluted EPS, adjusted diluted EPS, adjusted EBITDA, and cash flow are from continuing operations.

<sup>2</sup> Adjusted EBITDA, adjusted EBITDA margin, and adjusted diluted EPS are non-GAAP financial measures that exclude certain items as detailed in our Q4 2016 earnings release dated February 23, 2017.

<sup>3</sup> Percent change calculated using actual numbers reported in our Q4 2016 earnings release dated February 23, 2017.

# 2016 Financial Highlights

(\$ Millions, except per share amounts)	2016	2015	% CHANGE <sup>3</sup>	EXCL. FX <sup>3</sup>
Revenue	\$414.1	\$390.1	6.2%	8.3%
Gross Margin	45.5%	46.2%	n.m.	n.m.
Net Income	\$32.1	\$34.4	-6.7%	-1.6%
Adjusted EBITDA <sup>1, 2</sup>	\$61.9	\$61.5	0.5%	4.2%
Adjusted EBITDA/Revenue <sup>1, 2</sup>	14.9%	15.8%	n.m.	n.m.
Diluted EPS	\$2.88	\$3.10	-7.1%	-1.9%
Adjusted Diluted EPS <sup>1, 2</sup>	\$3.10	\$3.13	-1.0%	4.2%
Bookings	\$403.5	\$376.1	7.3%	9.7%
Adjusted Return on Invested Capital	12.5%	15.0%	n.m.	n.m.
Cash Flow <sup>1</sup>	\$51.0	\$40.4	26.2%	n.m.

<sup>1</sup> Adjusted diluted EPS, adjusted EBITDA, and cash flow are from continuing operations.

<sup>2</sup> Adjusted EBITDA, adjusted EBITDA margin, and adjusted diluted EPS are non-GAAP financial measures that exclude certain items as detailed in our Q4 2016 earnings release dated February 23, 2017.

<sup>3</sup> Percent change calculated using actual numbers reported in our Q4 2016 earnings release dated February 23, 2017.

# FX Translation and Acquisition Impact

Q4 2016, \$ in millions except EPS	Revenue	Adjusted EPS <sup>4</sup>	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$100.2	\$0.69	\$113.6	\$64.0	\$67.9
Growth <sup>1</sup>	-6.8%	-27.4%	50.4%	10.0%	11.1%
Growth excluding FX <sup>2</sup>	-5.3%	-23.2%	53.4%	11.8%	12.7%
Growth excluding FX and Acquisitions <sup>3</sup>	-16.5%	-28.4%	37.4%	4.9%	5.9%

Fiscal Year 2016	Revenue	Adjusted EPS <sup>3</sup>	Bookings	Parts & Consumables Revenue	Parts & Consumables Bookings
As Reported	\$414.1	\$3.10	\$403.5	\$258.2	\$258.2
Growth <sup>1</sup>	6.2%	-1.0%	7.3%	2.4%	2.4%
Growth excluding FX <sup>2</sup>	8.3%	4.2%	9.7%	4.6%	4.6%
Growth excluding FX and Acquisitions <sup>3</sup>	-2.1%	-4.5%	-0.8%	-0.5%	-0.6%

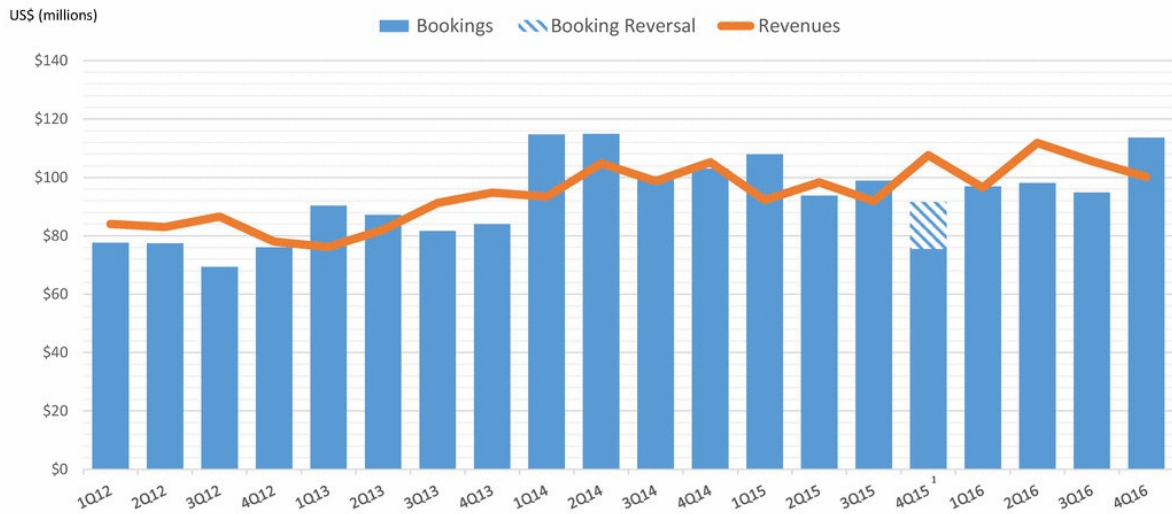
<sup>1</sup> Growth is the year-over-year percent change between the current period and the comparable prior period.

