

Hillenbrand, Inc.
Form 10-K
November 28, 2011
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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 fiscal year ended September 30, 2011

Commission File No. 001-33794

HILLENBRAND, INC.

(Exact name of registrant as specified in its charter)

Indiana
(State of incorporation)

26-1342272
(I.R.S. Employer Identification No.)

One Batesville Boulevard
Batesville, Indiana
(Address of principal executive offices)

47006
(Zip Code)

Registrant's telephone number, including area code: **(812) 934-7500**

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class
Common Stock, without par value

Name of Each Exchange on Which Registered
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 No

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 No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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.

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, 2011 was \$1,346,862,039. As of November 15, 2011, 62,503,579 shares of common stock were outstanding.

Documents Incorporated by Reference

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Portions of our definitive proxy statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this report. These will be filed no later than January 14, 2012.

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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 they 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 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.

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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 basic understanding of our company, our reportable segments, the products we manufacture and sell, how we distribute our products, with whom we compete, and the key inputs to production. We also provide you background on industry trends, regulatory matters, and key patents and trademarks important to our business. We also provide an explanation of our business strategies. 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 is set forth in Note 15 to our consolidated financial statements included in Part II, Item 8, of this Form 10-K.

General

Hillenbrand, Inc. is a global diversified industrial enterprise with two platforms that manufacture and sell premium business-to-business products and services for a wide variety of industries. Batesville® is the leader in the North American funeral products industry, and Process Equipment Group is a leader in the design and production of equipment

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and systems used in processing applications. Hillenbrand, the Company, we, us, our, and similar words refer to Hillenbrand, Inc. and its subsidiaries.

Hillenbrand was incorporated on November 1, 2007, in the state of Indiana and began trading on the New York Stock Exchange under the symbol HI on April 1, 2008. Hillenbrand became a publicly traded company as the result of the separation of Hillenbrand Industries, Inc. (also referred to as Hill-Rom Holdings, Inc. or Hill-Rom) into two separate publicly traded companies, Hillenbrand and Hill-Rom, through a tax-free distribution (the Distribution) of Hillenbrand shares to Hill-Rom's shareholders. The Distribution took place on March 31, 2008.

Although Hillenbrand has been a separate public company for just over three years, the businesses operated by Hillenbrand have been in place for decades. Batesville serves as the Company's core cash-generating operation. With gross margins consistently above 40% and low annual capital expenditures (less than \$22 annually and less than 3% of annual revenue), this business has steadily provided annual operating cash flows in excess of \$100 even during the economic downturn that began in 2008.

Batesville's dependable performance has allowed management to invest in acquisitions that provide diversification, with a focus on companies with revenue growth opportunities, similar margins to Batesville, and an ability to benefit from Hillenbrand's strong core competencies. With the acquisition of K-Tron International, Inc. and its subsidiaries (K-Tron) in April 2010 and Rotex Global, LLC (Rotex) in August 2011, now comprising the Process Equipment Group, Hillenbrand added companies with long profitable histories, multiple pathways for revenue and earnings growth, and similar gross margins and capital spending requirements.

Hillenbrand's strong, steady cash flow since becoming a separate publicly traded company has provided the foundation to pay a meaningful dividend to shareholders. The annual dividend has increased each year, growing from \$0.73 per share in 2008 to \$0.76 per share in 2011.

We believe we can most effectively continue to increase shareholder value by leveraging our strong financial position and core competencies to continue to build a global diversified enterprise with strong positions in multiple industries. Our long-term value creation strategy consists of:

- **Growing revenue and income within our existing platforms through organic growth and targeted acquisitions:** Each operating company has specific organic growth targets. They may also grow by select add-on acquisitions that are complementary to their organic growth strategies. The operating companies are committed to achieving superior operational performance by employing Hillenbrand's core competencies;
- **Lean business:** continuously improving quality and customer satisfaction, increasing effectiveness and operational efficiency, driving costs down, and developing lean leaders;
- **Talent development:** successfully recruiting, developing, and deploying talent in the organization for improved execution and results; and
- **Strategy management:** overseeing the development, execution, and continuous assessment of strategic direction, serving as the basis for annual and long-term business planning.

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- ***Using our strong cash flow and debt capacity to invest in additional growth platforms:*** We will focus on companies that can benefit from our core competencies and that meet our financial and cultural criteria. In support of this effort, we intend to continue to enhance our public company capabilities to ensure that we remain compliant, efficient, well-controlled, and capable of supporting both current and future acquisitions.

Batesville

Batesville is the leader in the North American funeral products industry, where it has been designing, manufacturing, distributing, and selling funeral service products to licensed funeral directors operating licensed funeral homes for more than 100 years. Batesville-branded products consist primarily of burial caskets, but also include cremation caskets, containers, vaults, urns, and selection room display fixturing for funeral homes, and other personalization and memorialization products and services, including web-based applications and the creation and hosting of websites for licensed funeral homes.

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Products and Services

Most Batesville® brand metal caskets are electronically 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 premium steel caskets also employ an alloy bar to help protect the casket cathodically from rust and corrosion. We believe that this system of cathodic protection is a feature found only on Batesville-produced caskets. We also produce and market non-gasketed steel products.

Batesville solid and veneer hardwood caskets are made from a variety of woods and are offered in more than eight different species. The Batesville veneer caskets are manufactured using a proprietary process for veneering that allows for rounded corners and a furniture-grade finished appearance. Batesville also manufactures and provides select lines of Marsellus® premium solid wood caskets to its funeral home customers and cloth-covered caskets and all-wood construction caskets suitable for green burials.

Batesville has expanded its product line into its Endura® lightweight polyresin burial vaults, a line that is complementary to its casket products. Made of lightweight nonporous polyethylene, a high-performance polymer-based material, Endura offers the strength and durability to withstand the weight of the earth and heavy cemetery equipment while providing significant advantages due to its design. The lightweight nature of the Endura® vault allows for a potential to reduce labor and heavy equipment costs at the cemetery while improving safety. In contrast to other polymer vaults, Endura is manufactured using multiple layers of material, the DuraStone® shell, the DuraCore® interior, and the DuraStone lining, a process that provides three distinct barriers for strength, durability, and resistance to water.

The Options® by Batesville cremation line offers a complete cremation marketing system for funeral service professionals. In addition to a broad line of cremation caskets, containers, urns, jewelry, and keepsakes, the system includes training, merchandising support, and marketing support materials. Cremation caskets and containers are manufactured primarily of hardwoods and fiberboard. Batesville's wide assortment of memorial urns is made from a variety of materials including bronze, acrylic, wood, cloisonné, and marble.

