

August 5, 2015

HILLENBRAND

## Hillenbrand Reports Third Quarter Revenue of \$399 Million

- Revenue decreased 4%, with growth of 3% offset by 7% negative currency impact
- Process Equipment Group revenue of \$254 million decreased 7%, with growth of 4% offset by 11% negative currency impact; EBITDA margin improved 160 basis points year-over-year
- Batesville revenue grew 2% to \$145 million
- Diluted EPS decreased 2% to \$0.50 (10% decrease to \$0.52 on adjusted basis)

BATESVILLE, Ind., Aug. 5, 2015 /PRNewswire/ -- Hillenbrand, Inc. (NYSE: HI) reported today financial results for the third quarter ended June 30, 2015. Revenue of \$399 million increased 3% on a constant currency basis, which was offset by a 7% currency impact. The Process Equipment Group reported revenue of \$254 million, growth of 4% constant currency, offset by an 11% currency impact. The growth was driven by increased volume of equipment sales. Order backlog grew 4% from the second quarter to \$540 million, as order intake was higher in the third quarter. In comparison to the prior year record high of \$731 million, backlog was down 26%, or 17% constant currency. Batesville revenue increased 2% to \$145 million, supported by higher volume and an increase in average selling price.

Net income decreased 2% to \$32 million (\$0.50 per diluted share), while adjusted net income decreased 9% to \$33 million (\$0.52 per diluted share). Adjusted EBITDA decreased 6% to \$66 million and adjusted EBITDA margin of 17% was lower by 40 basis points. The Process Equipment Group delivered another quarter of profitability improvement with adjusted EBITDA margin growth of 110 basis points. That margin growth was offset by a decrease of 180 basis points in adjusted EBITDA margin at Batesville due, in part, to operational inefficiencies in the quarter at one of our high volume plants, caused by the implementation of a new process. Corrective actions have been taken, and the margin is expected to improve over the next two quarters. The business generated \$65 million in operating cash flow in the third quarter, driven by strong bottom line performance and further improvement to working capital. Operating cash flow for the nine months ended June 30, 2015 was \$76 million, down \$61 million from the prior year, primarily due to an increase in working capital for large projects in the Process Equipment Group in the first quarter.

"Although the effects of a stronger U.S. dollar continue to negatively impact our year over year results, we are encouraged by the underlying growth in the business," said Joe A. Raver, President and Chief Executive Officer of Hillenbrand. "We are pleased with the increase in order intake and the modest improvement in backlog compared to last quarter.

We are focused on building on that momentum in the fourth quarter and delivering solid results for the year."

## Guidance

Hillenbrand affirmed guidance with estimated full-year constant currency revenue growth of 2-4%. Given current foreign exchange rates, management expects a more significant currency translation impact than initially forecasted. Adjusted diluted EPS for 2015 is projected to be at the low end of the range of \$2.05 to \$2.15.

### Conference Call Information

Date/Time: 8:00 a.m. EDT, Thursday, August 6, 2015  
Dial-In for U.S. and Canada: 1-877-201-0168  
Dial-In for International: +1-647-788-4901  
Conference call ID number: 74166697  
Webcast link: <http://ir.hillenbrand.com> (archived through Sunday, September 6, 2015)

### Replay - Conference Call

Date/Time: Available until midnight EDT, Thursday, August 20, 2015  
Dial-In for U.S. and Canada: 1-855-859-2056  
Dial-In for International: +1-404-537-3406  
Conference call ID number: 74166697

Hillenbrand's financial statements on Form 10-Q are expected to be filed jointly with this release and will be available on the Company's website ([www.Hillenbrand.com](http://www.Hillenbrand.com)).

In addition to the financial measures prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), this earnings release also contains non-GAAP operating performance measures. These non-GAAP measures are referred to as "adjusted" and exclude expenses associated with backlog intangible amortization, inventory step-up, business acquisitions and integration, restructuring, and litigation. The related income tax for all of these items is also excluded. This non-GAAP information is provided as a supplement, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP.

Hillenbrand uses this non-GAAP information internally to make operating decisions and believes it is helpful to investors because it allows more meaningful period-to-period comparisons of 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 the types of items that are excluded. Finally, Hillenbrand believes this information provides a higher degree of transparency.

An important non-GAAP measure Hillenbrand uses is adjusted earnings before interest, income tax, depreciation, and amortization ("adjusted EBITDA"). As previously discussed, a part of Hillenbrand's strategy is to selectively acquire companies that we believe can benefit from the Hillenbrand Business System 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 business performance.