<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.

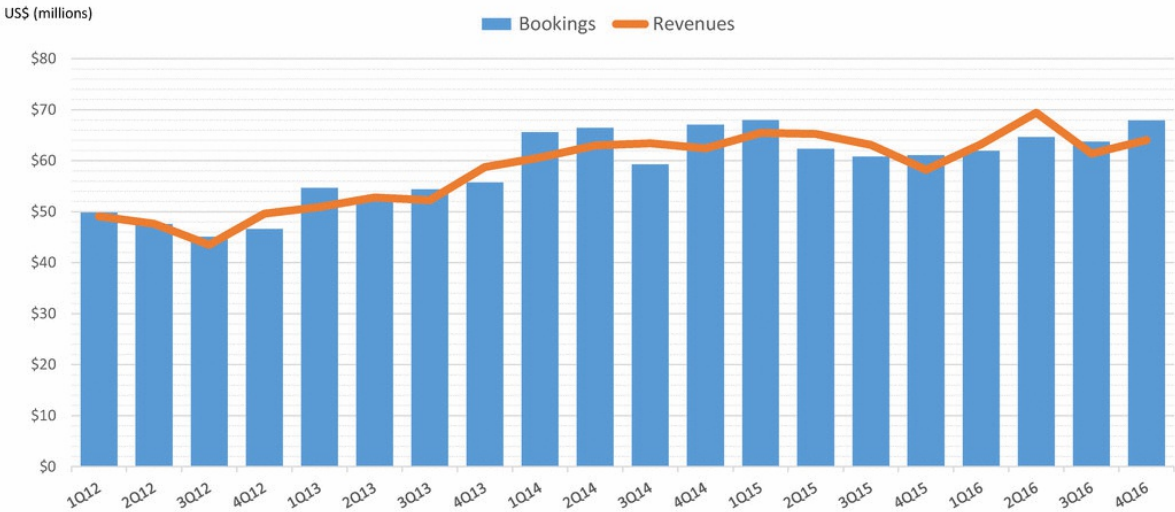
<sup>4</sup> Adjusted diluted EPS is a non-GAAP financial measure that excludes certain items as detailed in our Q4 2016 earnings release dated February 23, 2017.

