



# HILLENBRAND

*A GLOBAL DIVERSIFIED INDUSTRIAL COMPANY*

**PURSuing GROWTH • BUILDING VALUE**



# Hillenbrand Participants

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## **Joe Raver**

- President and Chief Executive Officer

## **Kristina Cerniglia**

- Senior Vice President and Chief Financial Officer

# Disclosure Regarding Forward-Looking Statements

## Forward-Looking Statements and Factors That May Affect Future Results:

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 are subject to a wide range of risks.

Accordingly, in this presentation, we may say something like,

“We expect that future revenue associated with the Process Equipment Group will be influenced by order backlog.”

That is a forward-looking statement, as indicated by the word “expect” and by the clear meaning of the sentence.

Other words that could indicate we are making forward-looking statements include:

<b>intend</b>	<b>believe</b>	<b>plan</b>	<b>expect</b>	<b>may</b>	<b>goal</b>	<b>would</b>
<b>become</b>	<b>pursue</b>	<b>estimate</b>	<b>will</b>	<b>forecast</b>	<b>continue</b>	<b>could</b>
<b>targeted</b>	<b>encourage</b>	<b>promise</b>	<b>improve</b>	<b>progress</b>	<b>potential</b>	<b>should</b>

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.

For a discussion of factors that could cause actual results to differ from those contained in forward-looking statements, see the discussions under the heading “Risk Factors” in Item 1A of Part I of our Form 10-K for the year ended September 30, 2016, located on our website and filed with the SEC. We assume no obligation to update or revise any forward-looking statements.

# Hillenbrand's Strategy Is Focused On Three Key Areas

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- Develop Hillenbrand into a world-class global diversified industrial company
- Leverage our strong financial foundation and the Hillenbrand Operating Model to deliver sustainable profit growth, revenue expansion, and free cash flow
- Reinvest this cash in new growth initiatives, both organic and inorganic, that create shareholder value

# Q4 FY 2016 Highlights

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## **Q4 2016 Consolidated Highlights**

- Revenue of \$429 million increased 9%
- GAAP EPS of \$0.56 increased \$0.26, while adjusted EPS\* of \$0.58 was up \$0.03 compared to prior year

## **PEG Q4 2016 Highlights**

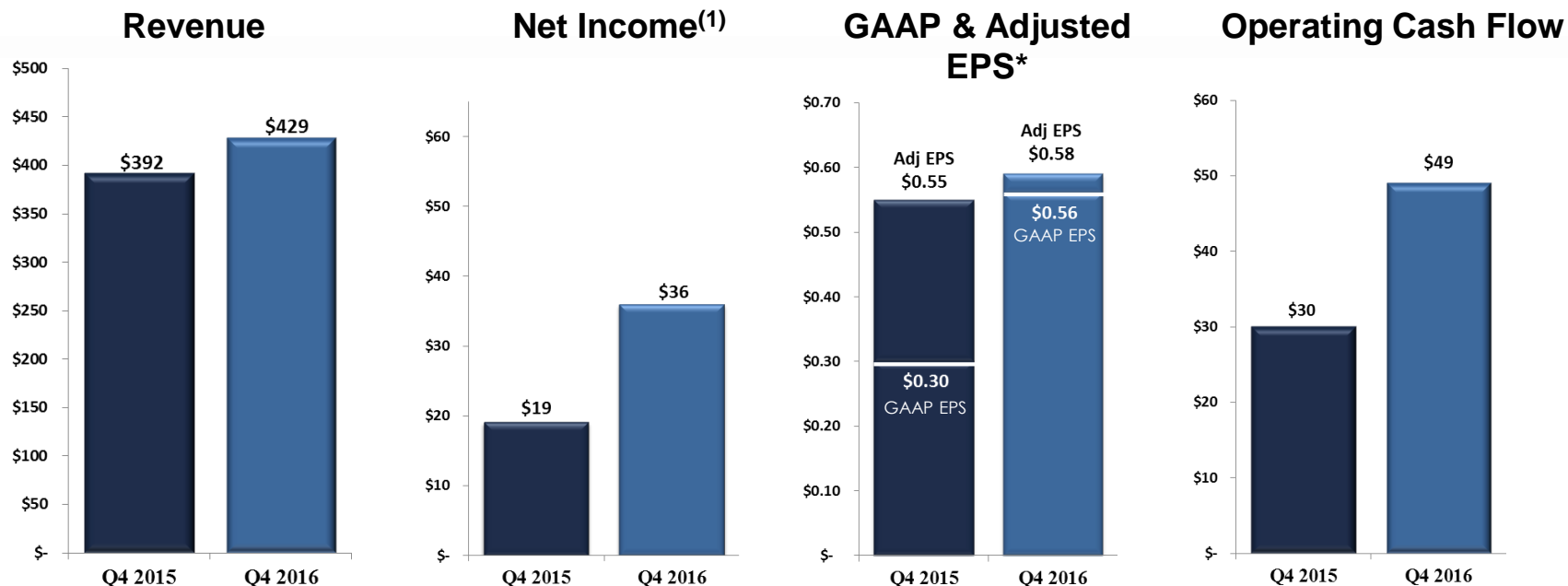
- Revenue of \$284 million increased 17%
- Adjusted EBITDA margin\* was 18.0%, down 20 bps compared to prior year

