Hillenbrand, Inc.
Form 10-K
November 18, 2015
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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, 2015
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

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 x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

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, 2015 was $1,903,119,942. As of November 11, 2015, 62,844,235 shares of common stock were outstanding.

Documents Incorporated by Reference
Portions of our definitive proxy statement for the 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this report. These will be filed no later than January 13, 2016.

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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) is a global diversified industrial company with multiple market-leading brands that serve a wide variety of industries across the globe. We pursue profitable growth and robust cash generation in order to drive increased value for our shareholders. 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

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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," "the Company," "we," "us," "our," and similar words refer to Hillenbrand, I and its subsidiaries unless context otherwise requires.

Although Hillenbrand has been a public company for more than seven 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 base 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 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, Abel Pumps LP, Abel GmbH & Co. KG, and certain of their affiliates (collectively "Abel") were acquired and will be included in our Process Equipment Group in future reporting periods.

See Note 3 to our financial statements included in Part II, Item 8 of this Form 10-K for more information on the Coperion acquisition. See Note 3 and Note 18 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K for more information on our acquisition of Abel.

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:
- Balanced geographic diversification;
- Historically stable revenue and attractive margins from parts and service business;
- Highly diversified customer base with a strong history of long-term relationships with blue-chip customers; and
- Proven 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 applications.

We believe Batesville has attractive fundamentals including:
- Historically predictable strong cash flow and attractive margins;
- Historically high return on invested capital; and
- Substantial brand value and recognition, combined with quality service 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 people 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 leader’s mindset; uses our management practices in Strategy Management, Segmentation, Lean, Talent Development, and Acquisitions; and prescribes three steps (Understand, Focus and Grow) to make our businesses both bigger and better. Our goal is to continue developing Hillenbrand as a world-class global diversified industrial company.

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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 five years and now includes products and services for compounding, extrusion, and material handling; size reduction; screening and separating; and flow control. Each business within the Process Equipment Group is supported by replacement parts and services that represent approximately 35% 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. 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. Nevertheless, Hillenbrand believes that selling these complete systems provides a competitive advantage and increases margin dollars.

• 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.

- 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

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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

- Flow control solutions 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 uses piston and piston diaphragm pump technology that lends itself to less wear and tear over time compared to other pumping technologies.

- Replacement Parts and Service

- Replacement parts and service are a major component of the Process Equipment Group business. 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, wear and 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 2015. 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 diversification of these end markets is an important element of its strategy. Currently, projects in the plastics industry represent greater than half of the Process Equipment Group's sales; however, this ratio is expected to gradually decrease due to initiatives to expand into markets such as processed food, wastewater treatment, and fertilizer. Geographically, approximately three quarters of the revenue in the Process Equipment Group comes from the Americas and Europe, the Middle East, and Africa (EMEA); 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.

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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 its diversification into multiple industries and markets, its base of replacement parts business, and its strong worldwide network of suppliers and dealers will allow the Process Equipment Group 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. 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

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

- Profitably grow top-line revenue

- Penetrate growing end markets such as processed food, fertilizers, wastewater treatment, and minerals by developing new products and leveraging application and systems expertise.
- Establish scope and scale to accelerate global growth by improving access to underpenetrated geographies such as Brazil, Russia, India, and China; and leverage our existing global footprint to enable easier access to emerging markets.

- Continue to grow through acquisitions

- Build platforms based on highly engineered products and systems for diverse niche markets where we can leverage the HOM to generate high and sustainable profit margins with a relatively low physical asset base.

- Utilize the HOM principles and tools to grow revenue and increase profit

- Use the HOM to strengthen the core of our businesses and pursue growth in our most promising opportunities.
- Continue to implement the HOM principles and techniques in sales, order management, engineering, procurement, and manufacturing to reduce lead times, improve quality and on-time delivery, and drive down costs.

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 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.

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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 Options®, (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® oversized caskets to casket personalization features such as dual overlay interiors, LifeStories® medallions, and LifeView® 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 premium steel caskets also employ an anode bar to provide cathodic protection from rust and corrosion, a feature found only on Batesville-produced caskets. Batesville also produces and markets an expanding selection of non-gasketed steel products.

Batesville solid and veneer hardwood caskets are made from a variety of woods, which are offered in nine 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 manufactures Marsellus® premium solid wood caskets, as well as cloth-covered and all-wood construction caskets, which are also suitable for green burials.

- Cremation Options®

- The Cremation Options® business 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, Options 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.

- Memorial Solutions

- Batesville's commitment to helping families honor the lives of those they love® is reflected in its growing collection of Memorial Solutions products that are designed to enhance the funeral experience and deliver value to families long after the service is over. This collection includes both Memorial Products, which are items that families keep after the service to help them heal and remember, and Product Personalization offerings, which are features that enable families to customize select products to tell the unique story of their loved one during the service. Many of these solutions are proprietary to Batesville and include durable goods such as remembrance jewelry, LifeSymbols® corners, LifeStories® display medallions and tribute panels, product engraving, and cremation keepsakes, in addition to soft lines such as FTD® flowers and video tributes.

- Technology Solutions

- The technology solutions business is a trusted provider of technology in the death care industry and is the leading partner to approximately 5,000 funeral homes and cemeteries across North America. Batesville offers a suite of integrated, easy-to-use technology products and services, including Weblink® websites (both standard and customized), business management software, and funeral arrangement planning software solutions. All of these technology products are designed to support customers by: (1) creating marketing and revenue opportunities, (2) making processes easier and more efficient, and (3) enhancing relationships between funeral professionals and the families they serve.

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Batesville has exclusive agreements with leading brands such as: Legacy.com®, an online obituary network provider; and FTD®, a national provider of sympathy flowers and gifts that can be ordered directly from the funeral home's website. Customers benefit from these brands through increased web consumer traffic through the Legacy network and having trusted providers of sympathy products right on their websites.

Batesville: Sales, Distribution, and Operations

Batesville offers several marketing and merchandising programs to funeral professionals. Batesville-branded caskets are marketed by a direct sales force only to licensed funeral professionals operating licensed funeral establishments throughout the U.S., Puerto Rico, Canada, Mexico, the United Kingdom, and Australia. Batesville also markets its products to select independent distribution facilities as well as full-service funeral establishments offering funeral products in conformance with state law in states that do not have specific licensing requirements.

Batesville has sales contracts in place with certain national death care service providers and also serves more than 12,000 independent, privately owned funeral homes across North America. None of Batesville's customers accounted for more than 10% of Hillenbrand's consolidated revenue during 2015.

Batesville: Customer Preferences and Demographics

The death of a family member causes most people to seek the services of a state-licensed funeral director. Most consumers have limited familiarity with funeral-related products and expect funeral directors to provide information on product and service alternatives. Although caskets and urns can be purchased from a variety of sources, including internet sellers and casket stores, the overwhelming majority of consumers who arrange a funeral purchase these products directly from a funeral home.

Demand for the products and services Batesville produces is partially impacted by a few key external factors: U.S. and Canadian population demographics, the number of deaths, and the rate at which consumers select cremation. While these factors have recently resulted in a stable, flat-to-slightly-declining burial volume trend, periodic fluctuations can impact demand and revenue. While we anticipate this trend will remain relatively consistent, the anticipated future increase in the number of deaths due to the aging post-World War II baby boom generation could lead to higher burial volume. However, a continued shift in consumer preference toward cremation could prevent us from significantly benefiting from any higher burial volume. As a percentage of total deaths, the cremation rate in 2015 was approximately 47% in the U.S. and 67% in Canada. Another important factor impacting death care industry revenue is the gradual increase in consumer preferences for lower price caskets.

Batesville: Competition

Batesville is a recognized leader in the sale of death care products in North America. Competition in this industry is based on product quality, service, price, delivery, design features and personalization. Batesville competes with several national and regional casket manufacturers, as well as more than 100 independent casket distributors, most of whom serve fairly narrow geographic segments. Some non-traditional death care providers, such as large discount retail stores, casket stores, and internet casket retailers also sell caskets directly to consumers. The industry has seen a few foreign manufacturers, mostly from China, import caskets into the U.S. and Canada. However, for the past several years, sales from these non-traditional and foreign providers have remained relatively stable and collectively represent less than 5% of total casket sales in North America.

The effect of declining casket demand continues to put added economic pressures on casket manufacturers and distributors as they seek to maintain volume. Existing domestic over-capacity and commodity price increases further impact these pressures, resulting in higher per unit costs.

Batesville: Raw Materials

Batesville uses carbon and stainless steel, copper and bronze sheets, wood, fabrics, finishing materials, rubber gaskets, plastic and zinc 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 hedging transactions for these purchases but does enter into fixed-price supply contracts at times. Batesville regularly takes steps to mitigate the impact of volatility in raw material and fuel prices, including executing Lean initiatives and various sourcing actions.

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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.

Batesville: Strategy

While we believe there are opportunities to generate additional revenue within a wider range of death care products and services, sustaining volume in the burial casket space continues to be a top priority. Batesville's leadership team is focused on two strategic initiatives to sustain burial volume:

- Grow our leadership position in the death care industry
- Focus on building and delivering value propositions that align with the needs of key customer segments to continue helping families honor the lives of those they love®.
- Utilize the Hillenbrand Operating Model principles and tools to maintain an optimal cost structure to support growth
- Continually improve processes that are more consistent, efficient, and clearly yield industry leading quality products and services that our customers value.

HILLENBRAND 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 services which are of importance. We believe the marks Coperion®, Coperion K-Tron™, TerraSource Global®, Pennsylvania Crusher®, Gundlach®, Jeffrey Rader®, K-Tron®, Rotex®, and ABEL® Pump Technology are of material significance to the Process Equipment Group. We believe the trademark Batesville® is of material significance to our Batesville segment.

