

Hillenbrand, Inc.  
Form 10-K  
November 16, 2016  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the year ended September 30, 2016  
Commission File No. 001-33794

HILLENBRAND, INC.  
(Exact name of registrant as specified in its charter)  
Indiana 26-1342272  
(State of incorporation) (I.R.S. Employer Identification No.)

One Batesville Boulevard  
Batesville, Indiana 47006  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (812) 934-7500  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of voting stock (consisting solely of shares of common stock) held by non-affiliates of the registrant as of March 31, 2016 was \$1,880,989,474. As of November 11, 2016, 63,055,701 shares of common stock were outstanding.

Documents Incorporated by Reference

Portions of our definitive proxy statement for the 2017 Annual Meeting of Shareholders are incorporated by reference into Part III of this report. The proxy statement will be filed no later than January 11, 2017.

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(monetary amounts in millions, except per share data)

PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Throughout this Form 10-K, 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 Form 10-K, 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:

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, 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 this Form 10-K. We assume no obligation to update or revise any forward-looking statements.

Item 1. Business

In this section of the Form 10-K, we provide you a general overview of the Company, including a high-level review of our reportable segments and how we operate. We then present our reportable segments in greater detail, including the products we manufacture and sell, how those products are distributed and to whom, with whom we compete, the key inputs to production, and an explanation of our business strategies. We also provide you information on any key patents, trademarks, and regulatory matters important to our business. Finally, we provide you a brief background on our executive officers so that you can understand their experience and qualifications.

Further quantitative information about the business, by segment and geography, is set forth in Note 14 to our financial statements included in Part II, Item 8, of this Form 10-K.

GENERAL

Hillenbrand ([www.Hillenbrand.com](http://www.Hillenbrand.com)) is a global diversified industrial company with multiple market-leading brands that serve a wide variety of industries across the globe. Hillenbrand's portfolio is composed of two business segments: the Process Equipment Group and Batesville®. The Process Equipment Group businesses design, develop, manufacture, and service highly engineered industrial equipment around the world. Batesville is a recognized leader in the North American death care industry. Hillenbrand was incorporated on November 1, 2007, in the state of Indiana and began trading on the New York Stock Exchange

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under the symbol “HI” on April 1, 2008. “Hillenbrand,” “the Company,” “we,” “us,” “our,” and similar words refer to Hillenbrand, Inc. and its subsidiaries unless context otherwise requires.

Although Hillenbrand has been a public company for more than eight years, the businesses owned by Hillenbrand have been in operation for decades.

Between 2010 and 2014, Hillenbrand completed three major acquisitions of companies that formed the foundation of our Process Equipment Group: K-Tron International, Inc. (“K-Tron”) in April 2010, Rotex Global, LLC (“Rotex”) in August 2011, and Coperion Capital GmbH (“Coperion”) in December 2012.

TerraSource Global, also part of our Process Equipment Group, was organized in July 2012 from three brands, Gundlach Equipment Corporation, Jeffrey Rader Corporation, and Pennsylvania Crusher Corporation, each acquired as part of the K-Tron acquisition. The remaining K-Tron brands merged with Coperion during 2013.

On October 2, 2015, Hillenbrand acquired Abel Pumps LP, Abel GmbH & Co. KG, and certain of their affiliates (collectively “Abel”). Additionally, on February 1, 2016, Hillenbrand acquired Red Valve Company, Inc. (“Red Valve”). Both Abel and Red Valve are now included in our Process Equipment Group segment.

See Note 3 to our financial statements included in Part II, Item 8 of this Form 10-K for more information on the Abel and Red Valve acquisitions.

## Business Segments

### Process Equipment Group

The Process Equipment Group is a leading global provider of compounding, extrusion, and material handling; size reduction; screening and separating; and flow control products and services for a wide variety of manufacturing and other industrial processes.

We believe the Process Equipment Group has attractive fundamentals including:

• **B**alanced geographic diversification;

• **H**istorically stable revenue and attractive margins from parts and service business;

• **H**ighly diversified customer base with a strong history of long-term relationships with blue-chip customers; and

• **P**roven products with substantial brand value and recognition, combined with industry-leading applications and engineering expertise.

