

August 3, 2016

HILLENBRAND

Hillenbrand Reports Third Quarter 2016 Earnings and Continued Profitability Improvements

- Revenue of \$371 million, down 7% year-over-year as conditions in the industrial equipment and North American burial markets remain challenged
- GAAP EPS of \$0.48, down 4% compared to the prior year as a result of one-time charges; adjusted EPS increased 1% to \$0.53 supported by continued gross margin improvement across the portfolio
- Year-to-date Operating Cash Flow of \$190 million, up \$114 million over prior year
- Fiscal 2016 EPS guidance revised: adjusted EPS expected to be \$1.98 to \$2.05 compared to \$2.05 to \$2.15 previously

BATESVILLE, Ind., Aug. 3, 2016 /PRNewswire/ -- Hillenbrand, Inc. (NYSE: HI) reported results today for the third quarter of fiscal 2016 that ended June 30, 2016.

Revenue of \$371 million was 7% lower than the prior year, as end markets in the Process Equipment Group segment remain challenged and the rate at which families choose cremation continues to increase, challenging the Batesville segment. Compared to the third quarter of last year, net income decreased 4% to \$31 million, or \$0.48 per share, primarily as a result of one-time charges, including restructuring charges associated with planned actions announced in the first quarter as well as acquisition-related charges for the integration of ABEL and Red Valve. Adjusted net income increased 2% to \$34 million, or \$0.53 per share.

Implementation of the Hillenbrand Operating Model continues to expand profitability, as adjusted EBITDA increased 1% to \$67 million, and adjusted EBITDA margin improved 150 basis points to 18.1%, supported by continued gross margin improvement across the portfolio. Operating cash flow of \$190 million year-to-date was \$114 million higher than the prior year, driven by improved working capital performance in the Process Equipment Group segment and the non-recurring payment of a litigation settlement in the prior year.

Process Equipment Group

Process Equipment Group revenue of \$231 million was down 9% year-over-year, primarily due to continued weakness in the coal, proppants and potash markets and delayed orders for large projects. These market conditions also resulted in order volume that was down both

sequentially, and compared to the prior year. Backlog was flat sequentially and finished the quarter at \$524 million, a decrease of 3% year-over-year.

Despite lower volume, adjusted EBITDA margin of 18.1% in the quarter was 90 basis points higher than the prior year, driven by pricing, operational efficiency improvements, favorable product and business mix, and the addition of ABEL and Red Valve in the quarter's results.

Batesville

Batesville revenue was \$140 million, a decrease of 3% compared to the prior year driven by the estimated volume decline in the North American burial market due to the increased rate at which families chose cremation.

Batesville continues to drive year-over-year profitability improvements through the application of the Hillenbrand Operating Model. Adjusted EBITDA margin improved 250 basis points to 24.7% on the strength of supply chain productivity improvements, lower commodity and fuel prices and ongoing efforts to aggressively manage costs.

"We've experienced persistent headwinds this year in many of our end markets for both the Process Equipment Group and Batesville, and our third quarter was no exception," said Joe Raver, President and CEO of Hillenbrand. "These conditions are not expected to improve in the near term and, as such, we will continue to utilize the Hillenbrand Operating Model to identify and implement initiatives to proactively protect our profitability while ensuring we are able to respond to our customers' needs when demand returns."

Earlier this year, additional restructuring actions were announced to reduce costs and better position the business to compete effectively and respond to weak demand. Many of those actions have been completed as planned. The business remains on track to achieve the targeted savings of approximately \$10 million on an annualized basis, including an estimated benefit of \$4 million expected in fiscal 2016.