## **Batesville Q4 2016 Highlights**

- Revenue of \$145 million was down 4% to PY
- Adjusted EBITDA margin\* was 23.6%, down 90 bps compared to prior year

\*See appendix for reconciliation

# Consolidated Financial Performance – Q4 2016



## Hillenbrand Consolidated

### Q4 2016 Consolidated Composition:

	Revenue	Adj. EBITDA*
Process Equipment Group	66%	60%
Batesville	34%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Q4 2016 Consolidated Summary:

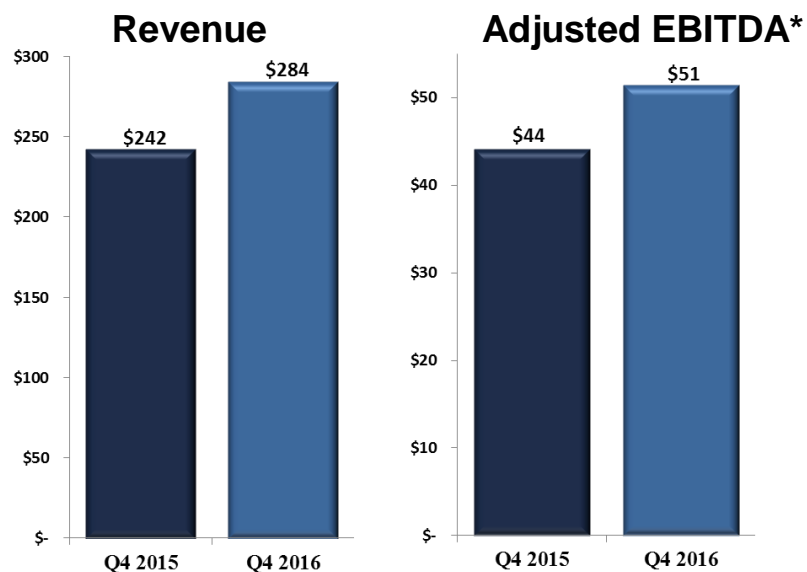
- Revenue increased 9% to \$429 million driven by higher volume in the Process Equipment Group, including acquisitions
- GAAP net income increased 88% to \$36 million, adjusted EBITDA\* of \$74 million increased 1%; adjusted EBITDA margin\* of 17.4% was down 140 bps driven by Batesville
- Operating cash flow of \$49 million in the fourth quarter was up \$19 million over prior year, driven by higher net income