Our ability to compete effectively depends, to an extent, on our ability to maintain the proprietary nature of our intellectual property. In the past, certain of our products have been copied and sold by others. 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.

HILLENBRAND REGULATORY MATTERS

Both the Process Equipment Group and Batesville 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 makes us 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 have a material adverse effect on our capital expenditures, earnings, or competitive position. 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.

HILLENBRAND FOREIGN OPERATIONS AND EXPORT SALES

Quantitative information about foreign operations is set forth in tables relating to geographic information in Note 14 to our financial statements included in Part II, Item 8, of this Form 10-K. For a discussion of risks related to our non-US operations and foreign currency exchange, refer to Part I, Item 1A. Risk Factors, of this Form 10-K.

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HILLENBRAND EMPLOYEES

At September 30, 2015, we had approximately 6,000 employees worldwide. Approximately 3,300 employees were located within the U.S. and 2,700 employees were located outside of the U.S., primarily throughout Europe and China. Approximately 2,400 employees in North America and Europe work under collective bargaining agreements. 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 12, 2015.

Joe A. Raver, 49, has served as a director and as President and Chief Executive Officer of the Company since September 2013. He also has served as President of the Company's Process Equipment Group since March 2011. Prior to that, he was President of Batesville Casket Company beginning in June 2008. He also previously served as Vice President and General Manager of the respiratory care division of Hill-Rom Holdings, a leading global provider of medical equipment and services and the Company's former parent. Prior to that, Mr. Raver spent 10 years in a variety of leadership positions at Batesville Casket Company and Hill-Rom.

Kristina A. Cerniglia, 49, was elected Senior Vice President, Chief Financial Officer effective August 2014. Ms. Cerniglia has more than 25 years of industrial experience. Before assuming the role as Hillenbrand's Chief Financial Officer, she spent 17 years serving in a variety of leadership roles, most recently as Vice President and Corporate Controller (2010-2014), at Stanley Black & Decker, a global provider of power and hand tools, mechanical access solutions, and electronic monitoring systems. Prior to that, she spent nine years of her career at United Technologies Corporation in various financial roles.

Diane R. Bohman, 45, was elected Senior Vice President, Chief Administrative Officer effective May 2014. Ms. Bohman previously served as the Company's Senior Vice President, Integration, since December 2012, and prior to that was the Company's Vice President, Corporate Strategy from June 2011. From November 2013 to May 2014, Ms. Bohman served as the interim Chief Financial Officer for Coperion. From 2005 to 2011, Ms. Bohman served various roles at Batesville, including Vice President, Logistics; Vice President and Chief Financial Officer; and Vice President, Strategy. Prior to joining Batesville, Ms. Bohman worked for seven years at the Company's former parent, Hill-Rom Holdings, holding a broad array of positions in the finance organization. She began her career in the business assurance practice of Coopers & Lybrand, LLC. Ms. Bohman is a Certified Public Accountant.

William A. Canady, 49, was elected Senior Vice President, Corporate Strategy and Industrial Products, effective November 2013. Prior to joining Hillenbrand, Mr. Canady worked at IDEX Corporation, a global fluidics leader serving high growth specialized markets from 2007 until 2013. Most recently, he served as the Vice President, Strategy and Aftermarket for the IDEX Fluid and Metering Technologies Group. Prior to that, he held senior leadership roles within global diversified industrial companies Crane Co, Generac Power Systems and Invensys Plc.

Scott P. George, 61, was elected Senior Vice President, Corporate Development effective January 2012. Mr. George has more than 30 years of investment banking experience advising on more than 250 transactions. Prior to joining Hillenbrand, he served as managing director and head of the Illinois practice for investment bank P&M Corporate Finance, LLC in Chicago from 2008 until 2012. Prior to that, he held a similar position at Morgan Joseph & Co. Mr.

George’s experience also includes merger and acquisition advisory roles at Ernst & Young Corporate Finance, Salomon Brothers Inc., Morgan Stanley & Co. and Bankers Trust Co.

Kimberly K. Ryan, 48, has served as the President of Coperion GmbH since June 2015. Ms. Ryan has also been a Senior Vice President of Hillenbrand since April 2011. Prior to being appointed President of Coperion, Ms. Ryan served as President of Batesville effective April 2011. Prior to joining Hillenbrand, from 2006 until 2011 Ms. Ryan served as Senior Vice President, North America, Post-Acute Care of the Company’s former parent, Hill-Rom Holdings. Prior to that, she held various senior and leadership roles at Hill-Rom and its subsidiaries, including leading its Turnaround Program, Shared Services, and Information Technology from 2005-2007, and from 2000 to 2005 serving in roles including Vice President, Shared Services; Vice President, Batesville Business Information Systems; and Director, Enterprise Systems. Ms. Ryan began her career with Batesville in 1989, holding positions of increasing responsibility within Batesville and the Company’s former parent in finance, planning, operations, logistics, and information technology.

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Christopher H. Trainor, 45, has served as the President of Batesville Casket Company since April 2015, after having served as its Senior Vice President, CFO and Chief Administrative Officer. Mr. Trainor joined Batesville in 2010 as Vice President and Chief Financial Officer and was later assigned additional responsibilities for oversight of Human Resources and Information Technology. Prior to joining Batesville, Mr. Trainor spent 17 years with Kraft Foods where he held a variety of finance roles in both the United States and United Kingdom.

Nicholas R. Farrell, 36, was elected Vice President, General Counsel and Secretary effective October 1, 2015. Prior to that, Mr. Farrell was Vice President, Associate General Counsel and Assistant Secretary beginning in October 2014. Mr. Farrell began his career with the Company in 2011 as Corporate and Securities Counsel. Prior to joining Hillenbrand, Mr. Farrell was in private practice for six years with global law firm Troutman Sanders.

Eric M. Teegarden, 38, was elected Vice President, Controller and Chief Accounting Officer effective July 2015. Prior to joining the Company, Mr. Teegarden spent nearly eight years in controller roles of increasing responsibility within General Electric Company (GE), serving in a wide range of GE manufacturing businesses, from appliances to lighting to jet engines. Prior to GE, he served in reporting and accounting roles in two smaller, publicly-traded manufacturing companies. Mr. Teegarden spent the first three years of his career, beginning in 2000, in public accounting for both Arthur Andersen and Deloitte & Touche where his focus was on energy companies. Mr. Teegarden is a Certified Public Accountant.

AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our website is www.hillenbrand.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 as these reports are filed or furnished. We also make available through this website position specifications for the Chairperson and each of the members of the Board of Directors, as well as for committee chairpersons; our Code of Ethical Business Conduct and Global Anti-Corruption Policy; the Corporate Governance Standards of our Board of Directors; and the charters of each of the standing committees of the Board of Directors. All of 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 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. 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 Hillenbrand

1.A key component of our growth strategy is making significant acquisitions, some of which may be outside the industries in which we currently operate. 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 the most suitable targets for acquisition;
- negotiate reasonable terms;
- properly perform due diligence and determine all the significant risks associated with a particular acquisition;
- successfully transition the acquired company into our business and achieve the desired performance;
- avoid diversion of Company management's attention from other important business activities; and
- where applicable, implement restructuring activities without an adverse impact to business operations.

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We may acquire businesses with unknown liabilities, contingent liabilities, internal control deficiencies, or other risks. We have plans and procedures to review potential acquisition candidates for a variety of due diligence matters, including 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.

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 the HOM may not be fully realized.

If we acquire a company that operates in an industry that is different from the ones in which we currently 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.

2.Global market and economic conditions, including those related to the financial 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. Although we have seen stability or growth in some geographies since the global economic turmoil that began in 2008, we cannot assure you that these improvements will be sustainable or predict when the next recession will occur. In addition, continuing uncertainties in the eurozone and more recent uncertainties in China may depress demand in these areas 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 particular, 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.

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

We derived approximately 43%, 48%, and 43% of our revenue from our operations outside the U.S. for the years ended September 30, 2015, 2014, and 2013. This revenue is primarily generated in Europe, the Middle East, Asia, South America, and Canada. 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., including in emerging markets.

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

- 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 condition, 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 enforcing contract and property rights under local law;
- difficulties in implementing restructuring actions on a timely or comprehensive basis; and
- differing protection of intellectual property.

Such risks may be more likely in emerging markets, where our operations may be subject to greater uncertainty due to increased volatility associated with the developing nature of their economic, legal, and governmental systems.

If we are unable to successfully manage the risks associated with expanding our global business, or to adequately manage operational fluctuations, it could adversely affect our business, financial condition, or results of operations.

4.We rely upon our employees, agents, and business partners to comply with laws in many different countries and jurisdictions. We establish policies and provide training to assist them in understanding our policies and the regulations most applicable to our business; however, our reputation, ability to do business, and financial results may be impaired by improper conduct by these individuals.

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims, competition, export and import compliance, money laundering, and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions could subject us to civil or criminal investigations in the U.S. and in other jurisdictions; could lead to substantial civil and criminal, monetary and non-monetary penalties, and related shareholder lawsuits; could cause us to incur significant legal fees; and could damage our reputation.

5.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. The Company’s predominant exposures are in European, Swiss, and Asian currencies, including the Chinese Renminbi. In preparing financial statements for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company’s earnings could be negatively impacted. Although we address currency risk management through regular operating and financing activities, and through the use of derivative financial instruments, those actions may not prove to be fully effective.

6.Increased prices for, or unavailability of, raw materials used in our products could adversely affect profitability.

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 raw materials 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 raw material 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 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 be adversely affected. We may not be able to find acceptable alternatives,

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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.

7.The Company could face labor disruptions that would interfere with operations.

As of September 30, 2015, approximately 40% 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 or more of our facilities could have a material adverse effect on our operations.