Integrated online technology products and services are available through the Batesville Interactive suite of products. WebLink® funeral home websites, TributeLink® online videos, and ObitLink® online obituary content form an integrated solution that provides funeral directors additional ways to generate revenue streams and connect with consumers for information and education needs. Batesville's alliance with Legacy.com® gives funeral directors access to the largest networked obituary system in the nation. Batesville also has an exclusive agreement with FTD.COM, Inc., a leading provider of floral and related products and services, to create a floral program designed to meet the unique needs of funeral service providers. The program, which is available to licensed funeral homes using Batesville's Weblink websites, has been tailored to solve the traditional challenges inherent in offering consumers online ordering of flowers through funeral home websites. Batesville's technology products help to improve the visibility of the local funeral home to the families they serve.

Sales, Distribution, and Operations

Batesville offers several marketing and merchandising programs to funeral professionals for both casket and cremation products. Batesville-branded caskets are marketed by a direct sales force only to licensed funeral professionals operating licensed funeral establishments throughout the United States (U.S.), Puerto Rico, Canada, Mexico, the United Kingdom, and Australia. In the absence of state licensing requirements, we market to full-service funeral establishments offering both funeral goods and funeral products in conformance with state law.

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A portion of Batesville's sales are made to national funeral service providers under contracts. One customer, Service Corporation International, accounted for approximately 14% of Batesville's consolidated net sales during the year ended September 30, 2011. We also serve more than 12,000 independent, privately owned customers across North America.

Today, many funeral homes maintain minimal casket inventory and expect their casket suppliers to provide same-day or next-day delivery to satisfy their funeral requirements. The Batesville distribution network maintains inventory at 86 company-operated Customer Service Centers (CSCs) and six Rapid Deployment Centers (RDCs) in

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North America. Batesville caskets are generally delivered in specially equipped vehicles owned by Batesville. This system enables Batesville to deliver the majority of its products, including uniquely personalized caskets, within 24 hours of receiving the customer's order. Over the last three years, Batesville delivered the right casket at the right time in excess of 99% of the time. We believe this highly effective distribution network is aligned with the increasing time demands of families and the inventory reduction expectations of Batesville's customers.

Demographics and Customer Preferences

The death of a family member or loved one causes most people to seek the services of a state-licensed funeral director to provide specific services regarding handling and preparing the deceased. Most consumers have only limited familiarity with funeral-related products and usually expect funeral directors to provide information on product and service alternatives. Although caskets and urns can be purchased from a variety of sources, including directly from internet sellers and casket stores, the overwhelming majority of those who arrange a funeral purchase these products directly from the funeral home as a matter of choice and convenience.

For the past several years, the total number of deaths in North America (where most of Batesville's products are sold) has been flat. During the same period, the rate of cremation selection has been steadily increasing to the point where cremations as a percentage of total deaths now represent more than one-third in the U.S. and more than one-half in Canada. These factors have yielded a slow but steady decline in the total number of burials in North America. The current trends are expected to continue for the foreseeable future until the post-World War II spike in births causes an increase in deaths. While the primary drivers of market size are population and age, the actual number of deaths (and, therefore, the actual number of caskets sold) is affected by a variety of additional factors, including improving healthcare and the varying timing and severity of seasonal pneumonia and influenza outbreaks. The unpredictability of these factors can cause periodic fluctuations in industry demand patterns and revenue generated in any given fiscal period. While it is difficult to accurately predict the number of deaths on a monthly or annual basis, we anticipate that the number of deaths in North America will remain relatively flat and the cremation rate will continue to gradually increase, resulting in a modest, but steady decline in the demand for burial caskets for the foreseeable future. Along with the declining number of burials, the funeral products industry has experienced a long-term gradual decline in the product mix of burial caskets sold, a trend that has also affected our financial results.

Competition

We believe Batesville is the North American industry leader in the sale of funeral service products. Competition in this industry is based on product quality, design features, personalization, price, and delivery service. Batesville competes in the sale of burial and cremation containers with several national casket manufacturers/distributors, regional manufacturers/distributors, and more than 100 independent casket distributors, most of whom serve fairly narrow geographic segments. Some non-traditional funeral product providers, such as large discount retail stores, casket stores, and internet casket retailers, sell caskets directly to consumers. The industry has also seen a few foreign manufacturers, mostly from China, import caskets into the U.S. and Canada. For the past three years, sales from these non-traditional and Chinese providers have remained relatively stable and represent a small percentage of total casket sales in the U.S. (we believe less than 1% and approximately 3.5%).

The effect of gradually declining casket demand continues to result in economic pressures on casket manufacturers and distributors as they seek to maintain volume. Existing domestic over-capacity and the added burden from commodity price increases, which began in early 2010, further impacts these pressures, resulting in higher per unit costs.

Raw Materials

Batesville uses carbon and stainless steel, copper and bronze sheets, wood, fabrics, finishing materials, rubber gaskets, zinc, and magnesium alloy in the manufacture of its caskets. Although most of these raw materials are generally available from several sources, some are currently procured from a single source.

Volatility in the prices Batesville pays for raw materials used in its products, including steel, fuel, petroleum-based products, and fuel-related delivery costs, has a direct effect on profitability. Batesville generally does not engage in

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hedging transactions with respect to these purchases, but does enter into fixed-price supply contracts at times. Batesville regularly takes steps to offset the impact of volatility in raw material and fuel prices, including lean business initiatives and various sourcing actions.

Most of Batesville's sales are made pursuant to supply agreements with its customers, and historically it has instituted annual price adjustments to help offset some, but not necessarily all, raw material cost increases.

Strategy

While volume growth in the burial casket space continues to be limited, there are opportunities to generate additional business within a wider range of funeral products. Batesville's leadership team is focusing on three categories of strategic initiatives to drive growth:

Burial casket business growth

- Batesville will continue to demonstrate the value its Batesville-branded products and services bring to the operations and families of funeral home customers of all sizes across North America. Focusing on the success of these funeral home customers will position Batesville to be successful in the future.
- Batesville's ability to apply proven merchandising principles and proprietary database tools enables it to help customers increase their average mix and drive greater profitability, all while increasing the satisfaction of their clients.
- Batesville will expand its personalization platforms by investing in its marketing capabilities and brand promotion to launch products with consumer-oriented features.
- The number of casket manufacturers has declined over the years, but there are opportunities to capitalize on acquisitions and alliances in other parts of the funeral products industry. Batesville will continue to remain alert to these opportunities and capitalize on them when it is prudent to do so.