### Batesville

Batesville is a leader in the North American death care industry through the manufacture and sale of funeral service products, including burial caskets, cremation caskets, containers and urns, selection room display fixtures, other personalization and memorialization products, and web-based technology applications.

We believe Batesville has attractive fundamentals including:

• **H**istorically predictable strong cash flow and attractive margins;

• **H**istorically high return on invested capital; and

• **S**ubstantial brand value and recognition, combined with quality service, a nationwide distribution network, and a strong customer base.

## How We Operate

We strive to provide superior return for our shareholders, exceptional value for our customers, and great professional opportunities for our employees through deployment of the Hillenbrand Operating Model (HOM). The HOM is a consistent and repeatable framework designed to produce sustainable and predictable results. The HOM describes our mission, vision, values and mindset as leaders; applies our management practices in Strategy Management, Segmentation, Lean, Talent Development, and Acquisitions; and prescribes three steps (Understand, Focus and Grow) designed to make our businesses both bigger and better. Our goal is to continue developing Hillenbrand as a world-class global diversified industrial company through the deployment of the HOM.



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Our strategy is to leverage our historically strong financial foundation and the implementation of the HOM to deliver sustainable profit growth, revenue expansion and substantial free cash flow and then reinvest available cash in new growth initiatives that are focused on building leadership positions in our core markets and near adjacencies, both organically and inorganically, in order to create shareholder value.

### REPORTABLE SEGMENTS

#### Process Equipment Group

The Process Equipment Group designs, engineers, manufactures, markets, and services differentiated process and material handling equipment and systems for a wide variety of industries, including plastics, processed food, chemicals, fertilizers, industrial minerals, mining, energy, wastewater treatment, and forest products. The Process Equipment Group uses its strong applications and process engineering expertise to solve problems for customers. Its highly engineered capital equipment and systems offerings require after-market service and/or parts replacement, providing an opportunity for ongoing revenue at attractive margins.

#### Process Equipment Group: Products and Services

The Process Equipment Group product portfolio has grown through a series of acquisitions over the past six years and now includes products and services for compounding, extrusion, and material handling; size reduction; screening and separating; and flow control. The Process Equipment Group businesses are supported by replacement parts and services that represent approximately 37% of the group's total revenue. Products are offered under brand names that are recognized among the leaders in their respective categories.

#### Compounding, Extrusion, and Material Handling Equipment

Twin screw compounding and extrusion machines range from small laboratory compounding machines to high performance, high throughput extrusion systems. Small and mid-sized compounders are used by customers in engineering plastics, masterbatch, PVC, and other applications for the plastics, food, chemical, and pharmaceutical industries. These products are sold under the Coperion® brand. Extrusion systems are sold to customers in the polyolefin industry for base resin production. The extrusion products are sold under the Coperion® brand. Material handling equipment includes pneumatic conveying equipment for difficult-to-move materials; high-precision feeders that can operate at both very high and very low fill rates; blenders for pellets and powders; and rotary valves, diverter valves, and slide-gate valves used for feeding, dosing, discharge, and distribution during pneumatic conveying. The proprietary equipment is highly engineered and designed to solve the needs of customers for customized solutions. Material handling equipment is sold to a variety of industries, including plastics, processed food, chemicals, and industrial minerals. These products are sold under the Coperion® and Coperion K-Tron® brands. Compounding, extrusion, and material handling equipment can be sold as a complete system, where strong application and process engineering expertise is used to create a broad system solution for customers. Systems can range from a single manufacturing line to large scale manufacturing lines and turnkey systems. Larger system sales are generally fulfilled over 12 to 18 months. A certain amount of revenue for large system sales comes from third-party-sourced products that carry only a small up-charge. As a result, margin percentages tend to be lower on these large system sales when compared to the rest of the business.

#### Size Reduction Equipment

Size reduction equipment is used to reduce the size of friable materials. Pennsylvania Crusher® and Gundlach® products are used to crush materials in the power generation, mining, quarrying, glass making, salt processing, and fertilizer manufacturing industries. Jeffrey Rader® products are used in industries including forest

products, pulp and paper, biomass power and energy generation, and plastics/base resin manufacturing. Jeffrey Rader also designs and provides complete material handling and pneumatic or mechanical conveying systems to meet product specifications, including boiler feed, resource recovery, rail and truck loading/unloading, and recycling systems.