<sup>1</sup>Net Income attributable to shareholders

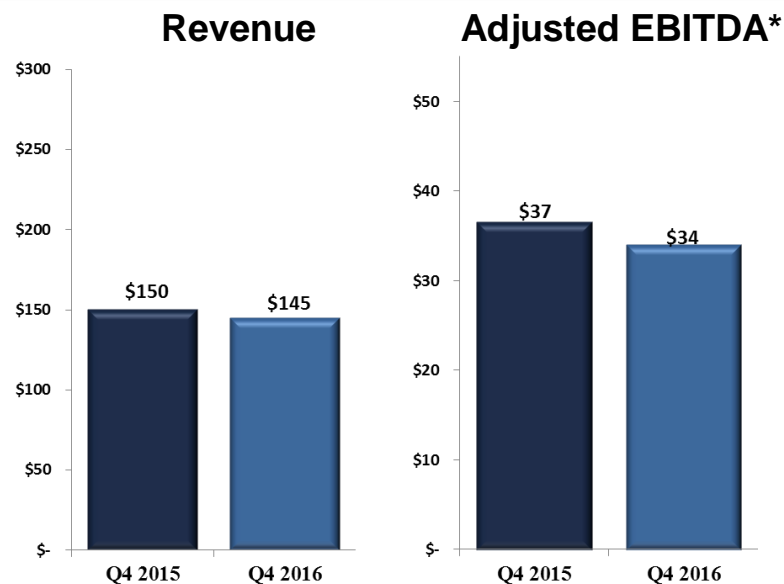
\*See appendix for reconciliation

# Segment Performance – Q4 2016

## Process Equipment Group



## Batesville



### Process Equipment Group

#### Q4 2016 Summary:

- Revenue of \$284 million was up 17% compared to prior year driven by growth in large plastics projects and the acquisitions of ABEL and Red Valve
- Adjusted EBITDA margin\* decreased 20 bps primarily due to gross margin pressure from unfavorable mix, which was partially offset by pricing and productivity initiatives and the acquisitions of the ABEL and Red Valve

### Batesville

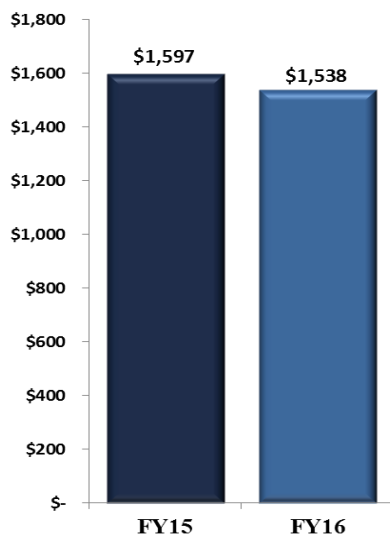
#### Q4 2016 Summary:

- Revenue of \$145 million was down 4% due to a decrease in volume associated with an estimated reduction in the number of burials
- Adjusted EBITDA margin\* decreased 90 bps due in part to the decline in volume and cost inflation driven by health care and insurance.