Grow profitable new revenue streams within the funeral products industry

- The Options® by Batesville brand has a long history of providing business solutions to our customers and assisting them with meeting the needs of the cremation consumer. We expect continued growth in these product lines as more consumers choose cremation over burial.
- Batesville has expanded its position as the largest provider of funeral home websites in North America, a service we believe provides many family-owned funeral homes access to resources and capabilities they may not otherwise have or develop on their own. We will continue to develop additional ways for funeral homes to generate revenue and connect with consumers for information and education needs. As additional consumers use the internet as their first point of contact when making a purchase decision, Batesville technology offerings help to improve the visibility of the local funeral home to the families they serve.
- Batesville Vault Solutions is a natural extension of the Batesville strategy to provide additional products and services to funeral home customers. Our goal is to provide funeral directors alternative products and services that generate revenue within the vault business. Batesville will continue a rollout of vault products and services through its Batesville Vault Solutions business unit.

Utilize lean business principles as an integrated business system to deliver operational efficiencies

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- Batesville's highly integrated manufacturing facilities in North America utilize one-piece flow to manufacture caskets and pull production from their stamping and wood processing facilities that quickly and efficiently feed its high-velocity distribution network with products. These processes allow Batesville to carry lower inventory in its distribution network while still meeting the growing demand of its customers. Batesville intends to continue to leverage its processes to allow it to carry lower inventory per sales dollar than its competitors, enabling customers to carry few or no products in their funeral homes, while continuing to achieve on-time delivery more than 99% of the time.
- Batesville's effective execution of Hillenbrand Lean Business (derived from the Toyota Production System) improves product quality and customer satisfaction which paves the way to annual lead time and cost reductions in its operations, distribution, and administrative functions.

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- Batesville's leadership position as the largest manufacturer and distributor of caskets and containers in North America provides scale and scope that enables it to capitalize on efficiencies and compete with a low cost structure.

Process Equipment Group

We acquired K-Tron International, Inc. (K-Tron) in April 2010 and Rotex Global, LLC (Rotex) in August 2011. These two businesses comprise what we now refer to as Process Equipment Group. Process Equipment Group designs, produces, markets, sells, and services bulk solids material handling equipment and systems for a wide variety of industries, including plastics, food, chemicals, pharmaceuticals, power generation, coal mining, pulp and paper, frac sand, industrial minerals, agribusiness, recycling, wood and forest products, and biomass energy generation. Global demand is increasing for many of the industries we serve, such as fertilizer, processed food, plastics, and energy. This growth in demand is due specifically to an expanding global middle class and, in general, to global population growth.

Products and Services

Under the K-Tron brand name, Process Equipment Group designs, produces, markets, sells, and services feeders and pneumatic conveying equipment. This equipment can be sold as stand-alone products or as part of engineered systems, where one or more feeders are combined with pneumatic conveying and other complementary materials handling equipment. Feeding equipment controls the flow of materials into a manufacturing process by weight (gravimetric feeding) or by volume (volumetric feeding). Pneumatic conveying equipment and related systems are used in many of the same industries as feeders to transport bulk solids from point to point using either negative (vacuum conveying) or positive (pressure conveying) pressure.

Process Equipment Group also designs, manufactures, markets, and sells size reduction equipment that is used to reduce various materials to a smaller size. It has three primary brands that serve a variety of industries. Pennsylvania Crusher and Gundlach® products are used to crush various materials related to processes in the power generation, mining, quarrying, glass making, salt processing, fertilizer manufacturing, and other industries. Jeffrey Rader® products include equipment used in the pulp and paper, wood and forest, and biomass industries.

Key size reduction products include hammer mills, which crush materials by impact from hammers, then scrub the materials against a screen for desired size; double-roll crushers, which break material by compression; a variety of wood and bark hogs, chip sizers, screening equipment, and pneumatic and mechanical conveying systems; and storage/reclamation systems. They also offer specialty crushers and other equipment.

With the Rotex acquisition, Process Equipment Group also designs, produces, markets, sells, and services dry material separation machines. These machines sort dry, granular products based on the particle size. For example, they can be used in grading sugar into various size groupings for different purposes such as table, super fine, and powdered sugar. Rotex serves a variety of industries including frac sand, potash, urea, phosphates, chemical, agricultural, plastics, and food processing.

Approximately 40% of Process Equipment Group's revenue is derived from the sale of replacement parts. This business has recurring sales that oftentimes follow an installed base of equipment for decades.

Sales, Distribution, and Operations

Process Equipment Group sells its material handling equipment and systems throughout the world to a wide variety of industrial and engineering customers using a combination of direct sales and a global network of independent sales representatives and distributors. A significant portion of sales are made through independent sales representatives that are compensated by commission, which tends to make sales expense vary directly in line with revenue changes. In situations where a representative is acting as a distributor, we provide net transaction prices, depending on the type of product sold.

Due to the nature of Process Equipment Group's business, equipment and systems orders are often for unique, built-to-order items. Therefore, Process Equipment Group does not typically maintain significant amounts of raw

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material and component stock inventory on hand at any one time, except to cover replacement part orders. Products are generally assembled and tested at Process Equipment Group facilities and then shipped to a customer's desired location.

Future revenue for Process Equipment Group is influenced by order backlog. This is typical for these business lines because of the lead time involved in manufacturing specialized equipment and parts for customers. Backlog can be an indicator of future revenue; however, it may not include many projects and parts orders that are booked and shipped within a quarter. Backlog substantially represents new equipment orders. The timing of order placement, size, and customer delivery dates can create unusual fluctuations in backlog. Backlog is also affected by foreign exchange fluctuations, because a portion of orders are denominated in currencies other than U.S. dollars.

Customers

Process Equipment Group's customers exist in multiple industries, including the plastics, food, chemical, pharmaceutical, power generation, coal mining, pulp and paper, frac sand, wood and forest products, and biomass energy generation industries. These customers range from large, Fortune 500 global companies to regional and local businesses, none of which accounted for more than 10% of Process Equipment Group's consolidated net revenue during the year ended September 30, 2011. For large or customized orders, customers generally pay a deposit and make progress payments in advance of delivery.

