

KENNAMETAL INC
Form 424B2
June 06, 2018
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-219971

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
4.625% Senior Notes due 2028	\$300,000,000	\$37,350

- (1) The filing fee of \$37,350 is calculated in accordance with Rule 457(o) and 457(r) of the Securities Act of 1933, as amended.
- (2) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the Company's Registration Statement on Form S-3 (File No. 333-219971) in accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended.

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(to Prospectus dated August 14, 2017)

\$300,000,000**4.625% Senior Notes due 2028**

We are offering \$300,000,000 aggregate principal amount of 4.625% Senior Notes due 2028 (the notes). We will pay interest on the notes semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2018. The notes will mature on June 15, 2028.

We may redeem some or all of the notes at any time at the redemption price described in this Prospectus Supplement under the heading Description of the Notes Optional Redemption. If a change of control triggering event as described in this Prospectus Supplement under the heading Description of the Notes Change of Control Offer occurs, we may be required to offer to purchase the notes from the holders.

The notes will be our general unsecured senior obligations and will rank equally with all of our other senior unsecured and unsubordinated indebtedness from time to time outstanding.

We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated dealer quotation system. Currently, there is no public market for the notes.

Investing in the notes involves significant risk. You should carefully consider the risks described in the Risk Factors section of this Prospectus Supplement beginning on page S-11 and similar sections in our filings with the Securities and Exchange Commission that are incorporated or deemed to be incorporated by reference herein before investing in any of the notes offered hereby.

	Per Note	Total
Public offering price	99.271%	\$ 297,813,000
Underwriting discount	.650%	\$ 1,950,000
Proceeds to Kennametal Inc., before expenses(1)	98.621%	\$ 295,863,000

(1) Plus accrued interest, if any, from June 7, 2018, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, S.A., on or about June 7, 2018.

Active Joint Book-Running Managers

BofA Merrill Lynch

J.P. Morgan

Passive Joint Book-Running Manager

PNC Capital Markets LLC

Senior Managers

Citizens Capital Markets

Mizuho Securities

Co-Managers

MUFG

COMMERZBANK

US Bancorp

June 4, 2018.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This Prospectus Supplement supplements the accompanying prospectus. The accompanying prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Under this shelf registration process, we may offer from time to time common stock, senior or subordinated debt securities, preferred stock, warrants, purchase contracts, units or depositary shares. The accompanying prospectus provides you with a general description of these securities, and this Prospectus Supplement contains specific information about the terms of this offering of notes. Both this Prospectus Supplement and the accompanying prospectus include important information about us, our securities and other information you should know before investing.

This Prospectus Supplement, or the information incorporated by reference, may add, update or change information in the accompanying prospectus. If information in this Prospectus Supplement, or the information incorporated by reference, is inconsistent with the accompanying prospectus, this Prospectus Supplement, or the information incorporated by reference, will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained in this Prospectus Supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to under **Where You Can Find More Information** in this Prospectus Supplement.

When used in this Prospectus Supplement, unless otherwise mentioned or unless the context requires otherwise (including when describing the terms of the notes), the terms **we**, **our**, **us**, **the Company**, and **Kennametal** refer to Kennametal Inc. and its subsidiaries. Unless otherwise specified, any reference to a **year** is to a fiscal year ended June 30.

Neither we nor the underwriters have authorized any other person to provide you with different or additional information other than that contained in or incorporated by reference in this Prospectus Supplement and the accompanying prospectus and in any free writing prospectus filed by the Company with the SEC. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide. This Prospectus Supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this Prospectus Supplement, the accompanying prospectus and any related free writing prospectus, and the documents incorporated and deemed to be incorporated by reference herein and therein, are accurate only as of the respective dates of those documents. Our business, financial condition, results of operations and/or prospects may have changed since those dates.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Kennametal's SEC filings are also available to the public from commercial retrieval services and at the website maintained by the SEC at www.sec.gov, and on Kennametal's website at www.kennametal.com. Information on Kennametal's website is not a part of this Prospectus Supplement or the accompanying prospectus. Reports, proxy statements and other information are also available for inspection at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Documents Incorporated by Reference

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated

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by reference is an important part of this Prospectus Supplement and the accompanying prospectus, and information that we file later with the SEC and which is incorporated by reference will automatically update and supersede this information. We incorporate by reference the documents listed below, except to the extent information in those documents differs from information contained in this prospectus, and all filings made on or after the date of this Prospectus Supplement and prior to completion of this offering pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), including exhibits (however, unless specifically indicated, we do not incorporate by reference, whether listed below or filed in the future, current reports furnished under Item 2.02 or Item 7.01 of Form 8-K or related exhibits furnished pursuant to Item 9.01 of Form 8-K).