# Bookings and Revenues

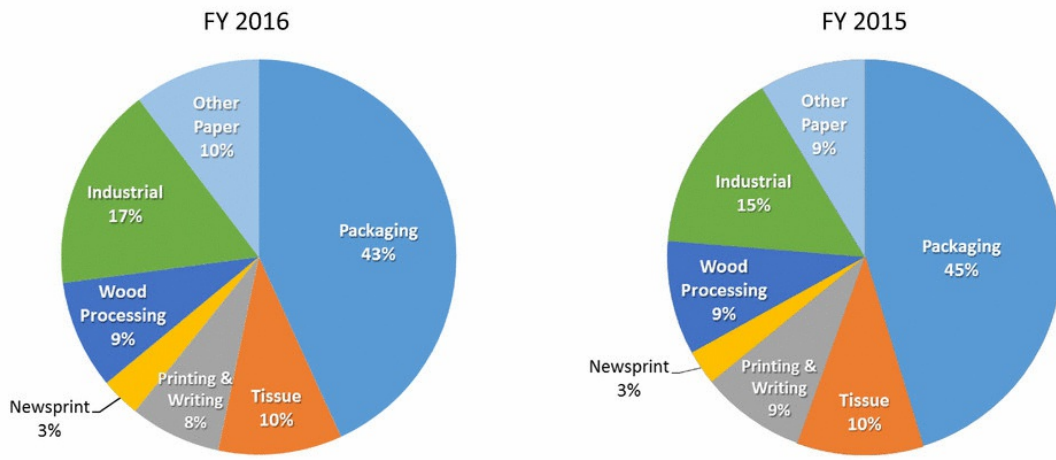


<sup>1</sup> Reported Q415 bookings were \$76 million, which included new orders of \$92 million and a booking reversal of \$16 million.