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### Screening and Separating Equipment

Screening and separating equipment sorts dry, granular products based on the size of the particles being processed. This equipment is sold under the Rotex® brand to customers in a variety of industries including proppants, fertilizers, chemicals, agricultural goods, plastics, and food processing. The equipment uses a unique patented technology based on a specific gyratory-reciprocating motion that provides an optimal material distribution on the screens, gentle handling of particles, and accurate separations.

### Flow Control Solutions

Pump solutions mainly consist of piston and piston diaphragm pump technology that transfer abrasive or corrosive fluids and fluids with a high sludge or solids content for mission critical applications. This equipment is sold under the ABEL® Pump Technology brand into the power generation, wastewater treatment, mining, general industry, and marine markets. This equipment lends itself to a superior total cost of ownership over time compared to other pumping technologies.

Valve solutions mainly consist of pinch valves and duckbill check valves that manage fluids for mission-critical, severe service applications. These valves, among others, are sold under Red Valve®, Tideflex Technologies, and RKL Controls brands into the water and wastewater, drainage and storm water, mining, chemicals, and power markets. These engineered valves are designed for long life in the toughest municipal and industrial applications, lending themselves to superior total costs of ownership over time.

### Replacement Parts and Service

Replacement parts and service are a major component of most of the Process Equipment Group business lines. Service engineers and technicians are located around the globe to better respond to customers' machines and systems service needs. The parts and service division offers customers service consulting, training, maintenance and repairs, spare parts, and modernization. These services are a key component of each business within the Process Equipment Group.

### Process Equipment Group: Sales, Distribution, and Operations

The Process Equipment Group sells equipment and systems throughout the world using a combination of direct sales and a global network of independent sales representatives and distributors. A part of the Process Equipment Group's sales, especially in North America, is made through independent sales representatives who are compensated by commission. In situations where a representative purchases equipment and resells it as a distributor, the product is sold at a price net of commission, depending on the type of product sold.

Equipment and systems orders are often for unique, engineered-to-order items. Therefore, the Process Equipment Group does not typically maintain significant amounts of raw material and component stock inventory on hand at any one time, except to cover replacement part orders. Products are either assembled and tested at Process Equipment Group facilities and then shipped to a customer or are assembled at the customer's desired location.

We expect that future revenue associated with the Process Equipment Group will be influenced by order backlog because of the lead time involved in fulfilling engineered-to-order equipment for customers. Though 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 of order, 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 United States ("U.S.") dollars.

Process Equipment Group: Customers

The Process Equipment Group has customers in a wide range of industries, including plastics, processed food, chemicals, fertilizers, industrial minerals, mining, energy, wastewater treatment, and forest products. These customers range from large, Fortune 500 global companies to regional and local businesses. No one customer accounted for more than 10% of Hillenbrand's consolidated revenue during 2016. For large or customized orders, customers generally pay a deposit and make progress payments in advance of delivery. Often, long-term relationships are established with these customers.

The Process Equipment Group's sales are diversified by end markets, and further penetration of these end markets is an important element of its strategy. Currently, projects in the plastics industry represent greater than half of the Process

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Equipment Group's sales. Geographically, approximately three quarters of the revenue in the Process Equipment Group comes from the Americas and Europe, the Middle East, and Africa, with the remaining quarter coming from Asia.

We believe that long-term growth for this segment is driven by megatrends such as a rapidly growing middle class in China and India and a growing global population, resulting in rising demand for products sold in many of the end markets the Process Equipment Group serves. While overall demand for these products is expected to increase over the long run, we expect short-term periodic fluctuations in demand from time-to-time.

### Process Equipment Group: Competition

We believe the Process Equipment Group holds leading positions in key industries because of design and quality of products, extensive application and process engineering expertise, product support services, brand name recognition, and commitment to serving the needs of customers.

The Process Equipment Group brands face strong competition in the markets where they compete. Competitors range in size from small, privately-held companies serving narrow market segments or geographical areas to larger, well-known global companies serving national and international markets with multiple product lines. We believe the Process Equipment Group's diversification into multiple industries and markets, its base of replacement parts business, and its strong worldwide network of suppliers and dealers will allow it to maintain leading market positions even during economic downturns.

