



HILLENBRAND

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**Q1 '20 Earnings Call Presentation**

February 6, 2020

# Hillenbrand Participants

- **Joe Raver**
  - President & Chief Executive Officer
  
- **Kristina Cerniglia**
  - Senior Vice President & Chief Financial Officer
  
- **Rich Dudley**
  - Senior Director, Investor Relations

# Disclosure Regarding Forward-Looking Statements

Throughout this presentation, we make a number of “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. As the words imply, these are statements about future plans, objectives, beliefs, and expectations that might or might not happen in the future, as contrasted with historical information. Forward-looking statements are based on assumptions that we believe are reasonable, but by their very nature they are subject to a wide range of risks. If our assumptions prove inaccurate or unknown risks and uncertainties materialize, actual results could vary materially from Hillenbrand’s (the “Company”) expectations and projections.

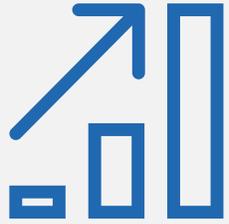
Words that could indicate that we are making forward-looking statements include the following:

|        |           |          |         |          |           |        |
|--------|-----------|----------|---------|----------|-----------|--------|
| intend | believe   | plan     | expect  | may      | goal      | would  |
| become | pursue    | estimate | will    | forecast | continue  | could  |
| target | encourage | promise  | improve | progress | potential | should |

This is not an exhaustive list but is intended to give you an idea of how we try to identify forward-looking statements. The absence of any of these words, however, does not mean that the statement is not forward-looking.

**Here is the key point:** *Forward-looking statements are not guarantees of future performance, and our actual results could differ materially from those set forth in any forward-looking statements. Any number of factors, many of which are beyond our control, could cause our performance to differ significantly from what is described in the forward-looking statements. These factors include, but are not limited to: the outcome of any legal proceedings that may be instituted against the Company, or any companies we may acquire; risks that the integration of Milacron or any other integration, acquisition, or disposition activity disrupts current operations or poses potential difficulties in employee retention or otherwise affects financial or operating results; the ability to recognize the benefits of the acquisition of Milacron or any other acquisition or disposition, including potential synergies and cost savings or the failure of the Company or any acquired company to achieve its plans and objectives generally; global market and economic conditions, including those related to the credit markets; volatility of our investment portfolio; adverse foreign currency fluctuations; involvement in claims, lawsuits and governmental proceedings related to operations; our reliance upon employees, agents, and business partners to comply with laws in many countries and jurisdictions; labor disruptions; the impact of the additional indebtedness that the Company has incurred in connection with the acquisition of Milacron and the ability of the Company to comply with financial or other covenants in its debt agreements or meet its de-leveraging goals; the dependence of our business units on relationships with several large providers; increased costs or unavailability of raw materials or certain outsourced services; continued fluctuations in mortality rates and increased cremations; competition in the industries in which we operate, including from nontraditional sources in the death care industry; cyclical demand for industrial capital goods; impacts of decreases in demand or changes in technological advances, laws, or regulation on the revenues that we derive from the plastics industry; certain tax-related matters; and changes to legislation, regulation, treaties or government policy, including any resulting from the current political environment. For a more in-depth discussion of these and other factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading “Risk Factors” in Part I, Item 1A of Hillenbrand’s Form 10-K for the year ended September 30, 2019, filed with the Securities and Exchange Commission (“SEC”) on November 13, 2019, and in Part II, Item 1A of Hillenbrand’s Form 10-Q for the quarter ended December 31, 2019, filed with the Securities and Exchange Commission on February 5, 2020. We assume no obligation to update or revise any forward-looking information.*

# Acquisition of Milacron Provides Compelling Strategic and Financial Benefits



A pivotal step in Hillenbrand's vision to become a world-class global diversified industrial company