# Parts and Consumables Bookings and Revenues

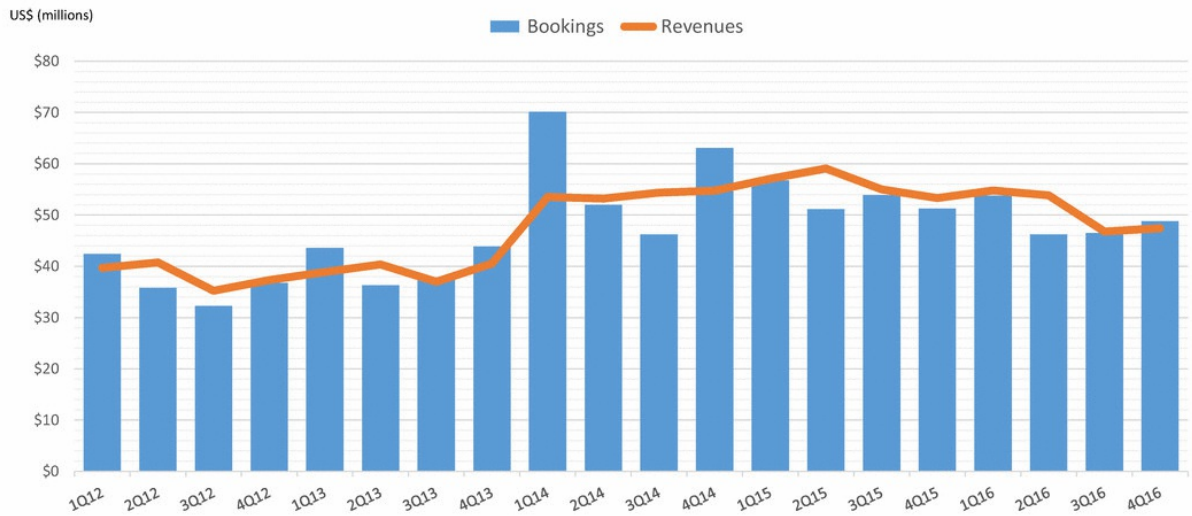


# Kadant Revenue Source by Market

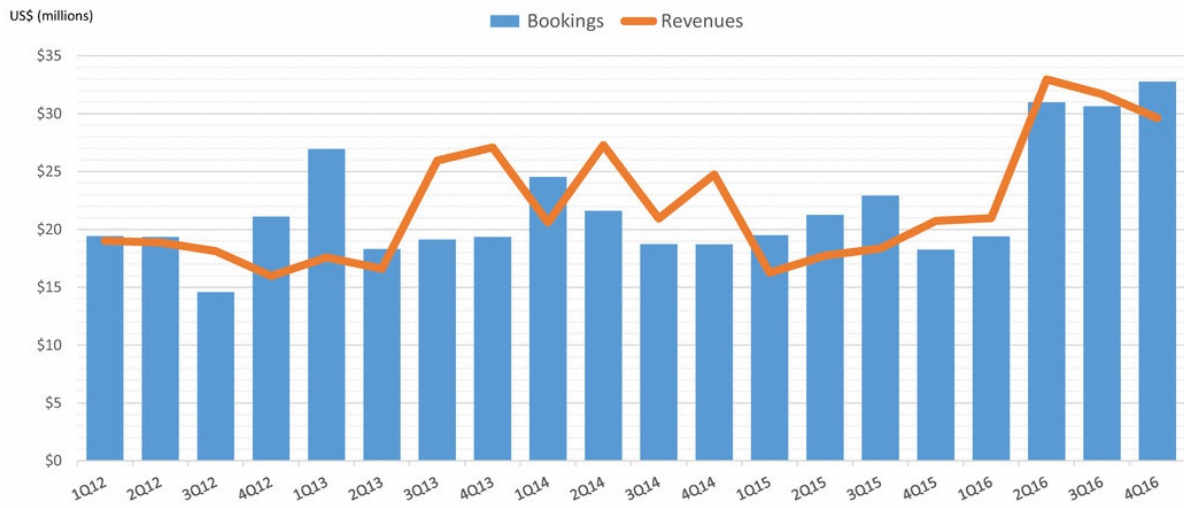


Percentages estimated by Company using 2016 and 2015 revenues.

# North America Bookings and Revenues

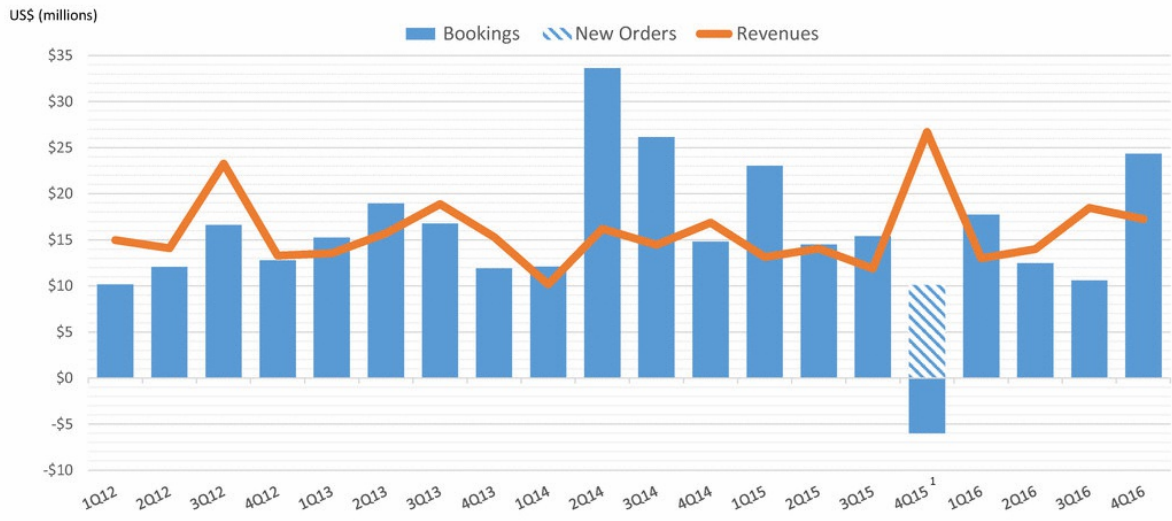


# Europe Bookings and Revenues





# 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 \$3.13 to \$3.23
- FY 2017 revenue of \$423 to \$433 million
  
- Q1 2017 GAAP diluted EPS of \$0.62 to \$0.66
- Q1 2017 revenue of \$97 to \$100 million