Kennametal's Annual Report on Form 10-K for the year ended June 30, 2017 filed with the SEC on August 14, 2017;

Kennametal's 2017 Proxy Statement filed with the SEC on September 14, 2017;

Kennametal's Quarterly Reports on Form 10-Q filed with the SEC on November 7, 2017, February 6, 2018, and May 8, 2018; and

Kennametal's Current Reports on Form 8-K filed with the SEC on November 1, 2017 (solely with respect to Item 5.07), November 3, 2017, December 15, 2017, January 18, 2018 (solely with respect to Item 5.02), January 31, 2018, and May 24, 2018 (solely with respect to Item 5.02).

We will provide to each person to whom a copy of this Prospectus Supplement is delivered upon the written or oral request of such person, without charge, a copy of any or all of the documents that are incorporated herein by reference. Requests should be directed to: Kennametal Inc. World Headquarters, 600 Grant Street, Suite 5100, Pittsburgh, Pennsylvania 15219, Attention: General Counsel, (412) 248-8000.

FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the accompanying prospectus (including the documents incorporated by reference herein and therein) contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. You can identify forward-looking statements by the fact they use words such as should, anticipate, estimate, approximate, expect, may, will, project, intend, plan, words of similar meaning and expression in connection with any discussion of future operating or financial performance or events.

Forward looking statements may also include, among other things, our strategy, goals, plans and projections regarding our financial position, liquidity and capital resources, results of operations, market position, and product development. These statements are based on current estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. Among the factors that could cause the actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties related to:

downturns in the business cycle or the economy;

our ability to achieve anticipated benefits of our restructuring initiatives;

risks related to our foreign operations and international markets, such as fluctuations in currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability;

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changes in the regulatory environment in which we operate, including environmental, health and safety regulations;

potential for future goodwill and other intangible asset impairment charges;

our ability to protect and defend our intellectual property;

continuity and security of information technology infrastructure;

competition;

our ability to retain our management and employees;

demands on management resources;

availability and cost of the raw materials we use to manufacture our products;

product liability claims;

integrating acquisitions and achieving the expected savings and synergies;

global or regional catastrophic events;

demand for and market acceptance of our products;

business divestitures;

labor relations; and

implementation of environmental remediation matters.

Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, actual outcomes could vary materially from those indicated. We provide additional information about many of the specific risks we face in the Risk Factors section in this Prospectus Supplement and the accompanying prospectus and our Annual Report on Form 10-K for the year ended June 30,

2017, and in our other periodic filings with the SEC. We can give no assurance that any goal or plan set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements, which speak only as of the date made. Except as required by law, we do not intend to release publicly any revisions to forward-looking statements as a result of future events or developments.

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SUMMARY

The following information summarizes, and should be read in conjunction with, the information contained in this Prospectus Supplement and in the accompanying prospectus, and the documents incorporated herein and therein by reference. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. Unless otherwise specified, any reference to a year is to a fiscal year ended June 30.

Company Overview

Kennametal is a global leader in the development and application of tungsten carbides, ceramics, super-hard materials and solutions used in metal cutting and mission-critical wear applications to combat extreme conditions associated with wear fatigue, corrosion and high temperatures. Our reputation for material technology, metal cutting application knowledge, as well as expertise and innovation in the development of custom solutions and services, contributes to our leading position in our primary markets. Our product offering includes a wide selection of standard and customized technologies for metalworking applications, such as turning, milling, hole making, tooling systems and services. End users of our metalworking products include manufacturers engaged in a diverse array of industries including: the manufacturers of transportation vehicles and components, machine tools and light and heavy machinery; airframe and aerospace components; and energy-related components for the oil and gas industry, as well as power generation. In addition, we produce specialized wear components and metallurgical powders that are used for custom-engineered and challenging applications. End users of our products include producers and suppliers in equipment-intensive operations such as coal mining, road construction, quarrying, oil and gas exploration, refining, production and supply. Our business is organized into three reportable operating segments: Industrial, Widia and Infrastructure.