Enhances Growth Opportunities with Leading Brands and New Technologies



Adds Complementary Businesses; Increases Scale and Diversification



Creates and Drives Efficiencies with Significant Cost Synergies



Delivers Strong Financial Benefits Including Significant Recurring Revenue, EPS and Margin Accretion

**A Transformative Deal to Create Meaningful Shareholder Value**

# Macro Trends Support Long-Term Sustained Growth for Durable Plastics

## Secular Trends

- Demand for products driven by strong secular trends, including a growing middle class
- Automotive increased use of light-weight plastics to improve fuel efficiency
- Packaging in emerging markets to improve food shelf life, freshness, and safety
- Medical applications focus on safety, improved drug and therapy delivery, as well as durability
- Construction ongoing shift to plastics that are more durable, lightweight and require little maintenance
- Increased desire for eco-friendly innovations in the use of plastics and base materials

## Diverse, Long-Term Drivers

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
|  |              |  |  |  |  |  |
| <b>Electronics</b>   | <b>Consumer Goods</b>  | <b>Automotive</b>  | <b>Packaging</b>   | <b>Eco-friendly</b>  | <b>Medical</b>   | <b>Construction</b>  |
| <i>Superior quality, shorter product lifecycles, and design flexibility</i>        | <i>Shortened product lifecycles, innovation in multi-material products, design flexibility</i> | <i>Vehicle light-weighting</i>   | <i>Increased freshness, extended shelf life, and product visibility</i>              | <i>Bio Resin and recycled materials</i>  | <i>Conversion to plastic for safety and disposability</i>                            | <i>Shift to plastics for durability, light weight and low maintenance</i>            |

# Milacron Strengthens Position Across Plastics Value Chain

Innovation in Biodegradable Plastics and Recycling



New Capabilities in Molding and Extrusion to Produce End Products



Full System Provider for World's Largest, Most Complex Polyolefin Systems



Core Product Engineering Capabilities to Innovate and Solve Customers' Challenges



**Stronger Position Across the Plastics Value Chain to Capitalize on New Opportunities**

# Q1 FY 2020 Highlights

- **Consolidated Q1 2020 Highlights**

- Revenue of \$567 million increased 38% compared to prior year; Organic revenue increased 5%
- GAAP EPS of \$(0.05) decreased \$0.50 primarily as a result of business acquisition costs and restructuring charges; adjusted EPS<sup>1</sup> of \$0.63 increased 29% compared to prior year

- **PEG Q1 2020 Highlights**

- Revenue of \$307 million increased 9% compared to prior year
- Adjusted EBITDA margin<sup>1</sup> was 16.8%, up 40 bps compared to prior year