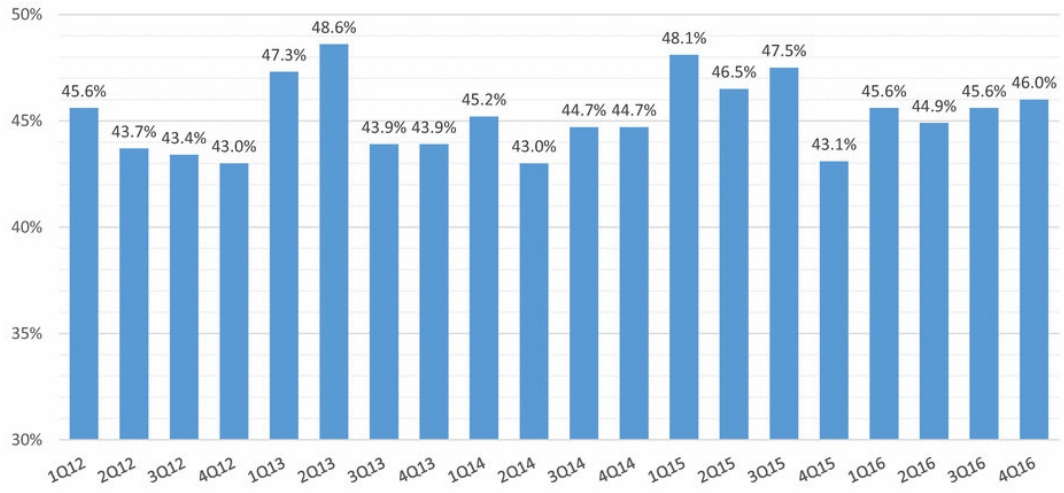
# FINANCIAL REVIEW

**Michael J. McKenney**

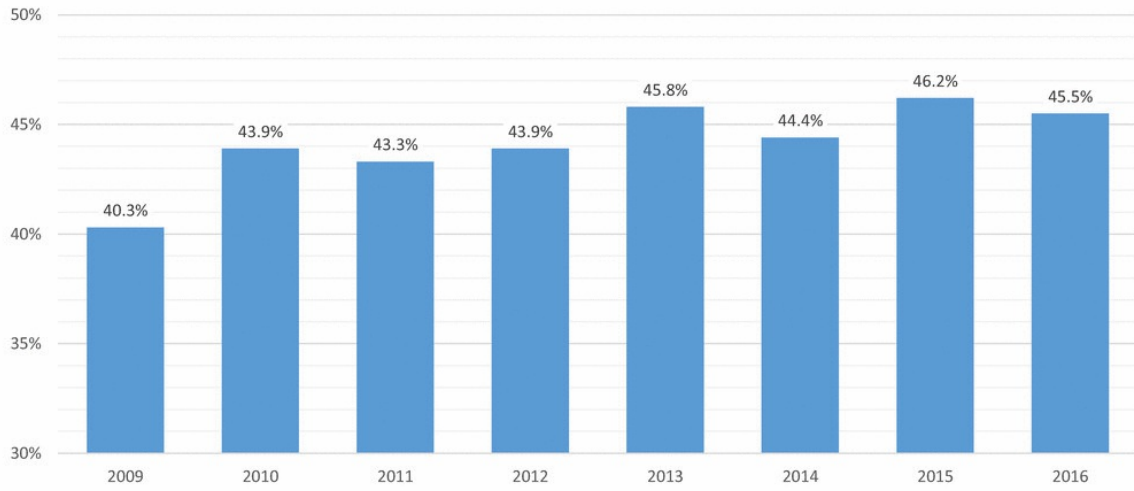
Senior Vice President & Chief Financial Officer