Competition

We believe Process Equipment Group holds leading positions in key industries because of the design and quality of its products, years of experience, and commitment to serving the needs of its customers. In other areas of the business, such as digital control and digital weighing technologies, we believe Process Equipment Group's engineering capability and integration of technology allows it to maintain an advantage over the competition.

Process Equipment Group faces strong competition in the markets in which it competes. Its competitors range in size from small privately-held companies serving narrow markets or geographical areas to larger well-known global companies serving national and international markets with multiple product lines. We believe its strong base of replacement parts business and its worldwide network of suppliers and dealers will allow Process Equipment Group to maintain relatively strong gross margin percentages even during economic downturns.

Raw and Component Materials

The manufacturing of Process Equipment Group's products involves the machining and welding of raw materials (primarily sheet metals and steel) and castings into machined parts. These parts are then combined and assembled with other component parts purchased from third-party vendors. Although most of these raw materials and components are generally available from several sources, some of these items are currently purchased from sole sources. Process Equipment Group has not experienced any significant production delay that was primarily attributable to an outside supplier.

Strategy

Leadership of Process Equipment Group is focusing on three strategic initiatives to drive growth:

Profitably grow top-line revenue in our core Process Equipment Group operating companies

- Process Equipment Group is widely recognized as a leader for material handling equipment, systems, and services in a wide range of process industries. To enhance that leadership position, Process Equipment Group will continue to invest in key areas, particularly new product development, systems engineering, and human resources, to maintain and extend its technological leadership. Process Equipment Group plans to promote its capabilities as a broader solutions provider to capture a larger share of existing customers capital investments in material handling systems.
- Process Equipment Group provides niche products and services that have significant presence in the North American coal-fired power, coal mining, fertilizer and mineral extraction, biomass energy, food, and

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pharmaceutical industries. These products have significant sales potential in other areas of the world and, as such, more aggressive sales and marketing initiatives will be initiated for these products and services in targeted markets outside its current base of business.

- Process Equipment Group serves its existing customers through a well-established distribution and service organization that spans the globe. It will continue to increase global leadership by expanding its distribution network into new and developing geographic markets and industries that have high growth potential and are less prone to cyclical swings.
- The strategy of increasing its worldwide capabilities requires Process Equipment Group to evaluate and refine its current branding strategy as part of a goal to present a unified and consistent message to global target markets in the new fiscal year.
- Process Equipment Group's commitment to efficient delivery of technological capabilities around the world will be supported by ongoing and new investment in strategically placed engineering, testing, and manufacturing facilities and sales and service support capabilities.

Continued growth through acquisitions

- The material handling equipment manufacturing industry is very fragmented both in terms of product offering and geographic reach, whereas many customers operate on a global basis. Process Equipment Group will continue to search for high quality add-on acquisition opportunities that will allow it to expand its sales offering with complementary products through its global distribution network. This will position Process Equipment Group to offer its global customers standardized solutions for use in their worldwide facilities and will also position it as the local supplier of choice for national and regional customers.
- Consistent with the strategy of globalization, Process Equipment Group will continue to look for acquisitions that either expand its international footprint outside the U.S. or accelerate the execution of its strategy to build a leadership position in material handling systems to targeted industries.

Utilize lean business principles to increase profit margins

- Process Equipment Group has begun implementing Hillenbrand Lean Business principles in engineering, procurement, and manufacturing to reduce lead times, improve quality, and drive down costs, which will result in a shorter order-to-delivery cycle.
- Process Equipment Group is dedicating financial and human resources to create globally standardized and integrated business processes which maximize efficiencies in its product design, manufacturing, sales, and services functions.

Regulatory Matters

Both Batesville and Process Equipment Group are subject to a variety of federal, state, local, and foreign laws and regulations relating to environmental, health, and safety concerns, including the handling, storage, discharge, and disposal of hazardous materials used in or derived from our manufacturing processes. We are committed to operating all our businesses in a manner that protects the environment and causes us to be viewed as good corporate citizens in the communities in which we operate. In the past, we have voluntarily entered into remediation agreements with various environmental authorities to address onsite and offsite environmental impacts. From time to time we provide for reserves in our financial statements for environmental matters. We believe we have appropriately satisfied the financial responsibilities for all currently known offsite issues. Based on the nature and volume of materials involved regarding onsite impacts, we do not expect the cost for the onsite remediation activities in which we are currently involved to exceed \$0.5 in the future. Future events or changes in existing laws and regulations or their interpretation may require us to make additional expenditures in the future. The cost or need for any such additional expenditure is not known.

Patents and Trademarks

We own a number of patents on our products and manufacturing processes that are of importance, but we do not believe any single patent or related group of patents is of material significance to our business as a whole. We also own a number of trademarks and service marks relating to products and product services which are of importance.

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We believe the marks Batesville®, Pennsylvania Crusher , Gundlach®, Jeffrey Rader®, K-Tron , and Rotex® are of material significance to our business as a whole.

Our ability to compete effectively depends, to an extent, on our ability to maintain the proprietary nature of our intellectual property. Hillenbrand vigorously seeks to enforce its intellectual property rights. However, we may not be sufficiently protected by our various patents, trademarks, and service marks, and they may be challenged, invalidated, cancelled, narrowed, or circumvented. Beyond that, we may not receive the pending or contemplated patents, trademarks, or service marks for which we have applied or filed. In the past, certain of our products have been copied and sold by others.

Foreign Operations and Export Sales

Quantitative information about foreign operations is set forth in tables relating to geographic information in Note 15 to our consolidated financial statements included in Part II, Item 8, of this Form 10-K.

Employees

At September 30, 2011, we had approximately 4,200 employees worldwide. Approximately 3,400 employees are located within the U.S. and 800 employees are located outside of the U.S., primarily throughout Mexico, Europe, and China. Approximately 1,100 employees in North America and the United Kingdom work under collective bargaining agreements with expiration dates ranging from January 2012 to June 2015. Hillenbrand strives to maintain satisfactory relationships with all its employees, including the unions representing those employees. As a result, we have not experienced a significant work stoppage due to labor relations in more than 20 years.

Executive Officers of the Registrant

Our Board of Directors is responsible for electing the Company's executive officers annually and from time to time as necessary. Executive officers serve in the ensuing year and until their respective successors are elected and qualified. There are no family relationships between any of our executive officers or between any of them and any members of the Board of Directors. The following is a list of our executive officers as of November 15, 2011.