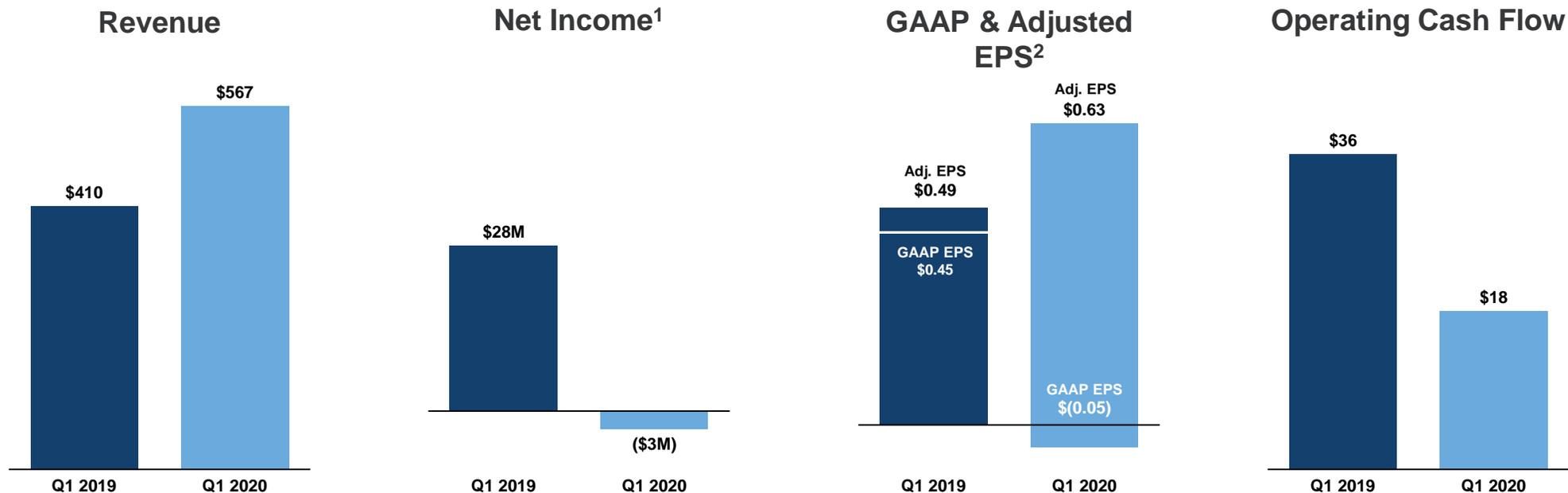
- **Batesville Q1 2020 Highlights**

- Revenue of \$127 million decreased 1% compared to prior year
- Adjusted EBITDA margin<sup>1</sup> was 18.1%, down 270 bps compared to prior year

- **Milacron Q1 2020 Highlights**

- Revenue of \$133 million
- Adjusted EBITDA margin<sup>1</sup> was 19.8%

# Consolidated Performance – Q1 FY 2020



## Hillenbrand Consolidated

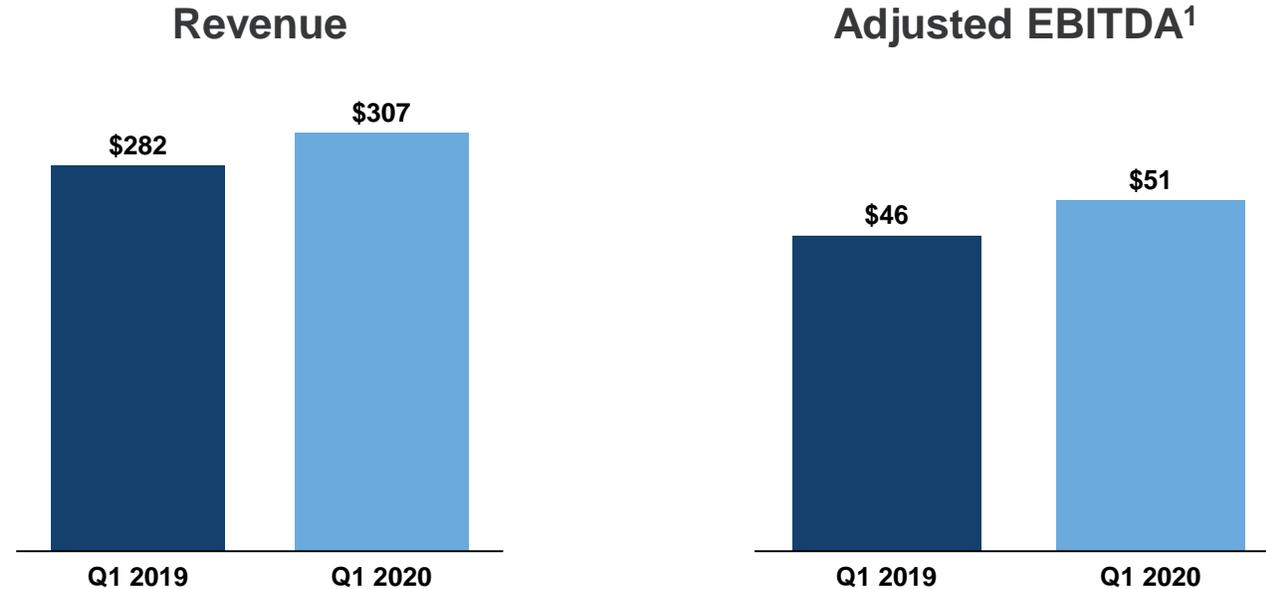
### Q1 2020 Consolidated Composition:

|                         | Revenue     | Adj. EBITDA <sup>2</sup> |
|-------------------------|-------------|--------------------------|
| Process Equipment Group | 54%         | 51%                      |
| Batesville              | 22%         | 23%                      |
| Milacron                | 24%         | 26%                      |
| <b>Total</b>            | <b>100%</b> | <b>100%</b>              |

### Q1 2020 Consolidated Summary:

- Revenue of \$567 million grew 38% compared to the prior year (5% organic), including 1% of negative foreign currency impact; the Process Equipment Group grew 9%, partially offset by a decrease in Batesville of 1%; Milacron added revenue of \$133 million for the quarter
- GAAP net loss of (\$3) million; adjusted EBITDA<sup>2</sup> of \$92 million increased 43% and adjusted EBITDA margin<sup>2</sup> of 16.2% expanded 60 bps primarily driven by the impact of Milacron and focused cost controls and restructuring in PEG, partially offset by inflation and unfavorable mix in Batesville
- Operating cash flow decreased \$18 million driven primarily by business acquisition and integration costs

# Process Equipment Group Performance – Q1 FY 2020

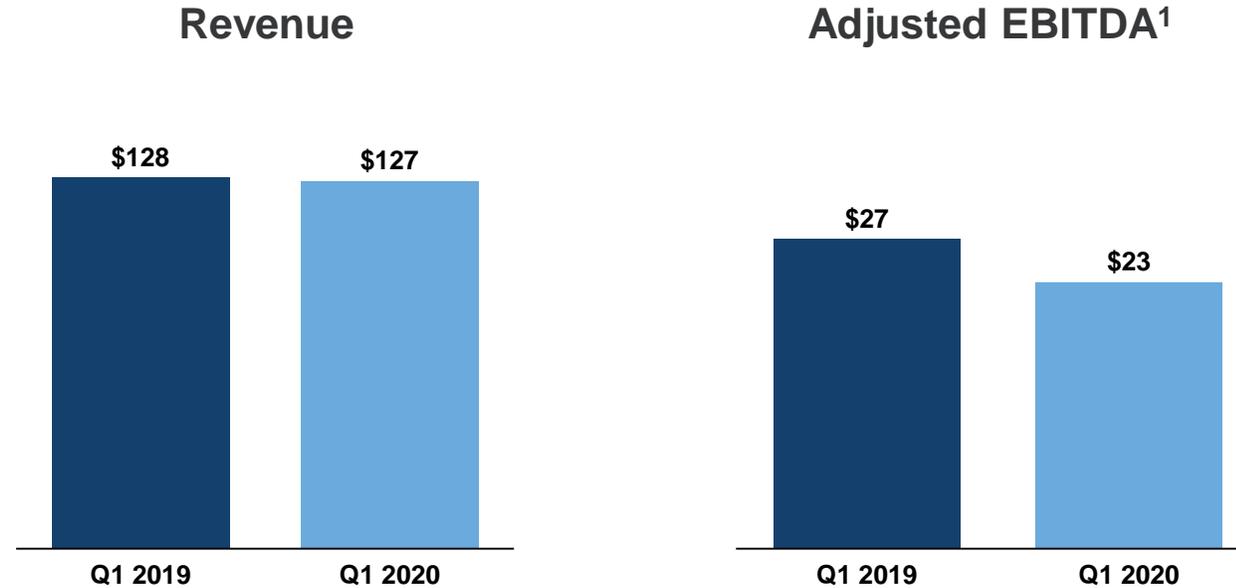


## Process Equipment Group

### Q1 2020 Summary:

- Revenue of \$307 million increased 9% over the prior year; Excluding the impact of FX, revenue grew 10%; Revenue growth was primarily driven by continued demand for large extrusion and material handling systems for the production of plastics, which was partially offset by lower demand in other industrial end markets, including proppants
- Adjusted EBITDA margin<sup>1</sup> of 16.8% increased 40 basis points primarily due to lower operating expenses as a result of focused efforts to reduce discretionary spending, partially offset by the increased proportion of lower margin, large systems projects and the decline in demand for higher margin separating equipment