**KĀDANT**

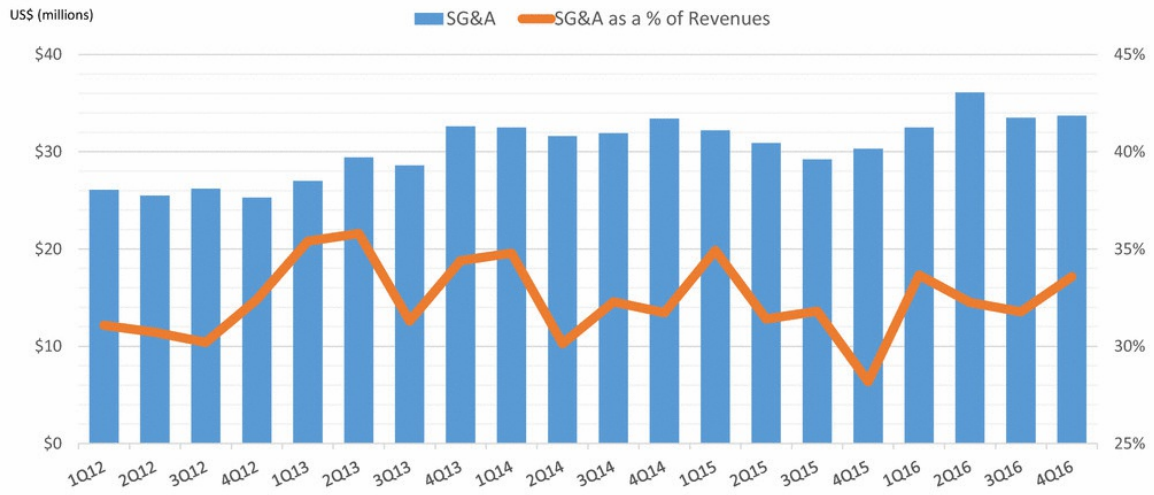
# Quarterly Gross Margins



# Full-Year Gross Margins



# Quarterly SG&A

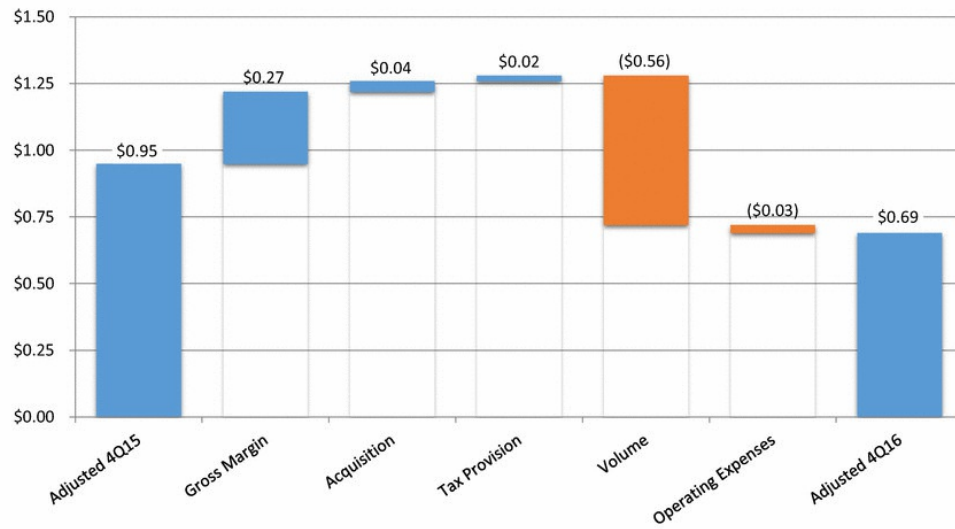


# Full-Year SG&A

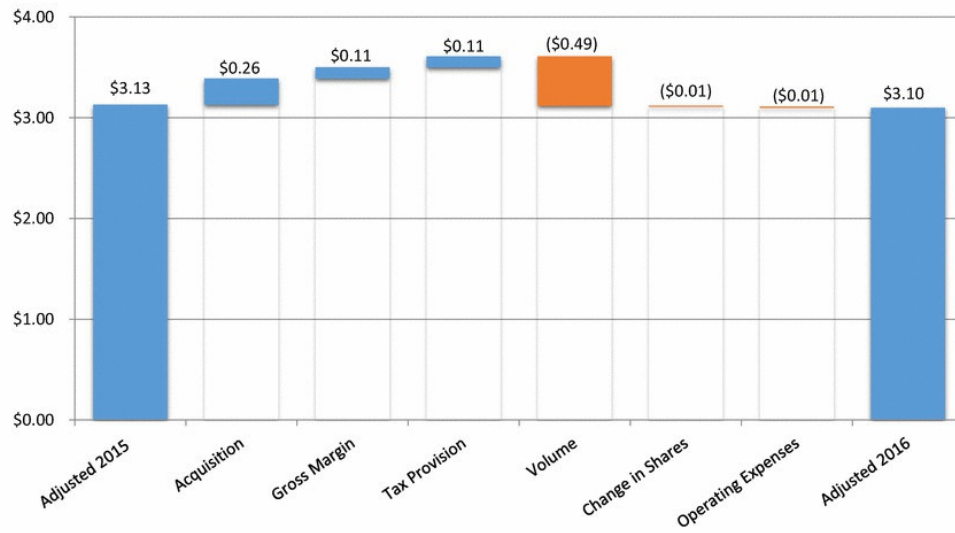




## 4Q15 to 4Q16 Adjusted Diluted EPS



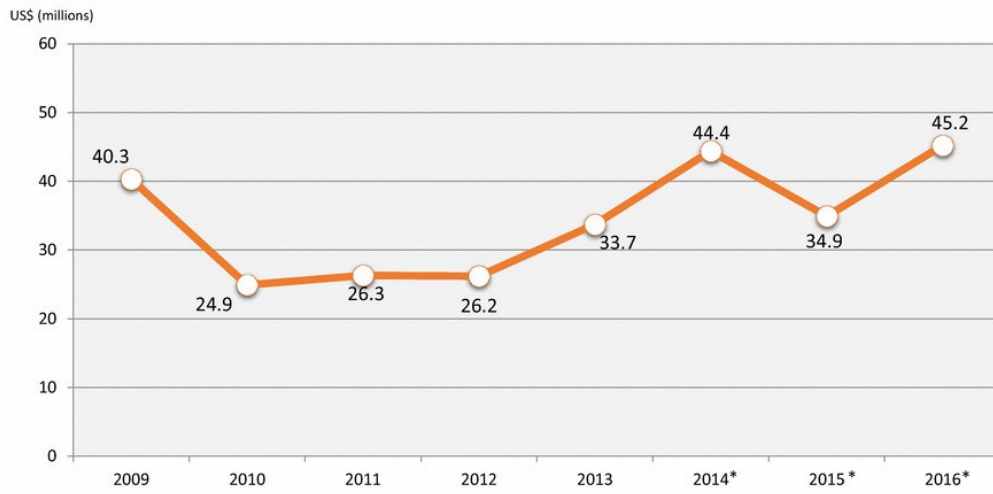
## 2015 to 2016 Adjusted Diluted EPS



# Cash Flow

US\$ (millions)	<b>4Q16</b>	<b>4Q15</b>	<b>2016</b>	<b>2015</b>
Income from Continuing Operations	\$7.8	\$10.4	\$32.5	\$34.6
Depreciation and Amortization	3.4	2.6	14.3	10.8