Another important non-GAAP operational measure used 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 competes. Order backlog represents the amount of consolidated revenue that we expect to realize on contracts awarded related to the Process Equipment Group. For purposes of calculating backlog, 100% of estimated revenue attributable to consolidated subsidiaries is included. Backlog includes expected revenue from large systems, equipment, and to a lesser extent, replacement parts, components, and service.

The length of time that projects remain in backlog can span from days for replacement parts or service to 18 months or longer for larger system sales. Backlog includes expected revenue from the remaining portion of firm orders not yet completed, as well as revenue from change orders to the extent that they are reasonably expected to be realized. We include in backlog the full contract award, including amounts subject to further funding approvals, which we expect to result in revenue in future periods. In accordance with industry practice, our contracts may include provisions for cancellation, termination or suspension at the discretion of the customer.

Future revenue for the Process Equipment Group is influenced by backlog because of the lead time involved in fulfilling engineered-to-order equipment for customers. Although backlog can be an indicator of future revenue, it does not include projects and parts orders that are booked and shipped within the same quarter. The timing of order placement, size, extent of customization, and customer delivery dates can create fluctuations in backlog and revenue. Revenue attributable to backlog is also affected by foreign exchange fluctuations for orders denominated in currencies other than United States dollars.

Net revenue is analyzed on a constant currency basis to better measure the comparability of results between periods. This information is provided because exchange rates can distort the underlying change in sales, either positively or negatively.

See below for a reconciliation from GAAP operating performance measures to the most directly comparable non-GAAP (adjusted) performance measures. There is no GAAP financial measure comparable to backlog; therefore, a quantitative reconciliation of backlog is not provided.

Hillenbrand ([www.Hillenbrand.com](http://www.Hillenbrand.com)) is a global diversified industrial company that makes and sells premium business-to-business products and services for a wide variety of industries. We pursue profitable growth and meaningful dividends for our shareholders by leveraging our leading brands and robust cash generation capabilities.

**Hillenbrand, Inc.**  
**Consolidated Statements of Income (Unaudited)**  
*(in millions, except per share data)*

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Net revenue	\$ 398.7	\$ 416.8	\$ 1,204.8	\$ 1,198.5
Cost of goods sold	259.8	267.5	778.9	775.4
Gross profit	138.9	149.3	425.9	423.1
Operating expenses	85.6	97.7	268.5	291.6
Operating profit	53.3	51.6	157.4	131.5
Interest expense	5.7	5.6	17.8	17.5
Other income (expense), net	(1.3)	0.1	(6.3)	9.7
Income before income taxes	46.3	46.1	133.3	123.7
Income tax expense	13.8	12.7	39.9	35.4
Consolidated net income	32.5	33.4	93.4	88.3
Less: Net income attributable to noncontrolling interests	0.4	0.6	1.1	2.2
Net income(1)	\$ 32.1	\$ 32.8	\$ 92.3	\$ 86.1

Net income(1) — per share of common stock:				
Basic earnings per share	\$ 0.51	\$ 0.52	\$ 1.46	\$ 1.36
Diluted earnings per share	\$ 0.50	\$ 0.51	\$ 1.44	\$ 1.35
Weighted average shares outstanding (basic)	63.3	63.1	63.2	63.2
Weighted average shares outstanding (diluted)	63.9	63.7	63.8	63.8
Cash dividends per share	\$ 0.2000	\$ 0.1975	\$ 0.6000	\$ 0.5925

(1) Net income attributable to Hillenbrand

See Condensed Notes to Consolidated Financial Statements

### Condensed Consolidated Statements of Cash Flow (in millions)

	Nine Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	\$ 75.5	\$ 136.9
Net cash used in investing activities	(20.2)	(10.5)
Net cash used in financing activities	(66.2)	(108.9)
Effect of exchange rate changes on cash and cash equivalents	(1.5)	1.5
<b>Net cash flows</b>	<b>(12.4)</b>	<b>19.0</b>
<b>Cash and cash equivalents:</b>		
At beginning of period	58.0	42.7
At end of period	<u>\$ 45.6</u>	<u>\$ 61.7</u>