# Batesville Performance – Q1 FY 2020

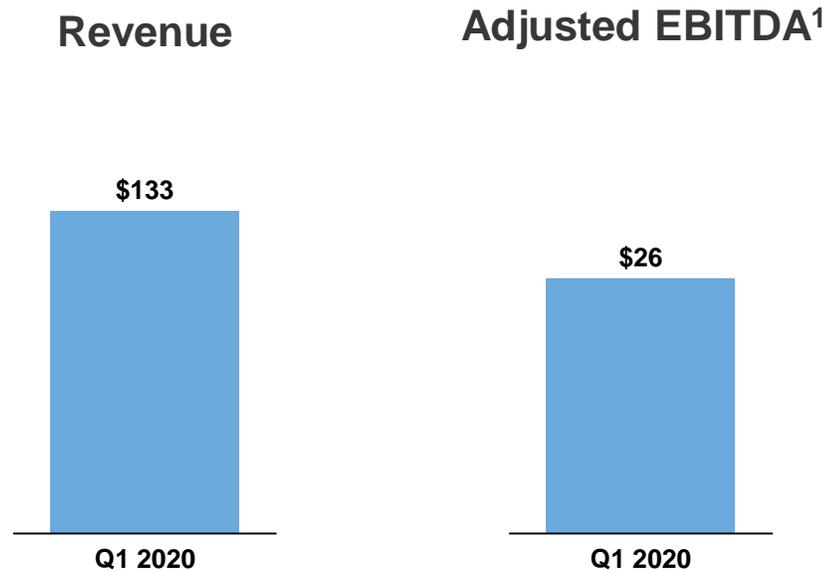


## Batesville

### Q1 2020 Summary:

- Revenue of \$127 million decreased 1% compared to the prior year; Batesville's unit volume increased despite an estimated decrease in North American burials driven by an increased rate at which families opted for cremation
- Adjusted EBITDA margin<sup>1</sup> of 18.1% was 270 basis points lower than the prior year due to inflation, including higher healthcare costs, and unfavorable product mix, partially offset by productivity

# Milacron Performance – Q1 FY 2020



## Milacron

### Q1 2020 Summary:

- Milacron's contribution for the quarter, consisting of 41 days, included revenue of \$133 million and Adjusted EBITDA<sup>1</sup> of \$26 million, which does not include its legacy corporate costs
- Directionally, Milacron's results for the first quarter were below the prior year due to headwinds in their key end markets as a result of the global economic slowdown, including weak automotive market and general softness in China, which is affecting capital investment

# Hillenbrand Outlook: FY 2020 Updated Guidance

| Revenue                 |                |     |               |       |
|-------------------------|----------------|-----|---------------|-------|
|                         | Original Range |     | Updated Range |       |
| Batesville              | -3%            | -1% | -3%           | -1%   |
| Process Equipment Group | 2%             | 4%  | 2%            | 4%    |
| Organic HI              | 1%             | 3%  | 1%            | 3%    |
| Milacron (\$M)          |                |     | 850           | 880   |
| Total HI (\$M)          |                |     | 2,667         | 2,733 |

| Adjusted EBITDA Margins |                |       |               |       |
|-------------------------|----------------|-------|---------------|-------|
|                         | Original Range |       | Updated Range |       |
| Batesville              | ~20%           | ~21%  | ~20%          | ~21%  |
| Process Equipment Group | 18.0%          | 18.2% | 18.0%         | 18.2% |
| Milacron                |                |       | 17.8%         | 18.3% |