Kenneth A. Camp, 66, has served as a director and as President and Chief Executive Officer of the Company since February 8, 2008. Mr. Camp previously served as President of Batesville from May 1, 2001, until June 16, 2008. Mr. Camp previously held various positions with our former parent corporation, Hillenbrand Industries, Inc., commencing October 8, 2001. He served as Senior Vice President of that company from October 1, 2006, until his resignation from that position on March 31, 2008, as part of the spin. Mr. Camp has also held various positions at Batesville since beginning his business career with that company in 1981, including Senior Vice President/General Manager of Operations from 1995 to 2000; Vice President, Sales and Service; Vice President, Marketing; and Vice President, Strategic Planning. Mr. Camp also serves on the boards of the Manufacturers Alliance/MAPI and the National Association of Manufacturers.

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Joe A. Raver, 45, was elected President of Process Equipment Group effective April 4, 2011. He previously served as President of Batesville, effective June 16, 2008, and has been Senior Vice President of Hillenbrand since July 15, 2008. Prior to serving as President of Batesville, Mr. Raver served as Vice President and General Manager of the Respiratory Care Division of Hill-Rom, a leading global provider of medical equipment and services. He joined Hill-Rom in 2004 as Vice President of Strategy and Shared Services. Prior to joining Hill-Rom, Mr. Raver spent 10 years in a variety of leadership positions at Batesville and Hill-Rom, culminating in being named Vice President of Logistics at Batesville in 2002.

Kimberly K. Dennis, 44, was elected President of Batesville, and Senior Vice President of the Company on April 4, 2011. Most recently she served as Senior Vice President, North America Post-Acute Care of Hill-Rom. Prior to that, she held Vice President roles at Hill-Rom leading its Turnaround Program, Shared Services and Information Technology from 2005 to 2007. Prior to 2005, Ms. Dennis served in a number of senior roles within Hillenbrand Industries and its subsidiaries including Vice President, Shared Services; Batesville Casket Vice President, Business Information Systems; and Director, Enterprise Systems between 2000 and 2005. Her career began in 1989 with

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Batesville Casket Company. During her tenure, she held positions of increasing responsibility in finance, planning, operations, logistics, and information technology in assignments at Batesville Casket Company and Hillenbrand.

Cynthia L. Lucchese, 51, was elected Senior Vice President and Chief Financial Officer of the Company effective February 8, 2008. From 2005 to 2007, she served as Senior Vice President and Chief Financial Officer for Thoratec Corporation. Prior to that, she worked 10 years for Guidant Corporation, now a part of Boston Scientific Corporation, in a variety of senior finance roles, including Vice President and Treasurer, Corporate Controller and Chief Accounting Officer, and Vice President of Finance and Administration of the Guidant Sales Corporation. Ms. Lucchese was also previously employed by Eli Lilly and Company and Ernst & Young LLP.

Paul Douglas Wilson, 59, was elected Senior Vice President, Chief Administrative Officer of the Company effective January 3, 2011. Prior to that, Mr. Wilson served as Senior Vice President, Human Resources effective March 14, 2008. Prior to joining Hillenbrand, Mr. Wilson served as Vice President, Worldwide Merger Integration, for Boston Scientific Corporation, following the close of the merger between Boston Scientific and Guidant Corporation in 2006. Mr. Wilson joined Guidant Corporation in 2002 and served as Vice President of Human Resources, the chief human resources officer. Prior to Guidant, Mr. Wilson was president and a principal of Ronald Blue & Co., a privately held firm providing financial planning, investment management, tax planning, and philanthropic counsel. Mr. Wilson began his career with Eli Lilly and Company, where he spent 20 years in a variety of increasingly senior executive human resource roles.

John R. Zerkle, 57, was elected Senior Vice President, General Counsel, and Secretary of the Company effective February 8, 2008. Most recently, Mr. Zerkle had served as Vice President and General Counsel of Batesville since March 2004. From September 2002 to February 2004, Mr. Zerkle served as Vice President and General Counsel of Forethought Financial Services, Inc., then a subsidiary of Hill-Rom. He also served as Compliance Officer for Forethought Investment Management, Inc. Prior to joining Forethought, Mr. Zerkle was in private practice for 20 years, where he focused his practice on corporate, securities, regulatory, and banking law matters.

Diane R. Bohman, 41, was elected Vice President, Corporate Strategy, of the Company effective June 6, 2011. Ms. Bohman previously served as Vice President, Logistics; Vice President and Chief Financial Officer; and Vice President, Strategy, for Batesville from 2005 to 2011. Prior to this, Ms. Bohman worked for seven years at Hill-Rom, holding several positions of increasing responsibility in the finance organization. She began her career in the business assurance practice of Coopers & Lybrand, LLP. Ms. Bohman is a Certified Public Accountant.

Hinesh B. Patel, 43, was elected Vice President, New Business Development, of the Company on June 6, 2011. Prior to serving in this capacity, Mr. Patel was the Company's Vice President, Strategy and Business Development, effective August 18, 2008. Prior to accepting his position with Hillenbrand, Mr. Patel served as Director of Strategy and Business Development for Honeywell International Inc., a position he had held since April 2007. Prior to joining Honeywell International Inc., Mr. Patel held other management roles in business development, strategy, and manufacturing operations with Milliken & Company, Caspian Networks, Inc., Eaton Corporation, and Arthur D. Little.

Jan M. Santerre, 50, was elected Vice President, Lean Business, of the Company effective December 1, 2008. Prior to joining Hillenbrand, she worked at Parker Hannifin Corporation, the world's largest manufacturer of motion and control products. Most recently she was Vice President of Operations in the Hydraulics Group, where she had responsibility for half of the North American divisions. Prior to that she was the Vice President of Lean Enterprise and Quality, where she developed the Parker Lean System and deployed it globally. Ms. Santerre developed her lean knowledge through managerial roles during her 18 years with Delphi Automotive Systems and General Motors.

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Elizabeth E. Dreyer, 49, was elected Vice President, Controller, and Chief Accounting Officer of the Company on December 1, 2010. Prior to joining Hillenbrand, Ms. Dreyer served as the Vice President of Finance at Zimmer, Inc., an orthopedic medical device provider. Ms. Dreyer has also held other management roles in finance, organizational effectiveness, and internal audit at Createc Corporation, ADESA, Inc., and Guidant Corporation. She began her career in the business assurance practice of Deloitte & Touche. Ms. Dreyer is a Certified Public Accountant.