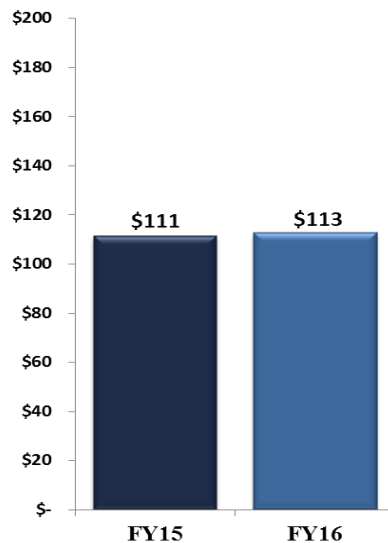
\*See appendix for reconciliation

# Consolidated Financial Performance – FY 2016

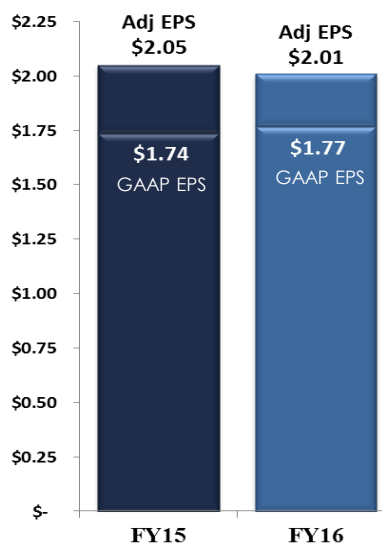
## Revenue



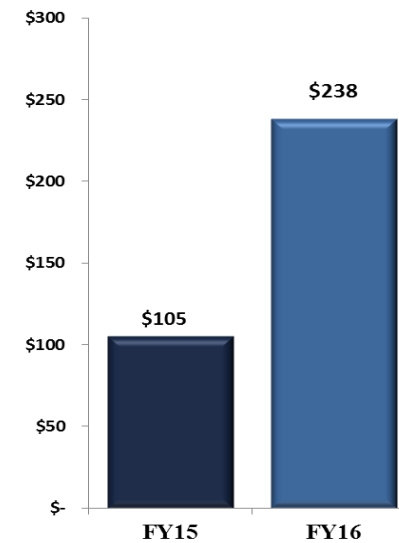
## Net Income<sup>(1)</sup>



## GAAP & Adjusted EPS\*



## Operating Cash Flow



## Hillenbrand Consolidated

### FY 2016 Consolidated Composition:

	Revenue	Adj. EBITDA*
Process Equipment Group	63%	53%
Batesville	37%	47%
Total	100%	100%

### FY 2016 Consolidated Summary:

- Revenue of \$1.54 billion decreased 4% driven by lower organic volume and FX, partially offset by acquisitions
- GAAP net income increased 1% to \$113 million, adjusted EBITDA\* of \$267M decreased 1%; adjusted EBITDA margin\* improved 60 bps primarily due to acquisitions and initiatives related to productivity and restructuring
- Operating cash flow increased \$133 million over prior year primarily due to timing of working capital requirements

<sup>1</sup>Net Income attributable to shareholders

\*See appendix for reconciliation



## Hillenbrand Outlook: FY 2017 Guidance

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Revenue Range		
Batesville	-3%	-1%
PEG	3%	5%
<b>Total</b>	<b>1%</b>	<b>3%</b>

EPS Range		
<b>FY17 GAAP EPS</b>	<b>1.80</b>	<b>1.95</b>
Restructuring Charges	0.15	0.15
<b>FY17 Adjusted EPS</b>	<b>1.95</b>	<b>2.10</b>

## FY 2017 Adjusted EPS Bridge

Adjusted EPS Bridge		
<b>FY16 Adjusted EPS</b>	<b>2.01</b>	<b>2.01</b>
Revenue Impact	(0.02)	0.09
PEG EBITDA Improvement <sup>(1)</sup> (+30bps, +80bps)	0.03	0.08
Interest <sup>(2)</sup>	(0.03)	(0.03)
Effective Tax Rate <sup>(3)</sup>	(0.04)	(0.05)
<b>FY17 Adjusted EPS</b>	<b>1.95</b>	<b>2.10</b>

(1) Inclusive of benefits from FY16 restructuring actions

(2) FY17 Interest expense of approximately \$28M

(3) Tax rate of 31%

Other Assumptions: FY17 amortization expense of \$30M

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Q & A

# Replay Information

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▶▶▶▶ **Encore Replay Dates: 11/17/2016 - 12/1/2016**

▶▶▶▶ **Log on to: <http://ir.hillenbrandinc.com/investor-relations>**

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## Appendix

# Disclosure Regarding Non-GAAP Measures

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While we report financial results in accordance with accounting principles generally accepted in the United States (GAAP), we also provide certain 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 antitrust 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.