| EPS                            |                |      |               |      |
|--------------------------------|----------------|------|---------------|------|
|                                | Original Range |      | Updated Range |      |
| Adjusted EPS                   | 2.45           | 2.60 | 2.30          | 2.55 |
| Adjusted Cash EPS <sup>1</sup> |                |      | 3.48          | 3.75 |

| Other Guidance Assumptions  |                   |                   |
|-----------------------------|-------------------|-------------------|
|                             | Original          | Updated           |
| FX                          | ~minimal impact   | ~1%               |
| Depreciation                | ~\$27M            | ~\$56M            |
| Amortization                | ~\$30M            | ~\$64M            |
| Interest Expense            | ~\$21M            | ~\$75M            |
| Adjusted ETR                | ~27%              | ~27-28%           |
| Average Diluted Share Count |                   | 73.4              |
| Free Cash Flow              | > GAAP Net Income | > GAAP Net Income |
| CapEx                       | ~2% of revenue    | ~3% of revenue    |
| Deal & Integration Costs    |                   | ~\$80-85M         |
| Corporate SG&A              |                   | ~2.3% of revenue  |

# Significant Cost Synergies Identified; Additional Operational Efficiency and Revenue Opportunities Expected

# \$50M

## Run-Rate Cost Synergies within 3 years post-close

- Reducing public company costs
- Realizing operating efficiencies
- Capturing direct and indirect spend opportunities

## Additional Opportunities

### Operational Efficiencies

- HOM implementation globally
- Footprint optimization

### Revenue Synergies

- Cross-sell extruder and material handling equipment
- Leverage combined service footprint to further penetrate aftermarket

Targeting ~\$20-25M of Run-Rate Cost Synergies within the First 12 Months Post-close; Accelerating Realization Within FY 2020



# Q&A

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# Replay Information

- **Dial-in for US and Canada: 1 (800) 585-8367**
- **Dial-in for International: +1 (416) 621-4642**
- **Conference ID: 5373374**
- **Encore Replay Dates: 2/7/2020 – 2/20/2020**
- **Log on to: <http://ir.hillenbrand.com>**



# Appendix

# Disclosure Regarding Non-GAAP Measures

While we report financial results in accordance with United States generally accepted accounting principles (GAAP), we also provide certain non-GAAP operating performance measures. These non-GAAP measures are referred to as “adjusted” measures and exclude expenses associated with business acquisition, development, and integration, restructuring and restructuring related charges, inventory step-up, and backlog amortization, and debt financing activities related to the acquisition of Milacron (including net interest expense on our \$375.0 senior unsecured notes for the period prior to completing the acquisition). The related income tax for all of these items is also excluded. These non-GAAP measures also exclude the non-recurring tax benefits and expenses related to the interaction of certain provisions of the U.S. government enacted tax legislation referred to as the Tax Cuts and Jobs Act of 2017 and certain tax items related to the acquisition of Milacron, including the revaluation of deferred tax balances in connection with enacted statutory tax rate reductions in certain foreign jurisdictions. Such items could have a substantial impact on GAAP measures of Hillenbrand’s financial performance. Non-GAAP information is provided as a supplement to, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. Such items could have a substantial impact on GAAP measures of Hillenbrand’s financial performance. Hillenbrand also does not attempt to provide reconciliations of forward-looking non-GAAP earnings guidance to the comparable GAAP measure, as permitted by Item 10(e)(1)(i)(B) of Regulation S-K, because the impact and timing of these potential charges or gains is inherently uncertain and difficult to predict and is unavailable without unreasonable efforts. In addition, the company believes such reconciliations would imply a degree of precision and certainty that could be confusing to investors.