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Availability of Reports and Other Information

Our website is www.hillenbrandinc.com. We make available on this website, free of charge, access to press releases, conference calls, our annual and quarterly reports, and other documents filed with or furnished to the Securities and Exchange Commission (SEC) as soon these reports are filed or furnished. We also make available through this website position specifications for the Chairman, Vice Chairman, members of the Board of Directors, and the Chief Executive Officer; our Code of Ethical Business Conduct; the Corporate Governance Standards of our Board of Directors; and the charters of each of the standing committees of the Board of Directors. All these documents are also available to shareholders in print upon request.

All reports and documents filed with the SEC are also available via the SEC website, www.sec.gov, or may be read and copied at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

In this section of the Form 10-K, we describe the risks we believe are most important for you to think about when you consider investing in, selling, or owning our stock or publicly traded debt. This information should be assessed along with the other information we provide you in this Form 10-K. Like most companies, our business involves risks. The risks described below are not the only risks we face, but these are the ones we currently think have the potential to significantly affect stakeholders in our Company if they were to develop adversely (due to size, volatility, or both). We exclude risks that we believe are inherent in all businesses broadly as a function of simply being in business. Additional risks not currently known or considered immaterial by us at this time and thus not listed below could also result in adverse effects on our business. In the risk descriptions below, we have assigned the risks into categories to help you understand where they emanate from (e.g. the overall Company or a specific segment).

Risk Related to Our Overall Company

Our growth strategy involves the potential for significant acquisitions, some of which may be outside our current industry. We may not be able to achieve some or all of the benefits that we expect to achieve from these acquisitions. If an acquisition were to perform unfavorably, it could have an adverse impact on our value.

All acquisitions involve inherent uncertainties, which may include, among other things, our ability to:

- successfully identify targets for acquisition,
- negotiate reasonable terms,

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- properly perform due diligence and determine all the significant risks associated with a particular acquisition,
- properly evaluate target company management capabilities, and
- successfully transition the acquired company into our business and achieve the desired performance.

We may acquire businesses with unknown liabilities, contingent liabilities, or internal control deficiencies. We have plans and procedures to conduct reviews of potential acquisition candidates for compliance with applicable regulations and laws prior to acquisition. Despite these efforts, realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position, or cause us to fail to meet our public financial reporting obligations.

We generally seek indemnification from sellers covering these matters; however, the liability of the sellers is often limited, and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will fully protect us, and as a result we may face unexpected liabilities that adversely affect our profitability and financial position.

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We may not achieve the intended benefits of the acquisition and our business could be materially impacted. Under such circumstances, management could be required to spend significant amounts of time and resources in the transition of the acquired business. In addition, any benefits we anticipate from application of our lean manufacturing and lean business expertise may not be fully realized.

If we acquire a company that operates in an industry that is different from the ones in which we operate, our lack of experience with that company's industry could have a material adverse impact on our ability to manage that business and realize the benefits of that acquisition.

Global market and economic conditions, including those related to the credit markets, could have a material adverse effect on our operating results, financial condition, and liquidity.

Our business is sensitive to changes in general economic conditions, both inside and outside the U.S. The global economic turmoil that began in 2008 resulted in widespread recessionary conditions, record levels of unemployment in some countries, and volatility in and tightening of the capital and credit markets. We have seen signs of improvement in many geographies; however, we cannot assure you that these improvements will be broad-based and sustainable or that we will not experience further adverse effects from broad economic trends. In addition, the current uncertainties in the euro zone may depress demand in the area and create additional risk to our financial results.

Instability in the global economy and financial markets can adversely affect our business in several ways, including limiting our customers' ability to obtain sufficient credit or pay for our products within the terms of sale. Competition could further intensify among the manufacturers and distributors with whom we compete for volume and market share, resulting in lower net revenue due to steeper discounts and product mix-down. In addition, if certain key or sole suppliers were to become capacity constrained or insolvent, it could result in a reduction or interruption in supplies or a significant increase in the price of supplies.

Substantial losses in the equity markets could have an adverse effect on the assets of the Company's pension plans. Volatility of interest rates and negative equity returns could require greater contributions to the defined benefit plans in the future.

International economic, political, legal, and business factors could negatively affect our operating results, cash flows, financial condition, and growth.

We derived approximately 16%, 12%, and 7% of our revenue from outside the U.S. for the years ended September 30, 2011, 2010, and 2009. Historically, this revenue has primarily been generated in Canada. With our recent acquisitions of K-Tron in April 2010 and Rotex in August 2011, significant international sales are now coming from Europe, the Middle East, Asia, and South America. In addition, we have manufacturing operations, suppliers, and employees located outside the U.S. Since our growth strategy depends in part on our ability to further penetrate markets outside the U.S., we expect to continue to increase our sales and presence outside the U.S.

Our international business is subject to risks that are customarily encountered in non-U.S. operations, including:

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- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country's or region's political or economic conditions (including with respect to safety and health issues);
- trade protection measures and import or export licensing requirements;
- unexpected changes in laws or regulatory requirements, including negative changes in tax laws;
- limitations on ownership and on repatriation of earnings and cash;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;

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- difficulties in implementing restructuring actions on a timely or comprehensive basis; and
- differing protection of intellectual property.

We are subject to risks arising from currency exchange rate fluctuations, which may adversely affect our results of operations and financial condition.

We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. Although we address currency risk management through regular operating and financing activities, and, on a limited basis, through the use of derivative financial instruments, those actions may not prove to be fully effective.

Increased prices for, or unavailability of, raw materials used in our products could adversely affect profitability. In particular, our results of operations for Batesville could continue to be adversely affected by volatile prices for steel, fuel, and red metals (i.e. copper and bronze).

Our profitability is affected by the prices of the raw materials used in the manufacture of our products. These prices fluctuate based on a number of factors beyond our control, including changes in supply and demand, general economic conditions, labor costs, fuel-related delivery costs, competition, import duties, tariffs, currency exchange rates, and, in some cases, government regulation. Significant increases in the prices of raw materials that cannot be recovered through increases in the price of our products could adversely affect our results of operations and cash flows.

We cannot guarantee that the prices we are paying for commodities today will continue in the future or that the marketplace will continue to support current prices for our products or that such prices can be adjusted to fully offset commodity price increases in the future. Any increases in prices resulting from a tightening supply of these or other commodities could adversely affect our profitability. We generally do not engage in hedging transactions for raw material purchases, but we do enter into some fixed-price supply contracts.