### Process Equipment Group: Raw and Component Materials

The manufacturing of the Process Equipment Group's products involves the machining and welding of raw materials (primarily sheet metals and steel) and castings that are assembled with other component parts that generally require particular specifications or qualifications purchased from third-party suppliers. Although most of these raw materials and components are generally available from several sources, some of these items are currently purchased from sole sources. Volatility in the prices the Process Equipment Group pays for raw materials used in its products, including sheet metals and steel, has a direct effect on profitability. The Process Equipment Group regularly takes steps designed to mitigate the impact of volatility in raw and component material prices, including executing Lean initiatives and various sourcing actions. In instances where third-party suppliers are depended upon for outsourced products or components, there is risk of customer dissatisfaction with the quality or performance of the products sold due to supplier failure. In addition, difficulties experienced by third-party suppliers can interrupt the ability to obtain the outsourced product and ultimately to supply products to customers. Regardless, we believe the Process Equipment Group will generally be able to continue to obtain adequate supplies of key products or appropriate substitutes at reasonable costs.

### Process Equipment Group: Strategy

The Process Equipment Group seeks profitable growth by deploying the HOM to:

- Build leadership positions in core and near adjacent markets through introduction of new products and application of process expertise.
- Leverage our geographic presence to improve access to underpenetrated channels and local regions in developed and emerging markets.
- Pursue acquisitions that strengthen our relative market leadership position in key markets.

Batesville

Batesville® is a recognized leader in the North American death care industry, where it has been designing, manufacturing, distributing, and selling funeral service products and solutions to licensed funeral directors operating licensed funeral homes for more than 100 years. Batesville-branded products include: burial caskets; cremation caskets and urns; selection room display fixturing for funeral homes; personalization and memorialization products and services; and web-based technology applications that include funeral planning, website products, and back office software for licensed funeral homes. Batesville also develops and markets comprehensive operational management software solutions for cemeteries.

#### Batesville: Products and Services

As the needs of funeral professionals and consumers have evolved, Batesville has expanded its offerings with new products, value-added services, and leading partnerships. Today, Batesville provides products and services to customers under four primary solutions platforms: (1) Burial Solutions, which accounts for the majority of Batesville's revenue, (2) Cremation

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Options<sup>®</sup>, (3) Memorial Solutions, and (4) Technology Solutions. Each platform is underpinned by expert profitability solutions designed to help funeral professionals optimize their business.

### **Burial Solutions**

As the leading casket manufacturer in North America, Batesville is recognized for innovation in materials, design, and proprietary features. Batesville has been at the forefront of casket innovation over the past 60 years - from the first mass-produced gasketed casket, to the introduction of Dimensions<sup>®</sup> oversized caskets, to casket personalization features such as dual overlay interiors, LifeSymbols<sup>®</sup> corners, LifeStories<sup>®</sup> medallions, and LifeView<sup>®</sup> panels. Batesville brand metal caskets are welded and utilize rubber gaskets and a locking bar mechanism. Batesville's gasketed caskets are made of carbon steel, stainless steel, copper, and bronze. Batesville also produces and markets an expanding selection of non-gasketed steel caskets.

Batesville solid and veneer hardwood caskets are made from a variety of woods, which are offered in ten different species. Batesville veneer caskets are manufactured using a proprietary process for veneering that allows for rounded covers and a furniture-grade finished appearance. Batesville also provides Marsellus<sup>®</sup> premium solid wood caskets, as well as cloth-covered and all-wood construction caskets, which are also suitable for green burials.

### **Cremation Options<sup>®</sup>**

The Cremation Options<sup>®</sup> platform is focused on helping funeral professionals capitalize on the growing consumer trend to select cremation. In addition to a broad line of cremation caskets, containers, and urns, Batesville offers training, merchandising, packaging support, and a complete line of marketing support materials to educate funeral directors and consumers on product and service options. Cremation caskets and containers are manufactured primarily of hardwoods and fiberboard. Batesville's memorial urns are made from a variety of materials including bronze, wood, acrylic, cloisonné, brass, and marble. Batesville also offers a broad selection of biodegradable and scattering urns.