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

Hillenbrand has certain investments that were transferred to us by our former parent company with an aggregate carrying value of $8.3 as of September 30, 2015. 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.

9.We are involved from time to time 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 are high-deductible policies. For a more detailed discussion of claims, see Note 11 to our financial statements included in Part II, Item 8, of this Form 10-K.

10. We have a significant amount of debt, which could adversely affect the Company and limit our ability to respond to changes in our business or make future desirable acquisitions.

As of September 30, 2015, our outstanding debt was $528.1. This level of debt and additional debt we may incur in the future 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.
- We may be more vulnerable to credit rating downgrades which could have an impact on our ability to secure future financing at attractive interest rates.

11. The performance of the Company may suffer from business disruptions associated with information technology, cyber-attacks, or catastrophic losses affecting infrastructure.

The Company relies heavily on computer systems to manage and operate its businesses and record and process transactions. Computer systems are important to production planning, customer service, and order management, as well as other critical processes.

Despite efforts to prevent such situations and the existence of established risk management practices that partially mitigate these risks, the Company’s systems may be affected by damage or interruption from, among other causes, power outages, system failures, or computer viruses. Computer hardware and storage equipment that is integral to efficient operations, such as email, telephone and other functionality, is concentrated in certain physical locations in the various geographies in which the Company operates.

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In addition, security threats and sophisticated computer crime pose a potential risk to the security of the Company's information technology systems, networks, and services, as well as the confidentiality and integrity of the Company's data. If the Company suffers a loss or disclosure of business or stakeholder information due to security breaches, and if business continuity plans do not effectively address these issues on a timely basis, the Company may suffer interruption in its ability to manage operations, as well as reputational, competitive, or business harm, which may adversely impact the Company's business, financial condition, and results of operations.

12. The effective tax rate of the Company may be negatively impacted by economic downturns as well as future changes to tax laws in global jurisdictions in which we operate.

We are subject to income taxes in the United States and various other global jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings by jurisdiction and the valuation of deferred tax assets and liabilities. We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Our deferred tax assets, net of valuation allowances, totaled approximately $144.4 at September 30, 2015 and 2014. Significant judgment is required in determining our provision for income taxes. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. If we are unable to generate sufficient future taxable income, if there is a material change in the actual effective tax rates, or if there is a change to the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowance against our deferred tax assets, which could result in a material increase in our effective tax rate.

In addition, changes in tax laws or tax rulings could have a material impact on our effective tax rate. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our foreign earnings. Additionally, many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws. Certain proposals could include recommendations that could increase our tax obligations in many countries where we do business. Any changes in the taxation of our activities in such jurisdictions may result in a material increase in our effective tax rate.

13. Provisions in our Articles of Incorporation and By-laws and facets of Indiana law may prevent or delay an acquisition of the 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 believes 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 the Company and any holder of 10% or more of our outstanding common stock.

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 the Process Equipment Group

1.A significant portion of our investments in the 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 Coperion, 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.

2.The Process Equipment Group operates in cyclical industries.

As an industrial capital goods supplier, the Process Equipment Group serves industries that are cyclical. During periods of economic expansion, when capital spending normally increases, the 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, which could have a material adverse effect on our financial condition, results of operations, and cash flows.

3.The Process Equipment Group derives significant revenues from the plastics industry. Any decrease in demand for plastics could have a material adverse effect on our business, financial condition, and results of operations.

The Process Equipment Group sells extruders and compounding systems to the plastics industry. A significant portion of its sales are tied to the consumption of plastic products. The demand for plastics is dependent upon the consumer's choice. As a result, any downturn in or disruption to the plastics industry, or decrease in the demand for plastics, could have a material adverse effect on our business, financial condition, and results of operations.

4.The Process Equipment Group derives significant revenues from the energy industry. Any decrease in demand for electricity, oil, natural gas, or coal, or an increase in regulation of the energy industry, could have a material adverse effect on our business, financial condition, and results of operations.

A significant portion of the Process Equipment Group's sales are tied to the consumption of oil, natural gas, and coal. The demand for oil, natural gas, and coal is dependent upon, among other things, the availability and cost of alternative sources of energy, such as solar, wind, or nuclear power. Additionally, the cost of compliance with federal, state, and local laws and regulations on the energy industry may impact the demand for our products. As a result, any downturn in or disruption to the oil, natural gas, or coal industries or decrease in the demand for electricity, could have a material adverse effect on our business, financial condition, and results of operations.

Risk Related to Batesville

1.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. However, we do anticipate a modest increase in deaths every year driven by the aging U.S.

population.

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 increase in the number of cremations in the U.S. has resulted in a contraction in the demand for burial caskets. This has been a contributing factor to lower burial casket sales volumes for Batesville in recent years. We expect these trends will 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, which could have a material adverse effect on our financial condition, results of operations, and cash flows.

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2.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 constitute a sizeable portion of its overall sales volume. Also, while contracts with national funeral service providers give Batesville important access to purchasers of death care 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. 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.

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

Non-traditional death care product providers, such as large discount retail stores, 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, a few foreign manufacturers, mostly from China, import caskets into the U.S. and Canada. For the past several years, sales from these non-traditional and foreign providers have remained relatively stable and represent a small percentage of total casket sales in North America, collectively less than 5%. It is not possible to quantify the financial impact that these competitors will have on Batesville in the future. 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 developments could have a negative impact on our results of operations and cash flows.

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.

Item 2. PROPERTIES

Our corporate headquarters is located in Batesville, Indiana, in a facility that we own. At September 30, 2015, the Process Equipment Group operated 17 significant manufacturing facilities located in the U.S. (New Jersey, Kansas, Ohio, Illinois, and Virginia), Germany, Switzerland, China, India, and the United Kingdom. Seven of these facilities are owned and 10 are leased. The Process Equipment Group also leases or owns a number of other sales offices in Europe, Asia, Canada, and South America.

At September 30, 2015, Batesville operated five significant manufacturing facilities located in Indiana, Tennessee, Mississippi, and Mexico. Four 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.

Facilities often serve multiple purposes, such as administration, sales, manufacturing, testing, warehousing, and distribution. We believe our current facilities will provide adequate capacity to meet expected demand for the next several years.

Item 3. LEGAL PROCEEDINGS

We are involved from time to time 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 11 to our financial statements included in Part II, Item 8, of this Form 10-K. That information is incorporated into this Item by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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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 following table reflects the quarterly range of high and low closing sales prices of our common stock for 2015 and 2014.

	2015		2014	
	High	Low	High	Low
First quarter	$34.71	$29.28	$29.47	$27.04
Second quarter	$34.01	$29.53	$32.43	$26.13
Third quarter	$32.33	$28.79	$32.72	$29.15
Fourth quarter	$30.53	$25.28	$33.68	$29.43

As of November 11, 2015, we had approximately 2,200 shareholders of record.

Dividends

Although we have paid cash dividends since our inception on April 1, 2008, the declaration and payment of cash dividends is at the sole discretion of our Board of Directors and depends upon many factors, including our financial condition, earnings potential, capital requirements, alternative uses of cash, covenants associated with debt obligations, legal requirements, and other factors deemed relevant by the Board of Directors. We currently expect that comparable quarterly cash dividends will continue to be paid in the future. The following table provides detail on the quarterly dividends paid to shareholders for the past three years.

	2015	2014	2013
First quarter	$0.2000	$0.1975	$0.1950
Second quarter	$0.2000	$0.1975	$0.1950
Third quarter	$0.2000	$0.1975	$0.1950
Fourth quarter	$0.2000	$0.1975	$0.1950

Share Repurchases

The following table summarizes repurchases of common stock during the quarter ended September 30, 2015:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount that May Yet be Purchased Under Plans or Programs
July	—	$—	—	$51.8
August	—	$—	—	$51.8
September	76,910	$25.99	76,910	$49.7
Total	76,910	$25.99	76,910	$49.7

On July 24, 2008, our Board of Directors approved the repurchase of $100.0 of our common stock. The repurchase program has no expiration date, but may be terminated by the Board of Directors at any time. As of September 30, 2015, we had repurchased approximately 2,100,000 shares for approximately $50.3 in the aggregate. Such shares were classified as treasury stock. We repurchased approximately 381,000 shares of our common stock during 2015, for a total cost of approximately $11.2. At September 30, 2015, we had approximately $49.7 remaining for share repurchases under the existing Board authorization.

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Item 6. SELECTED FINANCIAL DATA

(in millions, except per share data):

	2015	2014	2013 (a)	2012	2011
Net revenue	$1,596.8	$1,667.2	$1,553.4	$983.2	$883.4
Gross profit	$570.4	$589.2	$518.7	$388.9	$369.9
Net income(1)	$111.4	$109.7	$63.4	$104.8	$106.1
Earnings per share - basic	$1.76	$1.74	$1.01	$1.68	$1.71
Earnings per share - diluted	$1.74	$1.72	$1.01	$1.68	$1.71
Cash dividends per share	$0.80	$0.79	$0.78	$0.77	$0.76
Total assets	$1,808.1	$1,918.5	$2,003.2	$1,087.5	$1,180.7
Long-term obligations	$798.1	$833.6	$961.4	$429.4	$601.4
Cash flows provided by operating activities	$105.0	$179.6	$127.2	$138.2	$189.5
Cash flows used in investing activities	$(29.5)	$(8.3)	$(441.0)	$(22.5)	$(154.5)
Cash flows provided by (used in) financing activities	$(83.2)	$(155.5)	$336.5	$(211.1)	$(22.0)
Capital expenditures	$31.0	$23.6	$29.9	$20.9	$21.9
Depreciation and amortization	$54.3	$58.4	$89.4	$40.4	$36.1

(1) Net income attributable to Hillenbrand

(a) Included ten months of operations related to Coperion following its acquisition on December 1, 2012.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollar amounts in millions throughout Management's Discussion and Analysis)

The following discussion compares our results for the year ended September 30, 2015, to the year ended September 30, 2014, and also compares our results for the year ended September 30, 2014, to the year ended September 30, 2013. Unless otherwise stated, references to years relate to fiscal years. We begin the discussion at a consolidated level and then provide separate detail about the Process Equipment Group, Batesville, and Corporate. These financial results are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP").