Our dependency upon regular deliveries of supplies from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. Several of the raw materials used in the manufacture of our products currently are procured from a single source. If any of these sole-source suppliers were unable to deliver these materials for an extended period of time as a result of financial difficulties, catastrophic events affecting their facilities, or other factors, or if we were unable to negotiate acceptable terms for the supply of materials with these sole-source suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs. Extended unavailability of a necessary raw material could cause us to cease manufacturing one or more products for a period of time.

A portion of our workforce is unionized. The Company could face labor disruptions that would interfere with operations.

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Approximately 26% of Hillenbrand's employees work under collective bargaining agreements. Although we have not experienced any significant work stoppages in the past 20 years as a result of labor disagreements, we cannot ensure that such a stoppage will not occur in the future. Inability to negotiate satisfactory new agreements or a labor disturbance at one of the principal facilities could have a material adverse effect on our operations.

Volatility in our investment portfolio could adversely impact our operating results and financial condition.

In connection with our separation from Hill-Rom, certain investments were transferred to us that had an aggregate carrying value of \$13.8 million as of September 30, 2011. Volatility in our investment portfolio impacts earnings. These investments could be adversely affected by general economic conditions, changes in interest rates, equity market volatility, and other factors, resulting in an adverse impact on our operating results and financial condition.

We are involved on an ongoing basis in claims, lawsuits, and governmental proceedings relating to our operations, including environmental, antitrust, patent infringement, business practices, commercial transactions, and other matters. The ultimate outcome of these claims, lawsuits, and governmental proceedings cannot be predicted with certainty, but could have a material adverse effect on our financial condition, results of operations, and cash flows.

We are also subject to other potential claims, including product and general liability, workers compensation, auto liability, and employment related matters. While we maintain insurance for certain of these exposures, the policies in place

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are high-deductible policies. For a more detailed discussion of our asserted claims, see Note 12 to our consolidated financial statements included in Part II, Item 8, of this Form 10-K.

Upon closing the K-Tron and Rotex acquisitions, we increased our debt obligations significantly. This could adversely affect our Company and limit our ability to respond to changes in our businesses.

As of September 30, 2011, our outstanding debt was \$431.5. This level of debt could have important consequences to our businesses. For example:

- We may be more vulnerable to general adverse economic and industry conditions because we have lower borrowing capacity.
- We will be required to dedicate a larger portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts and acquisitions.
- We will continue to be exposed to the risk of increased interest rates because a portion of our borrowings is at variable rates of interest.
- We may be more limited in our flexibility in planning for, or reacting to, changes in our businesses and the industries in which they operate, thereby placing us at a competitive disadvantage compared to competitors that have less indebtedness.

Provisions in our Articles of Incorporation and By-laws and facets of Indiana law may prevent or delay an acquisition of our Company, which could decrease the trading price of our common stock.

Our Articles of Incorporation and By-laws, as well as Indiana law, contain provisions that could delay or prevent changes in control if our Board of Directors determines that such changes in control are not in the best interests of our shareholders. While these provisions have the effect of encouraging persons seeking to acquire control of our Company to negotiate with our Board of Directors, they could enable our Board of Directors to hinder or frustrate a transaction that the Board of Directors feels is not in the best interests of shareholders, but which some, or a majority, of our shareholders might believe to be in their best interests.

These provisions include, among others:

- the division of our Board of Directors into three classes with staggered terms;
- the inability of our shareholders to act by less than unanimous written consent;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred stock without shareholder approval; and
- limitations on the right of shareholders to remove directors.

Indiana law also imposes some restrictions on mergers and other business combinations between us and any holder of 10% or more of our outstanding common stock, as well as on certain control share acquisitions.

We believe these provisions are important for a public company and protect our shareholders from coercive or otherwise potentially unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with appropriate time to assess any acquisition proposal. These provisions are not intended to make our Company immune from takeovers; however, they may apply if the Board of Directors determines that a takeover offer is not in the best interests of our shareholders, even if some shareholders believe the offer to be beneficial.

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Risk Related to Batesville

Continued fluctuations in mortality rates and increased cremations may adversely affect, as they have in recent years, the sales volume of our burial caskets.

The life expectancy of U.S. citizens has increased steadily since the 1950s and is expected to continue to do so for the foreseeable future. As the population of the U.S. continues to age, we anticipate the number of deaths in the U.S. will be relatively flat until aging baby boomers cause the number of deaths to increase.

Cremations as a percentage of total U.S. deaths have increased steadily since the 1960s and are expected to continue to increase for the foreseeable future. The gradual and steady increase in the number of cremations in the U.S. is resulting in a contraction in the demand for burial caskets. This has been a contributing factor to lower burial casket sales volumes for Batesville in each of the last four fiscal years. We expect these trends to continue in the foreseeable future and will likely continue to negatively impact burial casket volumes.

Finally, the number of deaths can vary over short periods of time and among different geographical areas, due to a variety of factors, including the timing and severity of seasonal outbreaks of illnesses such as pneumonia and influenza. Such variations could cause the sale of burial caskets to fluctuate from quarter to quarter and year to year.

Batesville's business is dependent on several major contracts with large national funeral providers. The relationships with these customers pose several risks.

Batesville has contracts with a number of national funeral home customers that comprise a sizeable portion of its overall sales volume. The largest contract is with Service Corporation International, which accounted for approximately 14% of Batesville's 2011 net revenue (and was its only customer representing more than 10%). Any decision by national funeral home customers to discontinue purchases from Batesville could have a material adverse effect on our financial condition, results of operations, and cash flows. Also, while contracts with national funeral service providers give Batesville important access to purchasers of funeral service products, they may obligate Batesville to sell products at contracted prices for extended periods of time, therefore limiting Batesville's ability, in the short term, to raise prices in response to significant increases in raw material prices or other factors.

Batesville is facing competition from a number of non-traditional sources and from caskets manufactured abroad and imported into North America.

Non-traditional funeral product providers, such as large discount retailers (e.g. Wal-Mart and Costco), casket stores, and internet casket retailers, could present more of a competitive threat to Batesville and its sales channel than is currently anticipated. In addition, there are several manufacturers located in China producing caskets for sale in the U.S. For the past three years, sales from these non-traditional and Chinese providers have remained relatively stable and represent a small percentage of total casket sales in the U.S. (we believe less than 1% and approximately 3.5%); however, it is not possible to quantify the financial impact that these competitors will have on Batesville in the future.