### Reconciliation of Non-GAAP Measures (in millions, except per share data)

	Three Months Ended June 30,					
	2015			2014		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Cost of goods sold	\$ 259.8	\$ (0.8)	(a) \$ 259.0	\$ 267.5	\$ 0.1	(d) \$ 267.6
Operating expenses	85.6	(0.9)	(b) 84.7	97.7	(4.7)	(e) 93.0
Income tax expense	13.8	0.8	(c) 14.6	12.7	1.3	(c) 14.0
Net income(1)	32.1	0.9	33.0	32.8	3.3	36.1
Diluted EPS	0.50	0.02	0.52	0.51	0.06	0.57
<b>Ratios:</b>						
Gross margin	34.8 %	0.2 %	35.0 %	35.8 %	— %	35.8 %
Operating expenses as a % of revenue	21.5 %	(0.3) %	21.2 %	23.4 %	(1.1) %	22.3 %

	Nine Months Ended June 30,					
	2015			2014		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Cost of goods sold	\$ 778.9	\$ (2.1)	(f) \$ 776.8	\$ 775.4	\$ 0.2	(h) \$ 775.6
Operating expenses	268.5	(2.9)	(g) 265.6	291.6	(9.1)	(i) 282.5
Income tax expense	39.9	1.8	(c) 41.7	35.4	2.6	(c) 38.0
Net income(1)	92.3	3.2	95.5	86.1	6.3	92.4
Diluted EPS	1.44	0.06	1.50	1.35	0.10	1.45
<b>Ratios:</b>						
Gross margin	35.4 %	0.1 %	35.5 %	35.3 %	— %	35.3 %
Operating expenses as a % of revenue	22.3 %	(0.3) %	22.0 %	24.3 %	(0.7) %	23.6 %

<sup>1</sup> Net income attributable to Hillenbrand

P = Process Equipment Group; B = Batesville; C = Corporate

- (a) Restructuring (\$0.4 P, \$0.4 B)
- (b) Restructuring (\$0.2 C, \$0.1 P, \$0.1 B), and business acquisition (\$0.5 C)
- (c) Tax effect of adjustments
- (d) Restructuring (\$0.1 credit B)
- (e) Business acquisition and integration costs (\$0.5 P, \$1.2 C), litigation costs (\$1.4 B), restructuring (\$1.5 P, \$0.1 C)
- (f) Restructuring (\$1.6 B, \$0.5 P)
- (g) Restructuring (\$0.8 P, \$0.8 C, \$0.1 B), litigation (\$0.5 B), and business acquisition and integration (\$0.6 C, \$0.1 P)
- (h) Restructuring (\$0.1 P, \$0.3 credit B)
- (i) Business acquisition and integration costs (\$1.5 P, \$3.2 C), litigation costs (\$1.4 B), restructuring (\$1.7 P, \$1.3 C)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
Adjusted EBITDA:				
Process Equipment Group	\$ 43.7	\$ 44.1	\$ 116.3	\$ 96.8
Batesville	32.2	34.3	108.9	113.7
Corporate	(9.7)	(7.6)	(30.1)	(17.3)
Less:				
Interest income	—	(0.3)	(0.7)	(0.6)
Interest expense	5.7	5.6	17.8	17.5
Income tax expense	13.8	12.7	39.9	35.4
Depreciation and amortization	12.7	14.7	41.1	43.7
Business acquisition and integration	0.5	1.7	0.7	4.7
Restructuring	1.0	1.6	2.4	2.8
Litigation	—	1.4	0.5	1.4
Consolidated net income	<u>\$ 32.5</u>	<u>\$ 33.4</u>	<u>\$ 93.4</u>	<u>\$ 88.3</u>

Throughout this release, we make a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. As the words imply, forward-looking statements are statements about the future, as contrasted with historical information. Our forward-looking statements are based on assumptions and current expectations of future events 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 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
Targeted	encourage	promise	improve	progress	potential	should

This is not an exhaustive list. Our intent is to provide examples of how readers might 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 Hillenbrand, or any companies we may acquire; risks that an acquisition disrupts current operations or poses potential difficulties in employee retention or otherwise affects financial or operating results; the ability to recognize the benefits of an acquisition, including potential synergies and cost savings or the failure of an 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; labor disruptions; the dependence of our business units on relationships with several large providers; increased costs or unavailability of raw materials; continued fluctuations in mortality rates and increased cremations; competition from nontraditional sources in the death care industry; cyclical demand for industrial capital goods; and certain tax-related matters. 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 II, Item 1A of Hillenbrand's Form 10-Q for the quarter ended June 30, 2015, filed with the Securities and Exchange Commission on August 5, 2015. The company assumes no obligation to update or revise any forward-looking information.

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To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/hillenbrand-reports-third-quarter-revenue-of-399-million-300124460.html>

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