We also provide certain non-GAAP operating performance measures. These non-GAAP measures are referred to as "adjusted" and exclude expenses associated with backlog amortization, inventory step-up, business acquisition and integration, restructuring, a pension settlement charge, and litigation. The related income tax for all of these items is also excluded. This non-GAAP information is provided as a supplement, not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP.

We use this non-GAAP information internally to make operating decisions and believe it is helpful to investors because it allows more meaningful period-to-period comparisons of our ongoing operating results. The information can also be used to perform trend analysis and to better identify operating trends that may otherwise be masked or distorted by the types of items that are excluded. We believe this information provides a higher degree of transparency.

An important non-GAAP measure that we use is adjusted earnings before interest, income tax, depreciation, and amortization ("adjusted EBITDA"). As previously discussed, a part of Hillenbrand's strategy is to selectively acquire companies that we believe can benefit from the HOM to spur faster and more profitable growth. Given that strategy, it is a natural consequence to incur related expenses, such as amortization from acquired intangible assets and additional interest expense from debt-funded acquisitions. Accordingly, we use Adjusted EBITDA, among other measures, to monitor our business performance.

Another important non-GAAP operational measure used is backlog. Backlog is not a term recognized under GAAP; however it is a common measurement used in industries with extended lead times for order fulfillment (long-term contracts), like those in which our Process Equipment Group competes. Order backlog represents the amount of consolidated revenue that we expect to realize on contracts awarded related to the Process Equipment Group. For purposes of calculating backlog, 100% of estimated revenue attributable to consolidated subsidiaries is included. Backlog includes expected revenue from large systems, equipment, and replacement parts, components, and service. The length of time that projects remain in backlog can span from days for replacement parts or service to approximately 18 months for larger system sales. Backlog includes expected revenue from the remaining portion of firm orders not yet completed, as well as revenue from change orders to the extent that they are reasonably expected to be realized. We include in backlog the full contract award, including awards subject to further customer approvals, which we expect to result in revenue in future periods. In accordance with industry practice, our contracts may include provisions for cancellation, termination or suspension at the discretion of the customer.

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

We analyze net revenue, gross profit, and operating expenses on a constant currency basis, which is a non-GAAP measure, in order to better measure the comparability of results between periods. We calculate constant currency by translating current year results at prior year foreign exchange rates. This information is provided because exchange rates can distort the underlying change in sales, either positively or negatively. The cost structures for Corporate and Batesville are generally not significantly impacted by the fluctuation in foreign exchange rates, and we do not disclose constant currency metrics in the Operations Review below where the impact is not significant.

See page 30 for reconciliations of our non-GAAP measures to the most directly comparable GAAP measures. There is no GAAP financial measure comparable to backlog; therefore, a quantitative reconciliation of backlog is not provided.

CRITICAL ACCOUNTING ESTIMATES

Our financial results are affected by the selection and application of accounting policies and methods. Significant accounting policies which require management's judgment are discussed below. A detailed description of our accounting policies is included in the notes to our financial statements included in Part II, Item 8, of this Form 10-K.

Revenue Recognition — Net revenue includes gross revenue less sales discounts, customer rebates, sales incentives, and product returns, all of which require us to make estimates for the portion of these allowances that have yet to be credited or paid to our customers. We estimate these allowances based upon historical rates and projections of customer purchases toward contractual rebate thresholds.

A portion of Hillenbrand's revenue is derived from long-term manufacturing contracts. The majority of this revenue is recognized based on the percentage-of-completion method. Under this method, revenue is recognized based upon the costs incurred to date as compared to the total estimated project costs. Approximately 29%, 25%, and 25% of Hillenbrand's revenue was attributable to these long-term manufacturing contracts for 2015, 2014, and 2013.

Accounting for these contracts involves management judgment in estimating total contract revenue and cost. Contract revenues are largely determined by negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, and incentive and award provisions associated with technical performance clauses. Contract costs are incurred over longer periods of time and, accordingly, the estimation of these costs requires management judgment. Cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, and other economic projections. Significant factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized immediately when such losses become evident. We maintain financial controls over the customer qualification, contract pricing, and estimation processes to reduce the risk of contract losses.

Revenue for components, most replacement parts, and service is recognized when title and risk of loss passes to the customer.

Performance-Based Stock Compensation — The vesting of a portion of our performance-based stock awards is contingent upon the creation of shareholder value as measured by the cumulative cash returns and final period net operating profit after tax compared to the established hurdle rate over a three-year period. The hurdle rate is a reflection of the weighted-average cost of capital and targeted capital structure. Based on the extent to which the performance criteria are achieved, it is possible for none of the awards to vest or for a range up to the maximum to vest, which is reflected in the performance-based stock award table in

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Note 9 to our financial statements included in Part II, Item 8, of this Form 10-K. We record expense associated with the awards on a straight-line basis over the vesting period based upon an estimate of projected performance. The actual performance of the Company and its business units is evaluated quarterly, and the expense is adjusted according to the new projection if it has changed significantly. As a result, depending on the degree to which performance criteria are achieved or our projections change, our expenses related to the performance-based stock awards may become more volatile as we approach the final performance measurement date at the end of the three years. This increase in volatility stems from the requirement to increase or reduce compensation expense as the projection of performance changes. Thus, any one period's financial results could be significantly affected by the cumulative effect of the adjustment. Preparing the projection of performance requires us to exercise significant judgment as to the expected outcome of final performance up to three years in the future. In making the projection, we consider both actual results and probable business plans for the future. At September 30, 2015, we have recorded cumulative compensation expense associated with unvested performance-based stock awards of approximately $7.9, which continues to be subject to periodic adjustments as the related awards approach their final performance measurement dates.

Retirement and Postretirement Plans — We sponsor retirement and postretirement benefit plans covering some of our employees. Expense recognized for the plans is based upon actuarial valuations. Inherent in those valuations are key assumptions including discount rates, expected returns on assets, and projected future salary rates. The actuarial assumptions we use may differ significantly from actual results due to changing economic conditions, participant life span, and withdrawal rates. These differences may result in a material impact to the amount of net periodic pension expense to be recorded in our financial statements in the future. The discount rates used in the valuation of our defined benefit pension and postretirement benefit plans are evaluated annually based on current market conditions. In setting the discount rate, we use a yield curve approach to discount each expected cash flow of the liability stream at an interest rate applicable to the timing of each cash flow based on corporate bond rates. These present values are then converted into an equivalent weighted-average discount rate. Our overall expected long-term rate of return on pension assets is based on historical and expected future returns, which are inflation-adjusted and weighted for the expected return for each component of the investment portfolio. Our rate of assumed compensation increase for pension benefits is also based on our specific historical trends of past wage adjustments in recent years and expectations for the future.

Changes in retirement and postretirement benefit expense and the recognized obligations may occur in the future as a result of a number of factors, including changes to key assumptions such as the weighted-average expected rate of return on pension assets and the weighted-average discount rate. Our weighted-average expected rate of return on pension assets was 5.9%, 6.3%, and 6.4% at the end of 2015, 2014, and 2013, and the weighted-average discount rate at the end of 2015 was 3.3% for the pension plan and 3.7% for the postretirement healthcare plan. A 50 basis-point change in the expected rate of return on domestic pension assets would change annual pension expense by $1.1. A 50 basis-point change in the discount rate would change the annual pension expense by $2.1 and the annual postretirement healthcare plan expense by less than $0.1. Impacts from assumption changes could be positive or negative depending on the direction of the change in rates. Based upon rates and assumptions at September 30, 2015, we expect the aggregate expense associated with our defined benefit and postretirement plans to decrease from $32.2 in 2015 to $12.2 in 2016, primarily due to the pension settlement charge of $17.7 in 2015. See Note 5 to our financial statements included in Part II, Item 8, of this Form 10-K, for key assumptions, details of the pension settlement charge, and other information regarding our retirement and postretirement benefit plans.

Beginning in fiscal 2016, we are changing the method we use to estimate the service and interest cost components of net periodic benefit cost for our defined benefit pension and other postretirement benefit plans. Historically and (as previously described), we estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Beginning in fiscal 2016, we have elected to use a full yield curve approach in the estimation of these components of benefit cost.

Under this approach, we will apply discounting using individual spot rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. These spot rates align to each of the projected benefit obligations and service cost cash flows. The service cost component relates to the active participants in the plan, so the relevant cash flows on which to apply the yield curve are considerably longer in duration on average than the total projected benefit obligation cash flows, which also include benefit payments to retirees. Interest cost is computed by multiplying each spot rate by the corresponding discounted projected benefit obligation cash flows. The full yield curve approach reduces any actuarial gains and losses based upon interest rate expectations (e.g., built-in gains in interest cost in an upward sloping yield curve scenario), or gains and losses merely resulting from the timing and magnitude of cash outflows associated with our benefit obligations.

We are making this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. This change will not affect the measurement of our total benefit obligations as the change in the service cost and interest cost is completely offset in the actuarial (gain) loss

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reported. We are accounting for this change as a change in estimate and, accordingly, are accounting for it prospectively starting in fiscal 2016. The weighted average discount rates that we are using to measure service cost and interest cost during fiscal 2016 are 3.0% and 3.2%, respectively, for the pension plan and 4.1% and 2.7%, respectively, for the postretirement healthcare plan. The weighted average discount rate that we measured at September 30, 2015 and would have used for service and interest cost under our prior estimation technique was 4.1% for the pension plan and 3.7% for the postretirement healthcare plan. The reductions in service cost and interest cost for 2016 associated with this change are estimated to be $0.4 and $2.8, respectively.