Industrial Segment

The Industrial segment generally serves customers that operate in industrial end markets such as transportation, general engineering, aerospace and defense market sectors, as well as the machine tool industry, delivering high performance metalworking tools for specified purposes. Our customers in these end markets use our products and services in the manufacture of engines, airframes, automobiles, trucks, ships and other various types of industrial equipment. The technology and customization requirements we provide vary by customer, application and industry. Industrial goes to market under the Kennametal® brand through its direct sales force, a network of independent and national chain distributors, integrated supplier channels and via the Internet. Application engineers and technicians are critical to the sales process and directly assist our customers with specified product design, selection, application and support.

Widia Segment

Our Widia segment offers a focused assortment of standard custom metal cutting solutions to general engineering, aerospace, energy and transportation customers. This segment serves our customers primarily through a network for value added resellers, integrated supplier channels and via the Internet. Widia markets its products under the WIDIA®, WIDIA Hanita® and WIDIA GTD® brands.

Infrastructure Segment

The Infrastructure segment generally serves customers that operate in the energy and earthworks market sectors that support primary industries such as oil and gas, power generation and chemicals; underground, surface and hard-rock mining; highway construction and road maintenance; and process industries such as food and feed. Our success is

determined by our ability to gain an in-depth understanding of our customers

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engineering and development needs, to provide complete system solutions and high-performance capabilities to optimize and add value to their operations. Infrastructure markets its products primarily under the Kennametal® brand and sells through a direct sales force as well as distributors.

Kennametal Inc. was incorporated in Pennsylvania in 1943. Our principal executive offices are located at World Headquarters, 600 Grant Street, Suite 5100, Pittsburgh, Pennsylvania 15219, and our telephone number is (412) 248-8000. Our website is www.kennametal.com. The information on our website is not part of this prospectus.

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*The brief summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The *Description of the Notes* section of this Prospectus Supplement contains a more detailed description of the terms and conditions of the notes.*

Securities Offered	4.625% Senior Notes due 2028
Issuer	Kennametal Inc.
Aggregate Principal Amount	\$300,000,000
Maturity Date	June 15, 2028
Issue Date	June 7, 2018
Issue Price	99.271% plus accrued interest, if any, from and including June 7, 2018
Interest Rate	4.625% annually
Interest Payment Dates	Each June 15 and December 15 , commencing December 15, 2018
Form	Fully-registered global notes in book-entry form
Denominations	\$2,000 and integral multiples of \$1,000 in excess thereof
Use of Proceeds	We estimate the net proceeds from this offering of notes to be approximately \$294,921,650 million after deducting underwriting discounts and our estimated expenses relating to the offering. We intend to use the net proceeds from the sale of the notes, plus cash on hand, for the repayment or redemption of our outstanding 2.650% Senior Notes due 2019, and for general corporate purposes. Pending our use of the net proceeds from this offering as described above, we may use the net proceeds to reduce any outstanding indebtedness, or invest the net proceeds in short-term investments. See <i>Use of Proceeds</i> .

Ranking

The notes are senior unsecured indebtedness and will rank equally with all our existing and future senior unsecured and unsubordinated indebtedness. A substantial portion of our business is conducted through subsidiaries, and the notes will be effectively subordinated to all liabilities (including trade payables and guarantees) of our subsidiaries, including guarantees of existing and future bank credit facilities by certain of our domestic subsidiaries. As of March 31, 2018, our subsidiaries had approximately \$1.4 million of indebtedness, and had no secured indebtedness. As of March 31, 2018, we had no borrowings outstanding and had \$600 million of available borrowing capacity under our existing Credit Agreement (as defined herein).