One important non-GAAP measure that we use is Adjusted Earnings Before Interest, Income Tax, Depreciation, and Amortization (“Adjusted EBITDA”). As previously discussed, 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 the Process Equipment Group industry. Our backlog represents the amount of consolidated revenue that we expect to realize on contracts awarded related to the Process Equipment Group. Backlog includes expected revenue from large systems, equipment, and to a lesser extent, replacement parts, components, and service. There is no GAAP financial measure comparable to backlog; therefore 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. Finally, the Company believes such information provides a higher degree of transparency.

# Q4 FY16, Q4 FY15 & YTD FY16, YTD FY 15

## Adjusted EBITDA To Consolidated Net Income Reconciliation

	Three Months Ended		Twelve Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>EBITDA - adjusted</b>				
Process Equipment Group	\$ 51.1	\$ 44.1	\$ 160.9	\$ 160.5
Batesville	34.1	36.8	143.5	145.5
Corporate	(10.8)	(7.3)	(37.3)	(37.3)
Less:				
Interest income	(0.4)	(0.3)	(1.2)	(1.0)
Interest expense	6.4	6.0	25.3	23.8
Income tax expense	15.4	9.2	47.3	49.1
Depreciation and amortization	14.2	13.2	60.4	54.3
Litigation	-	-	-	0.5
Restructuring and restructuring related	1.3	5.1	10.2	7.5
Inventory step-up	-	-	2.4	-
Trade name impairment	-	-	2.2	-
Business acquisition and intergration	0.2	2.9	3.7	3.6
Pension settlement	-	17.7	-	17.7
<b>Consolidated Net Income</b>	<u>\$ 37.3</u>	<u>\$ 19.8</u>	<u>\$ 116.8</u>	<u>\$ 113.2</u>

# Q4 FY16, Q4 FY15 & YTD FY16, YTD FY 15

## Reconciliation Of Non-GAAP Measures

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
<b>Net Income (1)</b>	\$ 36.0	\$ 19.1	\$ 112.8	\$ 111.4
Restructuring and restructuring related	1.3	5.1	10.4	8.9
Business acquisition and integration	0.2	2.9	3.7	3.6
Litigation	-	-	-	0.5
Inventory step-up	-	-	2.4	-
Backlog amortization	-	-	4.5	-
Trade name impairment	-	-	2.2	-
Pension settlement charge	-	17.7	-	17.7
Tax effect of adjustments	(0.5)	(9.4)	(8.0)	(11.2)
<b>Adjusted Net Income (1)</b>	\$ 37.0	\$ 35.4	\$ 128.0	\$ 130.9

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2015	2016	2015
<b>Diluted EPS</b>	\$ 0.56	\$ 0.30	\$ 1.77	\$ 1.74
Restructuring and restructuring related	0.02	0.08	0.16	0.14
Business acquisition and integration	0.01	0.04	0.06	0.06
Litigation	-	-	-	0.01
Inventory step-up	-	-	0.04	-
Backlog amortization	-	-	0.07	-
Trade name impairment	-	-	0.04	-
Pension settlement charge	-	0.28	-	0.28
Tax effect of adjustments	(0.01)	(0.15)	(0.13)	(0.18)
<b>Adjusted Diluted EPS</b>	\$ 0.58	\$ 0.55	\$ 2.01	\$ 2.05

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



# Q4 FY16, Q4 FY15

## Reconciliation Of Adjusted Gross Margin

	Consolidated				Process Equipment Group				Batesville			
	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
<b>Gross Margin</b>	\$ 156.2	36.4%	\$ 144.5	36.9%	\$ 101.3	35.6%	\$ 85.5	35.3%	\$ 54.9	38.0%	\$ 59.0	39.3%
Restructuring and restructuring related	0.1		1.1		-		1.0		0.10		0.1	
Inventory step-up	-		-		-		-		-		-	
<b>Adjusted Gross Margin</b>	\$ 156.3	36.5%	\$ 145.6	37.1%	\$ 101.3	35.6%	\$ 86.5	35.7%	\$ 55.0	38.1%	\$ 59.1	39.4%