Uncertain Income Tax Positions — In assessing the need for reserves for uncertain tax positions, we make judgments regarding the technical merit of a tax position and, when necessary, an estimate of the settlement amount based upon the probability of the outcome. At September 30, 2015, we had reserves of $7.8 established for uncertain tax positions based upon our estimates. Our ability to make and update these estimates is limited to the information we have at any given point in time. This information can include how taxing authorities have treated the position in the past, how similar cases have settled, or where we are in discussions or negotiations with taxing authorities on a particular issue, among others. As information available to us evolves, we update our reserves quarterly. These updates can result in volatility to our income tax rate (particularly in a given quarter) if new information or developments result in a significant change in our estimate.

Business Combinations — Estimating fair value for acquired assets and liabilities as part of a business combination typically requires us to exercise judgment, particularly for those assets and liabilities that may be unique or not easily determined by reference to market data. Often estimates for these types of acquired assets and liabilities will be developed using valuation models that require both historical and forecasted inputs, as well as market participant expectations. Thus, the valuation is directly affected by the inputs we judge as best under the given circumstances. When material, we expect to seek assistance of competent valuation professionals when the underlying valuation is more complex or unique.

We anticipate that in most cases, we will exercise significant judgment in estimating the fair value of intangible assets, contingent liabilities, and contingent consideration. This list is not exhaustive, but is designed to give you a better understanding of where we think a larger degree of judgment will be required due to the nature of the item and the way it is typically valued.

Asset Impairment Determinations — Goodwill and other intangible assets with indefinite lives, primarily trade names, are not amortized; rather, they are tested for impairment at least annually and upon the occurrence of certain triggering events or substantive changes in circumstances that indicate that the fair value may be impaired.

Impairment of goodwill is tested at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment. For the purpose of the goodwill impairment test, the Company can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its reporting units are less than the respective carrying values of those reporting units. Such factors we consider in a qualitative analysis include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, entity-specific events, events affecting the reporting unit, and the overall financial performance of the reporting unit.

If we elect to perform or are required to perform a quantitative analysis, the first step is to compare the carrying amount of the reporting unit’s net assets, including goodwill, to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then a second step must be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill.

In determining the estimated fair value of the reporting units when performing a quantitative analysis, we consider both the market approach and the income approach. Weighting is equally attributed to both the market and income approaches in arriving at the fair value of the reporting units.

Under the market approach, we utilize the guideline company method, which involves calculating valuation multiples based on operating data from comparable publicly traded companies. Multiples derived from these companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples are then applied to the operating data for our reporting units to arrive at an indication of value.

Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows utilizing a market-based weighted-average cost of capital determined separately for each reporting unit.

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To determine the reasonableness of the calculated fair values of our reporting units, the Company reviews the assumptions described below to ensure that neither the market approach nor the income approach yields significantly different valuations. We selected these valuation approaches because we believe the combination of these approaches, along with our best judgment regarding underlying assumptions and estimates, provides us with the best estimate of fair value of our reporting units. We believe these valuation approaches are appropriate for the industry and widely accepted by investors.

Determining the fair value of a reporting unit requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also on the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that actual future earnings or cash flows of our reporting units will not decline significantly from our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods.

The key assumptions for the market and income approaches we use to determine fair value of our reporting units are updated at least annually. Those assumptions and estimates include market data and market multiples (9 times adjusted EBITDA), discount rates (10%), and terminal growth rates (2.5%) as well as future levels of revenue growth, operating margins, depreciation, amortization, and working capital requirements, which are based upon the Company's strategic plan. Hillenbrand's strategic plan is updated as part of its annual planning process and is reviewed and approved by management and the Board of Directors. The discount rate assumption is based on the overall after-tax rate of return required by a market participant whose weighted-average cost of capital includes both equity and debt, including a risk premium.

Although there are always changes in assumptions to reflect changing business and market conditions, our overall valuation methodology and the types of assumptions we used have remained unchanged. While we use the best available information to prepare the cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances.

We performed our required impairment tests in 2015 and determined that the goodwill allocated to our reporting units was not impaired. Further, we determined that the estimated fair value substantially exceeded the carrying value for each of the reporting units for which we performed a quantitative analysis.

Similar to goodwill, the Company can elect to perform the impairment test for indefinite-lived intangibles other than goodwill (primarily trade names) using a qualitative analysis, considering similar factors as outlined in the goodwill discussion, to determine if it is more likely than not that the fair values of the trade names are less than the respective carrying values. If we elect to perform or are required to perform a quantitative analysis, the test consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. We estimate the fair value of indefinite-lived intangibles using the relief-from-royalty method. We believe the relief-from-royalty method is a widely used valuation technique for such assets. The fair value derived from the relief-from-royalty method is measured as the discounted cash flow savings realized from owning such trade names and not being required to pay a royalty for their use.

We performed our annual indefinite-lived intangible impairment testing in 2015, and determined our indefinite-lived intangible assets were not impaired. The estimated fair value of each of our trade names exceeds the carrying value by at least 15%. There can be no assurance that goodwill or indefinite-lived intangibles impairment will not occur in the future.

EXECUTIVE OVERVIEW

Hillenbrand is a global diversified industrial company with multiple market-leading brands that serve a wide variety of industries across the globe. We pursue profitable growth and robust cash generation in order to drive increased value for our shareholders. 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.

We strive to provide superior return for our shareholders, exceptional value for our customers, and great professional opportunities for our people 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 leader's mindset; uses our management practices in Strategy Management, Segmentation, Lean, Talent Development, and Acquisitions; and prescribes three steps (Understand, Focus and Grow) to make our businesses both bigger and better. Our goal is to continue developing Hillenbrand as a world-class global diversified industrial company.

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OPERATIONS REVIEW — CONSOLIDATED

	Year Ended September 30		
Hillenbrand	2015	2014	2013 (a)
Net revenue	$1,596.8	$1,667.2	$1,553.4
Gross profit	570.4	589.2	518.7
Operating expenses	330.6	383.1	336.5
Amortization expense	28.1	31.6	64.1
Pension settlement charge	17.7	—	—
Interest expense	23.8	23.3	24.0
Other (expense) income, net	(7.9)	8.7	(0.4)
Income tax expense	49.1	48.7	28.3
Net income(1)	111.4	109.7	63.4

(1) Net income attributable to Hillenbrand

(a) Included ten months of operations related to Coperion following its acquisition on December 1, 2012.

Year Ended September 30, 2015, Compared to Year Ended September 30, 2014

Net revenue decreased $70.4 (4%), although it increased $28.7 (2%) on a constant currency basis.

- The Process Equipment Group's revenue decreased $82.2 (8%), although it increased $11.5 (1%) on a constant currency basis, due to increased demand for equipment, primarily equipment that processes proppants (used in hydraulic fracturing), partially offset by a decline in demand for equipment used in power and mining.

- Batesville's revenue increased $11.8 (2%), or $17.2 (3%) on a constant currency basis, primarily due to an increase in volume ($22.8), partially offset by a decrease in the average selling price ($5.6). Higher volume was driven by what we estimate to be an increase in North American deaths, partially offset by the estimated increase in the rate at which families opted for cremation.

Gross profit decreased $18.8 (3%), although it increased $9.8 (2%) on a constant currency basis, and gross profit margin increased 40 basis points to 35.7%. On an adjusted basis, which excluded restructuring charges, gross profit decreased $15.7 (3%), although it increased $12.8 (2%) on a constant currency basis and adjusted gross profit margin improved 60 basis points to 35.9%.

- The Process Equipment Group's gross profit decreased $18.7 (5%), although it increased $9.0 (3%) on a constant currency basis driven by increased demand for equipment, primarily for equipment that processes proppants, and favorable mix for equipment and replacement parts and service, partially offset by an increase in restructuring costs and a decline in demand for equipment used in power and mining. Gross profit margin improved 80 basis points to 34.0% in 2015 driven primarily by favorable mix for equipment and replacement parts and service.

Gross profit included restructuring ($1.5 in 2015 and $0.3 in 2014). Excluding these items, adjusted gross profit decreased $17.5 (5%), although it increased $10.1 (3%) on a constant currency basis. Adjusted gross profit margin improved 100 basis points to 34.2% in 2015.

- Batesville's gross profit remained relatively flat at $232.6 and gross profit margin decreased 80 basis points to 38.5% in 2015. The decrease in gross profit and gross profit margin were primarily due to decreased average selling price, higher raw material costs, and restructuring charges from the disposal of equipment, which were mostly offset by an increase in volume and lower fuel expenses.

Gross profit included restructuring charges ($1.7 of expense in 2015 and $0.2 reduction to cost of goods sold in 2014). Excluding these charges, adjusted gross profit increased $1.8 (1%), or $2.6 (1%) on a constant currency basis. Adjusted gross profit margin decreased 50 basis points in 2015 to 38.8%.

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Operating expenses decreased $52.5 (14%), or $33.6 (9%) on a constant currency basis primarily due to a decrease in business acquisition costs and because 2014 expense included a significant litigation settlement. Our operating expense to revenue ratio improved by 230 basis points to 20.7% in 2015. Operating expenses included the following items:

	Year Ended September 30,	
	2015	2014
Business acquisition and integration costs	$3.6	$8.4
Restructuring charges	5.6	5.5
Litigation expenses	0.5	20.8

On an adjusted basis, which excluded business acquisition and integration costs, restructuring charges, and litigation expenses, operating expenses decreased $27.5 (8%), or $8.7 (3%) on a constant currency basis primarily due to a decrease in indirect taxes, bad debt expense, and variable compensation, partially offset by an increase in corporate project costs. Our adjusted operating expense-to-revenue ratio improved by 80 basis points to 20.1% in 2015.