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Optional Redemption

We may redeem the notes at our option at any time in whole or from time to time in part. If we redeem the notes before the date that is three months prior to the maturity of the notes (such date, the Par Call Date), the redemption price will be the greater of:

100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption; and

as determined by the Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal and interest in respect of the notes to be redeemed from the redemption date to the Par Call Date (not including any interest accrued as of the date of redemption) from the date of redemption through the Par Call Date of the notes being redeemed, in each case discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in this Prospectus Supplement) plus 30 basis points, plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

If we redeem the notes on or after the Par Call Date, the redemption price will be 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

Change of Control Offer

If a Change of Control Triggering Event occurs, we will be required to make an offer to purchase the notes. See Description of the Notes Change of Control Offer.

Covenants

The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our Restricted Subsidiaries (as defined in the indenture) to:

create or incur certain liens; or

enter into certain sale and leaseback transactions.

These covenants are subject to a number of important limitations and exceptions. See Description of the Notes Covenants.

Governing Law

New York

Trustee

U.S. Bank National Association

Risk Factors

Investing in the notes involves significant risk. Before making a decision to invest in the notes, you should consider carefully all of the information set forth in this Prospectus Supplement and the accompanying prospectus and, in particular, you should evaluate the risk factors set forth under the heading "Risk Factors" beginning on page S-11 of this Prospectus Supplement and those set forth in our most recent Annual Report on Form 10-K and in our other periodic filings with the Securities and Exchange Commission, which are incorporated by reference in this Prospectus Supplement and the accompanying prospectus and may be obtained as described under "Where You Can Find More Information."

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The summary consolidated financial data set forth below (except for the ratio of earnings to fixed charges) was taken from Item 6 of our Annual Report on Form 10-K for the year ended June 30, 2017 and our Quarterly Report on Form 10-Q for the period ended March 31, 2018 and March 31, 2017, each of which is incorporated by reference herein. For more information on the ratio of earnings to fixed charges, see Ratio of Earnings to Fixed Charges .

(\$ in thousands)	Twelve Months Ended			Nine Months Ended	
	2017	June 30, 2016	2015	2018	2017
OPERATING RESULTS					
Sales	\$ 2,058,368	\$ 2,098,436	\$ 2,647,195	\$ 1,721,734	\$ 1,493,343
Cost of goods sold	1,400,661	1,482,369	1,841,202	1,124,736	1,015,926
Operating expense	463,167	494,975	554,895	369,131	347,808
Restructuring and asset impairment charges	(1) 65,018	143,810	582,235	6,834	44,230
Loss on divestiture	(2)	131,463			
Interest expense	28,842	27,752	31,466	21,848	21,475
Provision (benefit) for income taxes	29,895	25,313	(16,654)	51,204	22,401
Income (loss) from continuing operations attributable to Kennametal	49,138	(225,968)	(373,896)	131,651	24,495
Net income (loss) attributable to Kennametal	49,138	(225,968)	(373,896)	131,651	24,495
FINANCIAL POSITION					
Working capital	\$ 652,423	\$ 648,066	\$ 775,802	\$ 762,797	\$ 616,247
Total assets	(3) 2,415,496	2,362,783	2,843,655	2,617,862	2,334,739
Long-term debt, including capital leases, excluding current maturities	(3) 694,991	693,548	730,011	696,087	694,631
Total debt, including capital leases and notes payable	(3) 695,916	695,443	745,713	697,486	696,222
Total Kennametal shareholders equity	1,017,294	964,323	1,345,807	1,187,325	945,962
OTHER DATA					
Capital expenditures	\$ 118,018	\$ 110,697	\$ 100,939	\$ 128,310	\$ 94,095
Number of employees (at June 30)	(4) 10,744	11,178	12,718	NA	NA

KEY RATIOS

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Sales (decline) growth	(5)	(1.9)%	(20.7)%	(6.7)%	15.3%	(5.3)%
Gross profit margin		32.0	29.4	30.4	34.7	32.0
Operating margin	(6)	5.5	(8.3)	(13.5)	12.2	4.9
Earnings to Fixed Charges	(7)(8)(9)	3.2x			7.6x	2.7x