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These competitors and any new entrants into the funeral products business may drive pricing and other competitive actions in an industry that already has nearly twice the necessary domestic production capacity. Such competitive actions could have a negative impact on our results of operations and cash flows.

Despite our successes within the judicial system thus far in this matter, the antitrust litigation in which we are a defendant has not yet been resolved, and an adverse outcome in that matter could have a material adverse effect on our results of operations, financial position, and liquidity.

As discussed in Note 12 to our consolidated financial statements included in Part II, Item 8, of this Form 10-K, we are a defendant in a purported antitrust class action lawsuit. The Federal District Court denied class certification in that matter, and the Fifth Circuit denied the plaintiffs appeal petition. Further requests for reconsideration by the plaintiffs have also been denied. Despite these rulings which are unfavorable to their position, the plaintiffs pursued their individual injunctive and damage claims. The District Court issued a final judgment dismissing the case, but the plaintiffs have filed an appeal, which includes an appeal of the District Court's order denying class certification. If they succeed in reversing the District Court order denying class certification and a class is certified in the action filed against Hill-Rom and Batesville, and if the plaintiffs prevail at a trial of the class action, the damages awarded to the plaintiffs, which would be trebled as a matter of law, could have a material adverse effect on our results of operations, financial condition, and/or liquidity. In antitrust actions, the plaintiffs may elect to enforce any judgment against any or all of the codefendants, who have no statutory contribution rights against each other.

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Risk Related to Process Equipment Group

A significant portion of our investments in Process Equipment Group includes goodwill and intangible assets that are subject to periodic impairment evaluations. An impairment loss on these assets could have a material adverse impact on our financial condition and results of operations.

We acquired intangible assets with the acquisitions of K-Tron and Rotex, portions of which were identified as either goodwill or indefinite-lived assets. We periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes, or planned changes in use of the assets, divestitures, and market capitalization declines may impair these assets. Any charges relating to such impairments could adversely affect our results of operations in the periods recognized.

Process Equipment Group operates in cyclical industries.

As an industrial capital goods supplier, Process Equipment Group serves industries that are cyclical. During periods of economic expansion, when capital spending normally increases, Process Equipment Group generally benefits from greater demand for its products. During periods of economic contraction, when capital spending normally decreases, the Process Equipment Group generally is adversely affected by declining demand for new equipment orders, and it may be subject to uncollectible receivables from customers who become insolvent. There can be no assurance that economic expansion or increased demand will be sustainable.

Process Equipment Group derives a substantial portion of its sales from the electric generating and coal mining industries. Any decline in the demand for electricity or coal could have a material adverse effect on our business, financial condition, and results of operations.

Process Equipment Group sells size reduction equipment to the electric generating and coal mining industries; consequently, a significant portion of its sales are tied to the use of coal as a means of generating electricity. The demand by electric generating utilities for coal is dependent upon the availability and cost of alternative sources of energy, such as natural gas, oil, or nuclear power. As a result, any downturn in the demand for electricity, or downturn in or disruption to the coal industry (upon which electric utilities are dependent), could have a material adverse effect on our business, financial condition, and results of operations.

Federal, state, and local laws and regulations extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, mercury, and other compounds emitted into the air from electric power plants, whose owners are principal customers of our size reduction business. These laws and regulations can require significant emission control expenditures for many coal-fired power plants, and various new and proposed laws and regulations may require further emission reductions and associated emission control expenditures. There is continuing pressure on state and federal regulators to impose limits on carbon dioxide emissions from coal-fired power plants. As a result, the cost of compliance could cause electric utilities to abandon or reduce the use of coal to generate electricity due to commercial impracticability and, in turn, decrease the demand for our products.

Item 1B.

UNRESOLVED STAFF COMMENTS

We have not received any comments from the staff of the SEC regarding our periodic or current reports that remain unresolved.

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Item 2. PROPERTIES

Our corporate headquarters are located in Batesville, Indiana, in a facility that we own. At September 30, 2011, Batesville had six significant manufacturing facilities located in Indiana, Tennessee, Mississippi, and Mexico. Five of these facilities are owned and one is leased. Batesville also leases or owns a number of other warehouse distribution centers, service centers, and sales offices in the U.S., United Kingdom, Mexico, Canada, and Australia.

Process Equipment Group had 10 significant manufacturing facilities located in the U.S. (New Jersey, Kansas, Ohio, Illinois, South Carolina), Switzerland, China, the United Kingdom, and Belgium. Seven of these facilities are owned and three are leased. Process Equipment Group also leases a number of other sales offices in Europe, Asia, and Canada.

Facilities often serve multiple purposes, such as administration, sales, manufacturing, testing, warehousing, and distribution.

Item 3. LEGAL PROCEEDINGS

We are involved on an ongoing basis in claims, lawsuits, and government proceedings relating to our operations, including environmental, antitrust, patent infringement, business practices, commercial transactions, and other matters. We are also subject to other claims and potential claims, including those relating to product and general liability, workers' compensation, auto liability, and employment-related matters. The ultimate outcome of claims, lawsuits, and proceedings cannot be predicted with certainty. We carry various forms of commercial, property and casualty, product liability, and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us. It is difficult to measure the actual loss that might be incurred related to litigation, and the ultimate outcome of these claims, lawsuits, and proceedings could have a material adverse effect on our financial condition, results of operations, and cash flows.

For more information on various legal proceedings, see Note 12 to our consolidated financial statements included in Part II, Item 8, of this Form 10-K. That information is incorporated into this Item by reference.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Hillenbrand common stock is traded on the New York Stock Exchange under the ticker symbol HI. The closing price of our common stock on the New York Stock Exchange on November 15, 2011, was \$21.91. The following table reflects the quarterly range of high and low selling prices of our common stock for fiscal 2011 and 2010.

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	2011				2010			
	High	Low	High	Low	High	Low	High	Low
First quarter	\$ 22.32	\$ 19.21	\$ 21.04	\$ 18.25				
Second quarter	\$ 22.44	\$ 20.66	\$ 22.27	\$ 17.85				
Third quarter	\$ 23.65	\$ 21.71	\$ 25.77	\$ 20.85				
Fourth quarter	\$ 24.08	\$ 17.86	\$ 22.57	\$ 19.03				