Amortization expense decreased $3.5 (11%), or $1.5 (5%) on a constant currency basis, primarily due to acquired intangibles that became fully amortized in 2015.

Pension settlement charge increased $17.7 due to lump-sum payments made from the Company's U.S. pension plan to former employees who elected to receive such payments. The payments settled the Company's pension obligations to those who made the election to participate. See Note 5 to our financial statements included in Part II, Item 8, of this Form 10-K for further information on this settlement.

Interest expense increased $0.5 primarily due to an increased proportion of fixed rate debt, which had a higher rate of interest than the variable rate borrowings. This increase was partially offset by lower variable interest rates and a reduction in our weighted-average outstanding borrowings.

Other (expense) income, net decreased $16.6 to $7.9 of expense in 2015 compared to $8.7 of income in 2014. This decrease was driven primarily by a decline in income on limited partnership investments, from a $2.8 gain in 2014 to a $2.1 loss in 2015, a $5.2 gain on the exercise of warrants to purchase common stock of Forethought in 2014 that did not repeat, and a $2.5 gain related to the cancellation of a service agreement at Batesville in 2014 that did not repeat. We also experienced a $2.9 increase in foreign currency exchange loss in 2015, largely driven by the rapid appreciation of the Swiss Franc against other currencies after the Swiss National Bank removed currency support tied to the Euro in January 2015. See Note 12 to our financial statements included in Part II, Item 8, of this Form 10-K for more detailed information.

The income tax rate was 30.2% in 2015 compared to 30.5% in 2014. The year-over-year decrease in the effective tax rate was largely due to net decreases in our liability for uncertain tax positions as well as a decrease in the current tax liability associated with a lower effective state tax rate. The decreases in the effective tax rate were partially offset by an increase in the effective tax rate resulting from shifting of income to higher tax rate jurisdictions. For more information, see Note 7 to our financial statements included in Part II, Item 8, of this Form 10-K. Excluding the tax effect of all adjustments discussed above, our adjusted effective income tax rate was 31.2% in 2015 compared to 31.6% in 2014.

Year Ended September 30, 2014, Compared to Year Ended September 30, 2013

Net revenue grew $113.8 (7.3%), or $101.5 (6.5%) on a constant currency basis.

- The Process Equipment Group's revenue increased $142.3 (15%), or $127.3 (14%) on a constant currency basis. The revenue increase was primarily due to two additional months of Coperion revenue compared to 2013. The revenue increase was also partially attributable to an increase in sales of replacement parts and services.

- Batesville's revenue was $592.2, a decrease of $28.5 (5%), or $25.8 (4%) on a constant currency basis. The decrease was driven primarily by a decrease in volume ($21.3) and in the average selling price ($7.2).

Gross profit grew $70.5 (14%) to $589.2 primarily due to two additional months of Coperion operations in 2014, partially offset by a decrease at Batesville. Consolidated gross profit margin was 35.3%, an improvement of 190 basis points. On an adjusted basis, which excluded acquisition-related charges and restructuring, gross profit grew $45.4 (8%) to $589.3 and adjusted gross profit margin improved 30 basis points to 35.3%.

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- The Process Equipment Group's gross profit grew $81.2 (29%) to $356.5 and was driven primarily by two additional months of Coperion operations and, to a lesser extent, increased profitability across the organization. Gross profit margin improved 370 basis points to 33.2% in 2014.

Gross profit included Coperion acquisition-related charges ($22.0 in 2013) and restructuring ($0.3 in 2014 and $0.3 in 2013). Excluding these items, adjusted gross profit grew $59.2 (20%) to $356.8. Adjusted gross profit margin improved 130 basis points to 33.2% in 2014.

- Batesville's gross profit decreased $10.7 (4%) to $232.7 and gross profit margin improved 10 basis points to 39.3% in 2014. The decrease in gross profit was due to lower volume, offset in part by supply chain cost reduction initiatives.

Gross profit included restructuring charges ($0.2 reduction to cost of goods sold in 2014 and $2.9 of expense in 2013). Excluding these charges, adjusted gross profit decreased $13.8 (6%) to $232.5 in 2014. Adjusted gross profit margin decreased 40 basis points in 2014 to 39.3%.

Operating expenses increased $46.6 (14%) to $383.1 in 2014, primarily due to two additional months of Coperion operating expenses compared to 2013, a litigation settlement in 2014, increased restructuring charges, and higher compensation and benefits, partially offset by a decrease in business acquisition costs. Our operating expense to revenue ratio decreased by 130 basis points to 23.0% in 2014. Operating expenses included the following items:

	Year Ended September 30,	
	2014	2013
Business acquisition costs	$8.4	$16.8
Restructuring charges	5.5	0.9
Litigation expenses	20.8	0.2

On an adjusted basis, which excluded business acquisition costs, restructuring charges, and litigation expenses, operating expenses increased $29.9 (9%) to $348.4, primarily driven by two additional months of Coperion operations and higher compensation and benefits. Our adjusted operating expense-to-revenue ratio decreased by 40 basis points to 20.9% in 2014.

Amortization expense decreased $32.5 (51%) to $31.6 primarily due to backlog amortization of $34.5 related to Coperion in 2013.

Interest expense decreased $0.7 primarily due to lower weighted-average outstanding borrowings and average interest rates in 2014 compared to 2013.

Other (expense) income, net was $8.7 of income in 2014 compared to $0.4 of expense in 2013. This increase was driven primarily by a $5.2 gain on the exercise of warrants to purchase common stock of Forethought, a $2.8 gain on limited partnership investments, and a $2.5 gain related to the cancellation of a service agreement at Batesville. See Note 12 to our financial statements included in Part II, Item 8, of this Form 10-K for more detailed information.

The income tax rate was 30.5% in 2014 compared to 30.2% in 2013. The year-over-year change in the effective tax rate was largely due to net increases in our liability for uncertain tax positions as well as an increase in the net deferred tax liability associated with a higher effective state tax rate. The increases in the effective tax rate are slightly offset by favorable tax rate benefit for increased income from foreign jurisdictions. For more information, see Note 7 to our financial statements included in Part II, Item 8, of this Form 10-K. Excluding the tax effect of all adjustments discussed above, our adjusted effective income tax rate was 31.6% in 2014 compared to 29.9% in 2013.

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OPERATIONS REVIEW — PROCESS EQUIPMENT GROUP

	Year Ended September 30,					
	2015		2014		2013 (a)	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Net revenue	$992.8	100.0	$1,075.0	100.0	$932.7	100.0
Gross profit	337.8	34.0	356.5	33.2	275.3	29.5
Operating expenses	193.5	19.5	226.0	21.0	196.5	21.1
Amortization expense	25.7	2.6	29.1	2.7	60.8	6.5

(a) Included 10 months of operations related to Coperion following its acquisition on December 1, 2012.

Year Ended September 30, 2015 Compared to Year Ended September 30, 2014

Net revenue decreased $82.2 (8%), although it increased $11.5 (1%) on a constant currency basis, due to increased demand for equipment, primarily equipment that processes proppants (used in hydraulic fracturing), partially offset by a decline in demand for equipment used in power and mining.

We expect future revenue for the Process Equipment Group to continue to 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 orders, extent of order customization, and customer delivery dates can create fluctuations in backlog and revenue. Revenue attributable to backlog is also affected by foreign exchange rate fluctuations for orders denominated in currencies other than U.S. dollars. Backlog decreased $121.6 (21%) from $580.4 on September 30, 2014, to $458.8 on September 30, 2015. On a constant currency basis, backlog at September 30, 2015 would have been $498.7, a decrease of $81.8 (14%). The decrease in backlog is primarily driven by a decrease in orders for equipment that processes proppants and equipment used in the power and mining industry as well as several individually significant project orders that were in backlog at September 30, 2014, that were delivered and were not replaced by similar significant orders in 2015.

Gross profit decreased $18.7 (5%), although it increased $9.0 (3%) on a constant currency basis, driven by increased demand for equipment, primarily for equipment that processes proppants, and favorable mix for equipment and replacement parts and service, partially offset by an increase in restructuring costs and a decline in demand for equipment used in power and mining. Gross profit margin improved 80 basis points to 34.0%, driven primarily by favorable mix for equipment and replacement parts and service.

Gross profit included restructuring costs of $1.5 in 2015 and $0.3 in 2014. Excluding these items, adjusted gross profit decreased $17.5 (5%), although it increased $10.1 (3%) on a constant currency basis, and adjusted gross profit margin improved 100 basis points to 34.2%.

Operating expenses decreased $32.5 (14%), or $14.1 (6%) on a constant currency basis, primarily due to a decrease in variable compensation, indirect taxes, and business acquisition and integration costs. Our operating expense-to-revenue ratio improved by 150 basis points to 19.5%.

Operating expenses included business acquisition and integration costs ($1.1 in 2015 and $2.1 in 2014), and restructuring costs ($3.9 in 2015 and $4.0 in 2014). Excluding these charges, adjusted operating expenses decreased $31.4 (14%), or $12.9 (6%) on a constant currency basis and the adjusted operating expense-to-revenue ratio improved 150 basis points to 19.0%.

Amortization expense decreased $3.4 (12%), or $1.5 (5%) on a constant currency basis, primarily due to acquired intangibles that became fully amortized in 2015.

Year Ended September 30, 2014, Compared to Year Ended September 30, 2013

Net revenue increased $142.3 (15%) or $127.3 (14%) on a constant currency basis. The revenue increase was primarily due to two additional months of Coperion revenue compared to 2013. The revenue increase was also partially attributable to an increase in sales of replacement parts and services.