Stock-Based Compensation	1.2	1.2	5.1	5.7
Other Items	0.3	(2.0)	(0.3)	(3.5)
Change in Current Assets & Liabilities (excl. acquisition)	3.6	0.1	(0.6)	(7.2)
Cash Provided by Operating Activities	<b>\$16.3</b>	<b>\$12.3</b>	<b>\$51.0</b>	<b>\$40.4</b>

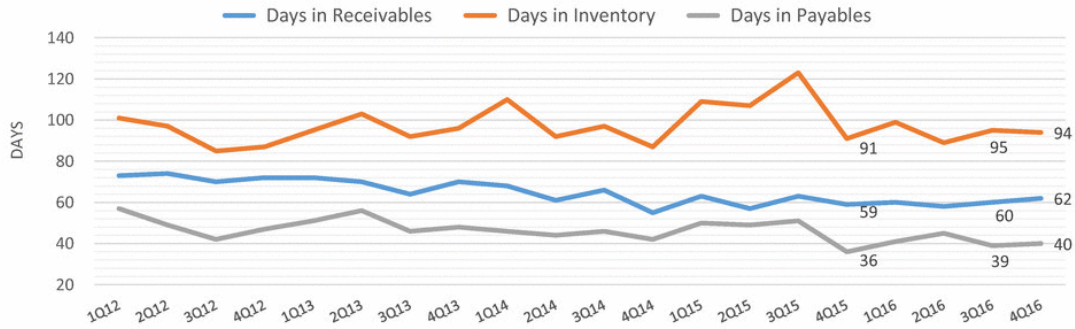
# Free Cash Flow



\* Presented in conformity with Financial Accounting Standards Board's Accounting Standards Update No. 2016-09.  
Free cash flow is defined as cash flows from continuing operations less purchases of property, plant, and equipment.