One important non-GAAP measure that we use is adjusted earnings before interest, income tax, depreciation, and amortization (“adjusted EBITDA”). A part of our strategy is to selectively acquire companies that we believe can benefit from our core competencies to spur faster and more profitable growth. Given that strategy, it is a natural consequence to incur related expenses, such as amortization from acquired intangible assets and additional interest expense from debt-funded acquisitions. Accordingly, we use adjusted EBITDA, among other measures, to monitor our business performance.

Another important non-GAAP measure that we use is backlog. Backlog is not a term recognized under GAAP; however, it is a common measurement used in industries with extended lead times for order fulfillment (long-term contracts), like those in which our Process Equipment Group and Milacron businesses compete. Order backlog represents the amount of consolidated revenue that we expect to realize on contracts awarded related to the Process Equipment Group and Milacron businesses. Backlog includes expected revenue from large systems and equipment, as well as replacement parts, components, and service. Given that there is no GAAP financial measure comparable to backlog, a quantitative reconciliation is not provided.

We use this non-GAAP information internally to make operating decisions and believe it is helpful to investors because it allows more meaningful period-to-period comparisons of our ongoing operating results. The information can also be used to perform trend analysis and to better identify operating trends that may otherwise be masked or distorted by these types of items. The Company believes this information provides a higher degree of transparency.

# Reconciliation of Adjusted EBITDA to Consolidated Net Income

|  | Three Months Ended   |                |
|--|----------------------|----------------|
|  | December 31,<br>2019 | 2018           |
| <b>Adjusted EBITDA:</b>                                  |                      |                |
| Process Equipment Group                                  | \$ 51.5              | \$ 46.2        |
| Milacron   | 26.3                 | -              |
| Batesville   | 23.0                 | 26.7           |
| Corporate  | (8.9)                | (8.8)          |
| Less:  |                      |                |
| Interest income  | (1.3)                | (0.2)          |
| Interest expense   | 14.7                 | 5.5            |
| Income tax (benefit) expense                             | (12.4)               | 14.5           |
| Depreciation and amortization                            | 25.9                 | 14.1           |
| Business acquisition, development, and integration costs | 53.8                 | 0.6            |
| Restructuring and restructuring related charges          | 2.4                  | 0.5            |
| Inventory step-up  | 9.6                  | 0.1            |
| <b>Consolidated net (loss) income</b>                    | <b>\$ (0.8)</b>      | <b>\$ 29.0</b> |

# Reconciliation of Non-GAAP Measures

|  | Three Months Ended December 31, |                |
|--|---------------------------------|----------------|
|  | 2019                            | 2018           |
| <b>Net (loss) income attributable to Hillenbrand</b>     | \$ (3.1)                        | \$ 28.3        |
| Business acquisition, development, and integration costs | 53.8                            | 0.6            |
| Restructuring and restructuring related charges          | 2.4                             | 0.5            |
| Inventory step up  | 9.6                             | 0.1            |
| Backlog amortization                                     | 4.2                             | 0.3            |
| Debt financing activities                                | 1.6                             | -              |
| Tax effect of adjustments                                | (18.2)                          | (0.4)          |
| Tax adjustments  | (7.4)                           | 1.8            |
| <b>Adjusted net income attributable to Hillenbrand</b>   | <u>\$ 42.9</u>                  | <u>\$ 31.2</u> |

|  | Three Months Ended December 31, |                |
|--|---------------------------------|----------------|
|  | 2019                            | 2018           |
| <b>Diluted EPS</b>                                       | \$ (0.05)                       | \$ 0.45        |
| Business acquisition, development, and integration costs | 0.79                            | 0.01           |
| Restructuring and restructuring related charges          | 0.04                            | 0.01           |
| Inventory step up  | 0.14                            | -              |
| Backlog amortization                                     | 0.06                            | -              |
| Debt financing activities                                | 0.03                            | -              |
| Tax effect of adjustments                                | (0.11)                          | (0.01)         |
| Tax adjustments  | (0.27)                          | 0.03           |
| <b>Adjusted Diluted EPS</b>                              | <u>\$ 0.63</u>                  | <u>\$ 0.49</u> |