OTHER DATA

Adjusted EBITDA (\$ in thousands)(10)(11)	\$ 290,755	\$ 243,603	\$ 362,787	\$ 294,233	\$ 201,710
Debt to adjusted EBITDA(10)	2.4x	2.9x	2.1x	1.8x	2.5x
Net debt to adjusted EBITDA(10)	1.7x	2.2x	1.8x	1.2x	2.1x

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- (1) In 2018 and 2017, all charges were related to restructuring. In 2016, the charges related to intangible asset impairment charges of \$108.5 million, restructuring charges of \$30.0 million & fixed asset disposal charges of \$5.4 million. In 2015, the charges related to intangible asset impairment charges of \$541.7 million & restructuring charges of \$40.5 million.
- (2) In 2016, the charge related to the loss on divestiture of non-core businesses
- (3) Comparative prior periods restated to reflect adoption of FASB guidance on debt issuance costs. Debt issuance costs of \$4.7 million, \$6.0 million and \$5.9 million are reported as direct reductions of the carrying amounts of debt liabilities in the balance sheet as of June 30, 2017, 2016 and 2015, respectively.
- (4) Kennametal does not provide this information on a quarterly basis.
- (5) Divestiture impact of sales decline was negative 4 percent & negative 5 percent in 2017 & 2016, respectively
- (6) Included restructuring & related charges of \$76.2 million, \$53.5 million & \$58.1 million in 2017, 2016 & 2015, respectively. Included intangible asset impairment charges of \$108.5 million & \$541.7 million in 2016 & 2015, respectively. Included divestiture & related charges of \$131.5 million in 2016.
- (7) For purposes of determining the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense and our estimate of an appropriate portion of rentals representative of the interest factor. The estimate of the interest portion of rental expense is calculated as one-third of the total rental expense for the period, which is considered to be a reasonable approximation of the interest factor.
- (8) 2016 earnings were insufficient to cover fixed charges by \$198.6 million primarily due to loss on divestiture of non-core business and negative market impacts on results of operations, including \$275.3 million in pre-tax non-cash asset impairments of \$108.5 million, loss of \$131.5 million on divestiture of non-core business and other restructuring charges of \$35.3 million
- (9) 2015 earnings were insufficient to cover fixed charges by \$387.6 million primarily due to negative market impacts on results of operations, including \$582.2 million in pre-tax non-cash asset impairments of \$541.7 million and other restructuring charges of \$40.5 million.
- (10) Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP financial measure and is defined as net income attributable to Kennametal (which is the most directly comparable GAAP measure), with interest expense, interest income, provision (benefit) for income taxes, depreciation and amortization added back. Management believes that EBITDA is widely used as a measure of operating performance and is an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining liquidity that is calculated in accordance with GAAP. Additionally, Kennametal presents EBITDA on an adjusted basis. Management uses this information in reviewing operating performance. Debt to EBITDA is a non-GAAP financial measure and is defined by Kennametal as total debt divided by the sum of the four trailing quarters of EBITDA. Net debt to EBITDA is a non-GAAP financial measure and is defined by Kennametal as the total debt less cash and cash equivalents, divided by the sum of the four trailing quarters of EBITDA. Management believes that debt to EBITDA and net debt to EBITDA provide additional insight into the underlying capital structure, liquidity and performance of the Company. Additionally, Kennametal will present debt to EBITDA and net debt to EBITDA on an adjusted basis. Non-GAAP financial measures utilized by Kennametal may not be comparable to non-GAAP financial measures used by other companies.

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(\$ in thousands)	Twelve months ended			Nine months ended		Three months ended	
	2017	June 30, 2016	2015	2018	March 31, 2017	2017	June 30, 2016
Net income (loss) attributable to Kennametal	\$ 49,138	\$ (225,968)	\$ (373,896)	\$ 131,651	\$ 24,495	\$ 24,643	\$ (66,515)
Add back:							
Interest expense	28,842	27,752	31,466	21,848	21,475	7,367	6,857
Interest income	(1,005)	(1,680)	(2,644)	(1,537)	(759)	(246)	(568)
Provision (benefit) for income taxes							