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Gross profit grew $81.2 (29%) to $356.5 due to increased revenue, improved efficiency and pricing across the Process Equipment Group and lower acquisition-related charges in 2014. Gross profit margin improved 370 basis points to 33.2%.

Gross profit included inventory step-up charges related to the Coperion acquisition ($21.8 in 2013), restructuring costs ($0.3 in 2014 and $0.3 in 2013), and business acquisition costs ($0.2 in 2013). Step-ups in inventory value were recorded at the time of the Coperion acquisition and were subsequently expensed when the inventory was sold. Excluding these items, adjusted gross profit increased $59.2 (20%) to $356.8 and adjusted gross profit margin improved 130 basis points to 33.2%.

Operating expenses increased $29.5 (15.0%) to $226.0, and the operating expense-to-revenue ratio improved by 10 basis points to 21.0%. The increase was primarily due to two additional months of Coperion operating expenses compared to 2013 and increased restructuring charges, partially offset by decrease in business acquisition costs.

Operating expenses included business acquisition costs ($2.1 in 2014 and $3.1 in 2013), and restructuring costs ($4.0 in 2014 and $0.2 in 2013). Excluding these charges, adjusted operating expenses increased $26.7 (14%) driven by two additional months of Coperion operating expenses. The adjusted operating expense-to-revenue ratio improved 20 basis points to 20.5%.

Amortization expense decreased $31.7 (52%) to $29.1 primarily due to backlog amortization of $34.5 related to Coperion in 2013.

OPERATIONS REVIEW — BATESVILLE

	Year Ended September 30,					
	2015		2014		2013	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Net revenue	$604.0	100.0	$592.2	100.0	$620.7	100.0
Gross profit	232.6	38.5	232.7	39.3	243.4	39.2
Operating expenses	97.8	16.2	115.5	19.5	97.1	15.6
Amortization expense	2.0	0.3	2.0	0.3	3.0	0.5

Year Ended September 30, 2015, Compared to Year Ended September 30, 2014

Net revenue increased $11.8 (2%) or $17.2 (3%) on a constant currency basis in 2015 to $609.4, primarily due to an increase in volume ($22.8), partially offset by a decrease in the average selling price ($5.6). Higher volume was driven by what we estimate to be an increase in North American deaths, partially offset by the estimated increase in the rate at which families opted for cremation.

Gross profit remained relatively flat at $232.6 in 2015, and gross profit margin decreased 80 basis points to 38.5%. The decrease in gross profit margin was primarily due to decreased average selling price, higher raw material costs, and restructuring charges from the disposal of equipment, which were mostly offset by an increase in volume and lower fuel expenses.

Gross profit included restructuring charges ($1.7 of expense in 2015 and $0.2 reduction of cost of goods sold in 2014). Excluding these charges, adjusted gross profit increased $1.8 (1%) or $2.6 (1%) on a constant currency basis. Adjusted gross profit margin decreased 50 basis points in 2015 to 38.8%.

Operating expenses decreased $17.7 (15%) to $97.8 in 2015 primarily because 2014 included a significant litigation settlement and 2015 included lower bad debt expense. The decrease was partially offset by an increase in variable compensation and selling expenses in 2015. The operating expense-to-revenue ratio improved 330 basis points to 16.2%.

In 2015, operating expenses included $0.2 of restructuring charges and $0.5 of certain litigation costs, compared to a $20.8 charge for a litigation settlement in 2014. Excluding these charges, adjusted operating expenses decreased 3% to $97.1, and the adjusted operating expense-to-revenue ratio decreased by 10 basis points to 16.1%.

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Year Ended September 30, 2014, Compared to Year Ended September 30, 2013

Net revenue decreased $28.5 (5%) or $25.8 (4%) on a constant currency basis in 2014 to $592.2, driven primarily by a decrease in volume ($21.3) and in the average selling price ($7.2). The volume decrease was a result of the decline in burial product demand driven by fewer deaths year-over-year, coupled with an estimated increase in the rate at which families chose cremation.

Gross profit decreased 4% to $232.7 in 2014, and gross profit margin improved 10 basis points to 39.3%. The decrease in gross profit was due to lower volume, offset in part by supply chain cost reduction initiatives.

Gross profit included restructuring charges ($0.2 reduction to cost of goods sold in 2014 and $2.9 of expense in 2013). Excluding these charges, adjusted gross profit decreased $13.8 (6%) to $232.5 in 2014. Adjusted gross profit margin decreased 40 basis points in 2014 to 39.3%.

Operating expenses increased $18.4 (19%) to $115.5 because 2014 included a significant litigation settlement. The increase was partially offset by decreased variable compensation expense. The operating expense-to-revenue ratio decreased 390 basis points to 19.5%.

Operating expenses included restructuring charges ($0.5 in 2013) and a litigation settlement ($20.8 in 2014 and $0.2 in 2013). Excluding these charges, adjusted operating expenses decreased 2% to $94.7, and the adjusted operating expense-to-revenue ratio decreased by 50 basis points to 16.0%.

REVIEW OF CORPORATE EXPENSES

	Year Ended September 30,					
	2015		2014		2013	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Core operating expenses	$35.3	2.2	$33.8	2.0	$28.9	1.9
Business acquisition and integration costs	2.5	0.2	6.3	0.4	13.7	0.9
Restructuring costs	1.5	0.1	1.5	0.1	0.2	—
Operating expenses	$39.3	2.5	$41.6	2.5	$42.8	2.8
Amortization expense	0.4	0.000250501002	0.5	0.0002999040307	0.4	0.0002574996781

Core operating expenses represent operating expenses excluding restructuring charges and costs related to business acquisition and integration, which we incur as a result of our strategy to grow through selective acquisitions.

Year Ended September 30, 2015, Compared to Year Ended September 30, 2014

Core operating expenses increased $1.5 (4%) in 2015 primarily due to higher compensation and benefits and corporate project costs. These expenses as a percentage of revenue were 2.2%, an increase of 20 basis points compared to 2.0% in 2014.

Business acquisition and integration costs include legal, tax, accounting and other advisory fees and due diligence costs associated with investigating opportunities and integrating completed acquisitions. As a natural consequence of our acquisition strategy, we incur costs to investigate opportunities that ultimately do not result in a consummated transaction. The depth of these efforts and the significance of the associated costs will fluctuate from time-to-time.

Year Ended September 30, 2014, Compared to Year Ended September 30, 2013

Core operating expenses increased $4.9 (17%) in 2014 primarily due to higher compensation and benefits. These expenses as a percentage of revenue were 2.0%, an increase of 10 basis points compared to 1.9% in 2013.

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NON-GAAP OPERATING PERFORMANCE MEASURES

The following are reconciliations from GAAP operating performance measures to the relevant non-GAAP (adjusted) performance measures.

	Year Ended September 30,								
	2015			2014			2013		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Cost of goods sold	$1,026.4	$(3.2) (a)	$1,023.2	$1,078.0	$(0.1) (f)	$1,077.9	$1,034.7	$(25.2) (h)	$1,009.5
Operating expenses	330.6	(9.7) (b)	320.9	383.1	(34.7) (g)	348.4	336.5	(18.0) (i)	318.5
Amortization expense	28.1	—	28.1	31.6	—	31.6	64.1	(34.5) (j)	29.6
Pension settlement charge	17.7	(17.7) (c)	—	—	—	—	—	—	—
Interest expense	23.8	—	23.8	23.3	—	23.3	24.0	(1.2) (k)	22.8
Other (expense) income, net	(7.9)	0.1 (d)	(7.8)	8.7	—	8.7	(0.4)	(1.1) (l)	(1.5)
Income tax expense	49.1	11.2 (e)	60.3	48.7	12.9 (e)	61.6	28.3	22.9 (e)	51.2
Net income(1)	111.4	19.5	130.9	109.7	21.9	131.6	63.4	54.9	118.3
Diluted EPS	1.74	0.31	2.05	1.72	0.34	2.06	1.01	0.87	1.88
Ratios:									
Gross margin	35.7 %	0.2 %	35.9 %	35.3 %	— %	35.3 %	33.4 %	1.6 %	35.0 %
Operating expenses as a % of net revenue	20.7 %	(0.6)%	20.1 %	23.0 %	(2.1)%	20.9 %	21.7 %	(1.2)%	20.5 %

(1) Net income attributable to Hillenbrand

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

(a) Restructuring ($1.5P, $1.7B)
(b) Business acquisition costs ($1.1P, $2.5C), restructuring ($3.9P, $0.2B, $1.5C), litigation ($0.5B)
(c) Pension settlement charge ($17.7C)
(d) Restructuring ($0.1P)
(e) Tax effect of adjustments
(f) Restructuring ($0.3P, $0.2 credit B)
(g) Business acquisition costs ($2.1P, $6.3C), restructuring ($4.0P, $1.5C), litigation ($20.8B)
(h) Inventory step-up ($21.8P), restructuring ($0.3P, $2.9B), business acquisition costs ($0.2P)
(i) Business acquisition costs ($3.1P, $13.7C), restructuring ($0.2P, $0.5B, $0.2C), litigation ($0.2B), other ($0.1B)
(j) Backlog amortization ($34.5P)

(k) Business acquisition costs ($1.2C)
(l) Acquisition-related foreign currency transaction ($0.8C), business acquisition costs ($0.2C), other ($0.1B)

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	Year Ended September 30,		
	2015	2014	2013
Net income of consolidated and affiliated subsidiaries	$113.2	$111.2	$65.4
Interest income	(1.0)	(0.8)	(0.6)
Interest expense	23.8	23.3	24.0
Income tax expense	49.1	48.7	28.3
Depreciation and amortization	54.3	58.4	89.4
EBITDA	$239.4	$240.8	$206.5
Litigation	0.5	20.8	0.2
Restructuring	7.5	5.5	2.8
Inventory step-up	—	—	21.8
Business acquisition costs	3.6	8.4	16.0
Pension settlement charge	17.7	—	—
Other	—	—	0.2
Adjusted EBITDA	$268.7	$275.5	$247.5

Adjusted EBITDA for 2015 compared to 2014 decreased $6.8 (2%), although on a constant currency basis it increased $1.6 (1%). This increase was driven by increased volume of equipment sales, favorable mix for equipment and replacement parts and service at the Process Equipment Group, and a decrease in indirect taxes and variable compensation. This increase in adjusted EBITDA was partially offset by a decline in income on limited partnership investments from a $2.8 gain in 2014 to a $2.1 loss in 2015. There were also two one-time transactions that occurred in 2014: a $5.2 gain on the exercise of warrants to purchase common stock of Forethought Financial Group, Inc. ("Forethought") and a $2.5 gain related to the cancellation of a service agreement at Batesville. There was also a $2.9 increase in foreign currency exchange loss in 2015.