Guidance

Order volume fell short of expectations in the third quarter, particularly in the area of large systems projects, resulting in lower than anticipated backlog heading into the fourth quarter. While project pipeline activity level remains solid, increased uncertainty driven by general economic conditions is leading to extended customer decision timelines that have affected order timing more than expected. As a result, Hillenbrand is lowering guidance for revenue and EPS:

- Adjusted EPS in the range of \$1.98 to \$2.05, compared to \$2.05 to \$2.15 previously
- Organic constant currency revenue growth in the range of negative 7% to negative 5%, compared to down 2% to flat previously
- Total constant currency revenue growth in the range of negative 3% to negative 1%, compared to 2% to 4% previously

Conference Call Information

Date/Time: 8:00 a.m. EDT, Thursday, August 4, 2016

Dial-In for U.S. and Canada: 1-877-201-0168

Dial-In for International: +1-647-788-4901

Conference call ID number: 42034114

Webcast link: <http://ir.hillenbrand.com> (archived through Saturday, September 3, 2016)

Replay - Conference Call

Date/Time: Available until midnight EDT, Thursday, August 18, 2016

Dial-In for U.S. and Canada: 1-855-859-2056

Dial-In for International: +1-404-537-3406

Conference Call ID Number: 42034114

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).

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 amortization, inventory step-up, business acquisition and integration, restructuring, trade name impairment, 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 Operating Model 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, replacement parts, components, and service. The length of time that projects remain in backlog can span from days for replacement parts or service to approximately 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 awards subject to further customer 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.

Hillenbrand expects that future revenue associated with the Process Equipment Group will be 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 may also be affected by foreign exchange fluctuations for orders denominated in currencies other than U.S. dollars.

Hillenbrand calculates the foreign currency impact on net revenue, in order to better measure the comparability of results between periods. Hillenbrand calculates constant currency by translating current year results at prior year foreign exchange rates. 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) is a global diversified industrial company that makes and sells premium business-to-business products and services for a wide variety of industries. We strive to provide superior return for our shareholders, exceptional value for our customers, and great professional opportunities for our people.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Net revenue	\$ 371.0	\$ 398.7	\$ 1,109.7	\$ 1,204.8
Cost of goods sold	227.5	259.8	695.3	778.9
Gross profit	143.5	138.9	414.4	425.9
Operating expenses	87.2	79.1	256.6	247.0
Amortization expense	7.2	6.5	25.6	21.5
Interest expense	6.6	5.7	18.9	17.8
Other (expense) income, net	(0.3)	(1.3)	(1.9)	(6.3)
Income before income taxes	42.2	46.3	111.4	133.3
Income tax expense	10.9	13.8	31.9	39.9
Consolidated net income	31.3	32.5	79.5	93.4
Less: Net income attributable to noncontrolling interests	0.6	0.4	2.7	1.1
Net income(1)	\$ 30.7	\$ 32.1	\$ 76.8	\$ 92.3
Net income(1) — per share of common stock:				
Basic earnings per share	\$ 0.49	\$ 0.51	\$ 1.21	\$ 1.46
Diluted earnings per share	\$ 0.48	\$ 0.50	\$ 1.21	\$ 1.44
Weighted average shares outstanding (basic)	63.4	63.3	63.3	63.2
Weighted average shares outstanding (diluted)	63.9	63.9	63.8	63.8

	2016		2015	
Adjusted EBITDA:				
Process Equipment Group	\$ 41.8	\$ 43.7	\$ 109.8	\$ 116.3
Batesville	34.6	32.2	109.5	108.9
Corporate	(9.3)	(9.7)	(26.6)	(30.1)
Less:				
Interest income	(0.3)	—	(0.8)	(0.7)
Interest expense	6.6	5.7	18.9	17.8
Income tax expense	10.9	13.8	31.9	39.9
Depreciation and amortization	14.3	12.7	46.2	41.1
Business acquisition and integration	0.7	0.5	3.5	0.7
Inventory step-up	(0.1)	—	2.4	—
Restructuring and restructuring related	1.5	1.0	8.9	2.4
Trade name impairment	2.2	—	2.2	—
Litigation	—	—	—	0.5
Consolidated net income	\$ 31.3	\$ 32.5	\$ 79.5	\$ 93.4

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 I, Item 1A of Hillenbrand's Form 10-K for the year ended September 30, 2015, filed with the Securities and Exchange Commission on November 18, 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-2016-earnings-and-continued-profitability-improvements-300308798.html>

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