# Key Working Capital Metrics

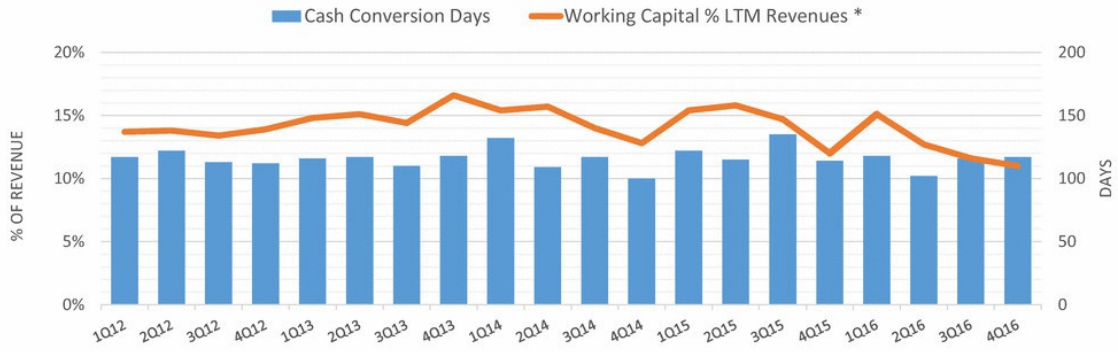
	4Q16	3Q16	4Q15
Days in Receivables	62	60	59
Days in Inventory	94	95	91
Days in Payables	40	39	36



# Working Capital and Cash Conversion Days

	4Q16	3Q16	4Q15
Working Capital % LTM Revenues*	11.0%	11.6%	12.0%
Cash Conversion Days**	117 days	116 days	114 days

\*Working Capital is defined as current assets less current liabilities, excluding cash, debt, and the discontinued operation.  
 \*\* Based on days in receivables plus days in inventory less days in accounts payable.

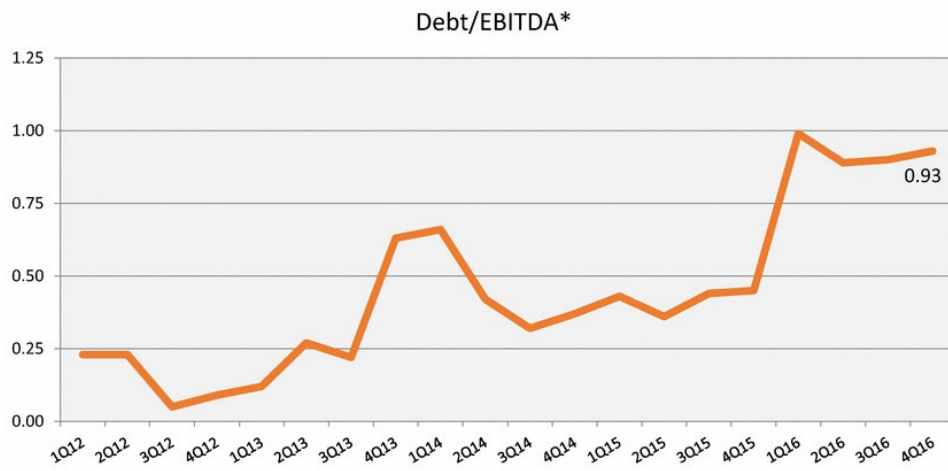


# Cash and Debt

US\$ (millions)	4Q16	3Q16	4Q15
Cash, cash equivalents, and restricted cash	\$73.6	\$65.5	\$66.9
Debt	(61.5)	(63.5)	(31.2)
Lease obligations	(4.9)	(5.3)	—
Net Cash (Debt)	<b>\$7.2</b>	<b>\$(3.3)</b>	<b>\$35.7</b>



# Leverage Ratio



\* Calculated by adding or subtracting certain items, as required by our Credit Facility, from Adjusted EBITDA. Under our current Credit Facility entered into on August 3, 2012, and amended on November 1, 2013, total debt is defined as debt less domestic cash of up to \$25 million. For periods prior to 3Q12, total debt was not reduced for domestic cash.



## Guidance

- Q1 2017 GAAP diluted EPS of \$0.62 to \$0.66
- FY 2017 GAAP diluted EPS of \$3.13 to \$3.23
- CAPEX of \$7 to \$8 million
- Depreciation & Amortization Expense of \$13.5 million

# Summary

- Record 2016 revenue and adjusted EBITDA
- Strong Q4 bookings
- Excellent gross margin
- Record 2016 free cash flow
- Expecting record revenue and EPS in 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 **398 78 251**

*Please mute the audio on your computer.*

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**KĀDANT**