Adjusted EBITDA for 2014 compared to 2013 increased $28.0 (11%), primarily due to two additional months of Coperion operations compared to 2013, a $5.2 gain from the exercise of warrants to purchase common stock of Forethought, a $2.8 gain on limited partnership investments, and a $2.5 gain related to the cancellation of a service agreement at Batesville. The growth in the Process Equipment Group and the gains noted above more than offset the impact of lower volume and average selling price in the Batesville segment.

LIQUIDITY AND CAPITAL RESOURCES

In this section, we discuss our ability to access cash to meet business needs. We discuss how we see cash flow being affected for the next twelve months and how we intend to use it. We describe actual results in generating and utilizing cash by comparing 2015 to 2014. Finally, we identify other significant matters, such as contractual obligations and contingent liabilities and commitments that could affect liquidity on an ongoing basis.

Ability to Access Cash

Our debt financing includes long-term notes, including the Series A Notes, and our revolving credit facility and term loan (the "Facility") as part of our overall financing strategy. We believe we continue to have ready access to capital markets and regularly review the optimal mix of fixed-rate and variable-rate debt. In addition to cash balances and our ability to access long-term financing, we had $578.8 of maximum borrowing capacity available under the Facility as of September 30, 2015, of which $454.3 of borrowing capacity is immediately available based on our leverage covenant at September 30, 2015, with additional amounts available in the event of a qualifying acquisition. The available borrowing capacity reflects a reduction of $13.6 for outstanding letters of credit issued under the Facility. The Company may request an increase of up to $300.0 in the total borrowing capacity under the Facility, subject to approval of the lenders.

In the normal course of business, the Process Equipment Group provides to certain customers bank guarantees and other credit arrangements in support of performance, warranty, advance payment, and other contractual obligations. This form of trade finance is customary in the industry and, as a result, we are required to maintain adequate capacity to provide the guarantees. As of September 30, 2015, we had guarantee arrangements totaling $218.7, under which $139.6 was utilized for this purpose. These arrangements include a €150.0 Syndicated Letter of Guarantee Facility (as amended, the “LG Facility”) under which unsecured letters of credit, bank guarantees, or other surety bonds may be issued. The Company may request an increase to the total capacity under the LG facility by an additional €70.0, subject to approval of the lenders.

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We have significant operations outside the U.S. The majority of foreign earnings is considered to be indefinitely reinvested in foreign jurisdictions where the Company has made, and intends to continue to make, substantial investments to support the ongoing development and growth of our international operations. Accordingly, no U.S. federal and state income taxes have been accrued on the portion of our foreign earnings that is considered to be indefinitely reinvested in foreign jurisdictions. The cash at our international subsidiaries totaled $40.8 at September 30, 2015. We do not intend, nor do we foresee a need, to repatriate these funds; however, repatriation of these funds under current regulatory and tax law for use in domestic operations would expose us to additional taxes.

12-month Outlook

We believe the 12-month outlook for our business remains positive. Although cash flow from operations in the Process Equipment Group naturally experiences substantial fluctuations driven by changes in working capital requirements at Coperion (due to the type of product and geography of customer projects in process at any point in time), we believe we have significant flexibility to meet our financial commitments including working capital needs, capital expenditures, and financing obligations.

We expect to continue to grow at least partially through acquisitions and to continue to focus on building platforms based on highly engineered equipment and systems for diverse niche markets. Therefore, we expect to continue to use a combination of some of our cash flows from operations and our Facility to fund these acquisitions. When we consider attractive targets, we often look for companies with a relatively low physical asset base, in order to limit the need to invest significant additional cash into targets post-acquisition. As such, on October 2, 2015, we completed the acquisition of Abel Pumps LP and Abel GmbH & Co. KG and certain of their affiliates (collectively, “Abel”) from Roper Technologies for €95 million in cash. We utilized borrowings under our Facility to fund this acquisition.

Our anticipated contribution to our pension plans in 2016 is $14.9. We will continue to monitor plan funding levels, performance of the assets within the plans, and overall economic activity, and we may make additional discretionary funding decisions based on the net impact of the above factors. On April 1, 2015, we announced an offer to provide former employees who are participants in the Company’s U.S. defined benefit pension plan (the “Plan”) the opportunity to elect a lump sum distribution of their earned Plan benefits. The Plan’s fiduciaries made lump sum payments to electing eligible participants in September 2015, funded by the existing assets in the Plan. The Company recorded a non-cash income statement settlement pre-tax charge of $17.7 in September 2015.

We currently expect to pay quarterly cash dividends in the future comparable to those we paid in 2015, which will require approximately $12.7 each quarter based on our outstanding common stock at September 30, 2015. We are currently authorized by our Board of Directors to purchase up to $100.0 of our common stock, and may elect to do so, depending on market conditions and other needs for cash consistent with our growth strategy. We repurchased approximately 381,000 shares of our common stock in 2015, for a total cost of approximately $11.2. See Item 5 within this Form 10-K for more information on share repurchases.

We believe existing cash, cash flows from operations, and the issuance of debt will continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities. Based on these factors, we believe our current liquidity position is strong and will continue to meet all of our financial commitments for the foreseeable future.

Cash Flows

	Year Ended September 30,		
(in millions)	2015	2014	2013
Cash flows provided by (used in)			
Operating activities	$105.0	$179.6	$127.2

Investing activities	(29.5)	(8.3)	(441.0)
Financing activities	(83.2)	(155.5)	336.5
Effect of exchange rate changes on cash and cash equivalents	(2.0)	(0.5)	(0.2)
Increase (decrease) in cash and cash equivalents	$(9.7)	$15.3	$22.5

Operating Activities

Operating activities provided $105.0 of cash during 2015, in contrast to providing $179.6 of cash during 2014, a $74.6 decrease.

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This decrease was primarily driven by increased working capital requirements at Coperion, as well as a litigation settlement at Batesville accrued in 2014 that was paid in 2015. The decrease in operating cash flow was partially offset by the timing of federal income tax payments ($43.8). Increased working capital requirements at Coperion were primarily due to an increased outflow of supplier payments in 2015 driven by several significant project orders that were received in the final quarter of 2014. In addition, payments on certain customer contracts were delayed due to the movement of delivery dates, causing our net working capital investment in those contracts to increase during 2015.

Working capital requirements for Coperion may fluctuate in this manner due primarily to the type of product and geography of customer projects in process at any point in time. Working capital needs are lower when advance payments from customers are more heavily weighted toward the beginning of the project. Conversely, working capital needs are higher when a larger portion of the cash is to be received in later stages of manufacturing.

Cash provided by operating activities in 2014 compared to 2013 increased $52.4 (41%) primarily due to two additional months of Coperion operations, improvement in working capital requirements at Coperion, and lower acquisition and integration spending. These increases were partially offset by the timing of federal income tax payments ($55.8).

Investing Activities

Cash used in investing activities in 2015 compared to 2014 increased due to higher capital expenditures, lower proceeds on the disposal of property, and lower proceeds from investments.

Cash used in investing activities in 2014 compared to 2013 was largely impacted by decreased acquisition activity ($0 paid in 2014, compared to $415.7 paid in 2013, primarily related to Coperion), and decreased capital expenditures in 2014 ($6.3).

Financing Activities

Cash provided by (used in) financing activities was largely impacted by our borrowing activities. Our general practice is to utilize our cash to pay down debt unless it is needed for an acquisition. Cash used in financing activities in 2015 was $83.2 compared to cash used in financing activities in 2014 of $155.5. We had net repayments of $26.2 in 2015 compared to $104.1 in 2014, due primarily to increased working capital needs at Coperion.

Cash used in financing activities in 2014 was $155.5 compared to cash provided by financing activities in 2013 of $336.5. We had net repayments of $104.1 in 2014 compared to net borrowings of $385.6 in 2013. This change was due primarily to the acquisition of Coperion in 2013.

We returned over $50.4 to shareholders in 2015 in the form of quarterly dividends. We increased our quarterly dividend in 2015 to $0.2000 per common share from $0.1975 paid during 2014 and $0.1950 paid in 2013. We repurchased approximately 381,000 shares of our common stock during 2015, for a total cost of approximately $11.2.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements.

Inflation

The effect of broad-based inflation on the Company’s revenues and net earnings was not significant in 2015, 2014, or 2013.

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Contractual Obligations and Contingent Liabilities and Commitments

The following table summarizes our future obligations as of September 30, 2015. This will help give you an understanding of the significance of cash outlays that are fixed beyond the normal accounts payable we have already incurred and have recorded in the financial statements.

	Payment Due by Period				
(in millions)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
10 year, 5.5% fixed rate senior unsecured notes	$150.0	$—	$—	$150.0	$—
Revolving credit facility (1)	107.6	—	—	107.6	—
Term loan	171.0	9.0	31.5	130.5	—